

## **CORPORATE GOVERNANCE DISCLOSURE PRACTISES UNDER THE COMPANIES ACT 2013: A STUDY OF SELECT AUTOMOBILE COMPANIES IN INDIA**

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### **Abstract**

*Disclosure, in the context of corporate reporting refers to making information and facts available to stakeholders so as to enable them to arrive at a decision. The Companies Act 2013 was a landmark legislation which set forth various disclosure requirements for companies in order to enhance their corporate governance reporting and fixing accountability to stakeholders. This paper aims at evaluating the corporate governance disclosure practises of select automobile sector companies vis-a-vis the requirements of the Companies Act 2013. Study has been done to analyse certain factors which affect the disclosure practises of the companies. The methodology includes arriving at scores for different disclosure criteria for a period of 5 years post implementation of the Companies Act 2013 and correlating them to certain factors. The paper concludes that there is still substantial scope for improvement in disclosure of corporate governance practises even post 5 years of implementation of the Companies Act 2013.*

**KEYWORDS-** Corporate Governance, Companies Act 2013, Disclosure, Automobile Sector

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## 1. INTRODUCTION

Corporate governance is to a large extent, a set of mechanisms through which outsider investors protect themselves from expropriation by insiders (Rafael, Florencio, Shelifer, & Vishny, 2000). Corporate governance, in modern day terminology, is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. The term can refer to internal factors defined by the officers, stockholders or constitution of a corporation, as well as to external forces such as consumer groups, clients, and government regulations. Maintaining Investors' Confidence and maximisation of profit are the two pillars of any sound corporate governance system. Corporate governance essentially means managing the business of the Company responsibly, commitment to ethics, and adequate and timely disclosure of material information. The subject of Corporate Governance garnered global attention from relative obscurity after a string of collapses of high profile companies worldwide. Making sure that the management actually acts on behalf of the shareholders and pass on the profits to them are the key issues in corporate governance. The Companies Act 2013, sought to usher in transparency and governance in corporate besides creating an environment for profit maximisation and growth. The Act aimed at improving corporate governance and establishing a system with minimum faults so as to plug any kind of corporate misconduct. When the literature of CG was reviewed a need was felt to analyse the extent of Corporate Governance Disclosure Practises (CGDP) of select Listed Companies sector wise. This paper makes an attempt to study the extent of CGDP of select Automobile Sector Companies listed on BSE.

## 2. REVIEW OF LITERATURE

**Brown & Caylor, 2006** in this paper tended to relate corporate governance to firm valuation using 1,868 firms based on 51 internal and external corporate governance factors provided by Institutional Investor Services. The 51 governance provisions were classified in eight categories: audit, board of directors, charter/bylaws, director education, executive and director compensation, ownership, progressive practices, and state of incorporation. They created a broad summary measure of corporate governance, Gov-Score, which sums these 51 binary factors where each is coded 1 (0) if it does (not) represent minimally acceptable governance. Gov-Score was found to be significantly and positively associated with Tobin's Q

**Sharma & Singh, 2009** have examined the voluntary corporate governance practices of the Indian companies over and above the mandatory requirements as per Clause 49. A sample of 50 listed companies has been taken from four industries; Software, textile, sugar and paper. A voluntary corporate disclosure index has been prepared. Total 40 items has been selected from the corporate governance section of the annual report for the study. It has been observed that the companies followed less than 50% of the items of disclosure index. This study has suggested that there is a need to extend the scope of existing mandatory Clause further by covering the items from voluntary index

**Pahuja & Bhatia, 2010** in this study have sought to determine the extent to which Indian listed companies are disclosing their corporate governance practices by examining the Annual Reports of fifty listed companies. Also, the determinants of disclosures have been looked into. It was concluded that though there have been concerted efforts by SEBI to strengthen corporate governance practices in India, yet the efforts to disclose world-class information on the part of companies were required so that they could participate in the global economy.

**Chatterjee, 2011** observed that the top Indian Companies are facilitating bare minimum information needed as per Clause 49 of SEBI regulations. He also found that most of companies don't provide sufficient details.

**Bhasin & Shaikh, 2013** in this study have selected a sample of 50 listed corporations, for two years 2003-04 and 2004-05 in order to study the Voluntary CG Disclosures of these corporations. The CG section of the annual reports of these corporations was studied and scores given and statistically analysed. It was observed that the corporations were unfortunately following less than 50% of the items of VCGD index. The authors suggested that the CG disclosure scenario in India was very slow paced and needed rethinking.

**Gupta & Mehta, 2014** have conducted a study on corporate governance practices followed by Indian and Korean companies. Various parameters such as board structure and composition, committees, roles of independent directors, conflict of interest and disclosures were considered

in the study. The aim was to find out whether there was any relationship between firm performance and corporate governance, and whether there exists a directly proportional relationship between these two aspects. The conclusions made in this study hints that corporate governance has limited impact on both the share market prices as well as financial performance of companies. It was observed that Indian Companies follow a more stringent set of corporate governance rules than as compared to the Korean Companies. This was because the Indian Companies follow a model based on the US Model which is mandatory in nature whereas the Koreans follow stakeholder form of corporate governance. As per the study, there existed huge difference in mandatory disclosure and practices of both the countries.

**Sharma S., 2014** in this study has evaluated the corporate governance practices in banking sector particularly in the ICICI Bank Ltd. These practices were evaluated on the basis of shareholding pattern, board practices, board committees and disclosures and transparency of information. The author observed that ICICI Bank had complied with the requirements of Clause 49 of the listing agreement, as far as mandatory information was concerned. But more efforts should be directed towards the compliance of non mandatory requirements like fixation of retirement age of the directors, selection criterion for non-executive and independent directors and training of board members etc. [29]

**Kumar, 2014** in this paper has reviewed the provisions and various developments in corporate governance in India under the Companies Act, 2013. The author suggests that under the Companies Act, 2013, the role of the Board of Directors shall be extremely critical. The paper has been prepared using exploratory research methodology. [3]

**Bharadwaj & Rao, 2014** aimed at investigating the corporate governance practices in Indian firms. Study observed that corporate governance is both a science and an art. The objectivity is achieved to a great extent through the codes of corporate governance practices. The spirit with which the corporate world obeys the letters of the code determines the quality of governance. In the study, the Revised Clause 49 of the SEBI guidelines on Corporate Governance was taken as the benchmark and the Sample size was 50 (CNX Nifty Index) companies. The study covered the concept of corporate governance, saga of corporate governance reforms and regulatory framework, literature review, objectives, analysis and findings and conclusion. The results of the study revealed that the mandatory provisions of

revised Clause 49 were followed by most of the companies. However, there was a need to extend the scope of existing mandatory requirements of revised Clause 49 further.

**Garg R., 2016** in this paper has focused on the role of independent directors in ensuring corporate governance. The paper also discusses about the roles and responsibilities of independent directors as provided in the Companies Act, 2013 as well as the position of independent director provisions prior to the Act of 2013. The author is of the view that mere existence of provisions relating to independent directors shall not help in ensuring corporate governance

**NSE, 2017** in its publication has assessed why corporate governance is so important for any country. The papers stated that in India, Corporate Governance reforms came with the liberalization of economy in the early 1990's and has since then evolved multi-folds. The paper then analyses the position of India in global scenario by studying the Doing Business Report, 2018 and improvements made across different areas of ease of doing business. The paper also highlights the recent reforms (March 2016 to September 2017) in Corporate Governance framework which included the Companies (Amendment) Bill 2017 and its key features, the SEBI (Listing Obligations and Disclosure Requirements) Regulations and then concludes by stating the Corporate governance initiatives undertaken by NSE.

**Upadhyay M. K. 2017** has in her paper tried to study how effectively the Companies Act, 2013 ('the Act') which is a landmark legislation with far-reaching consequences on all companies incorporated in India helps in fulfilling the so called "Corporate Governance" and sustainable development and has concluded that the Act is a landmark piece of legislation which enables corporate governance implementation in a much better way.

**Manna, Sahu, & Gupta 2017** have investigated the impact of board composition and board meetings on firms performance of manufacturing companies in India, Board composition characterized by Board size, number of executive directors, board independence, and chairman's identity. The corporate performance was measured by net profit, net sales, return on capital employed, EPS, Tobin's Q, EVA and MVA. The study was conducted for a period 2006-2011 for 52 Indian manufacturing companies listed on BSE. The study concluded that the Indian manufacturing industry is characterized by moderate profitability and satisfactory

performance. The study suggested that there was a positive relationship between Board Size and Performance and negative relation between board independence and performance. Board meetings and performance were positively related. The study recommended further research on the same area by including more parameters such as gender diversity, education level of directors, presence of foreign director etc.

**Rajashekar & Kalashree, 2018** in this paper have included all mid cap and high cap pharmaceutical companies listed on the BSE for study. The study concentrated on only the mandatory provisions of Clause 49 of the listing agreement, which were grouped into 10 categories and scores were assigned for assessing the disclosure level. Upon analysis it was observed that the pharmaceutical companies were not fully compliant with the mandatory disclosure required by the Clause 49.

### 3. OBJECTIVES OF THE STUDY

- To study the Corporate Governance Disclosure Practices of select listed companies of Automobile sector under the Companies Act 2013
- To study the factors affecting the Corporate Governance disclosure practices of select companies.

### Grounds for selecting Automobile Sector

The automobile industry in India is the world's fifth largest. India was the world's fifth largest manufacturer of cars and seventh largest manufacturer of commercial vehicles in 2019. Indian automotive industry (including component manufacturing) is expected to reach Rs. 16.16-18.18 trillion (US\$ 251.4-282.8 billion) by 2026. The industry attracted Foreign Direct Investment (FDI) worth US\$ 30.51 billion between April 2000 and June 2021 accounting for ~5.5% of the total FDI during the period according to the data released by Department for Promotion of Industry and Internal Trade (DPIIT) Overall automobile exports from India grew at 6.86 per cent CAGR between financial year 2013-2018. Overall, domestic automobiles sales increased at 1.29% CAGR between FY16-FY20 with 21.55 million vehicles being sold in FY20. The Government aims to develop India as a global manufacturing and research and

development (R&D) hub. It has set up National Automotive Testing and R&D Infrastructure Project (NATRiP) centres as well as National Automotive Board to act as facilitator between the Government and the industry. Under (NATRiP), five testing and research centres have been established in the country since 2015.. Due to such explosive opportunities, the automobile sector is appealing for a deeper study, for this reason it was selected for the present study.

#### 4. DATA SOURCE & METHODOLOGY

For the purpose of this study, the list of top 100 companies based on market capitalisation as on 31<sup>st</sup> March of each financial year under study (2014-15 to 2018-19) was taken from the BSE website, [www.bseindia.com](http://www.bseindia.com) on 13 November 2019, 16:37:13. The companies belonging to the Automobile Sector which were consistently present in all the list of all five years end date were identified. Eight top (based on market capitalization) automobile companies listed on BSE were selected and their CG disclosures and factors affecting disclosures were correlated. The select companies are as follows:

Sector	Companies
Automobile	Tata Motors Limited
	Motherson Sumi Systems Limited
	Maruti Suzuki India Limited
	Mahindra & Mahindra Limited
	Hero MotoCorp Limited
	Bajaj Auto Limited
	Eicher Motors Limited
	Bosch Limited

**Period of Study:** The Annual Reports have been collected for 5 financial years i.e. 2014-15 to 2018-19

**Source of data:** In the present study, secondary data source is used. (Cooper & Schindler, 2003) have also stated that researching secondary sources is complex and challenging and it requires evaluation of the quality of information. To address this concern, the study collected detailed secondary source of data from authentic sources. Annual reports of selected listed companies are collected from the respective website of the company or the website of the Ministry of Corporate Affairs

**Recording of data and analysis:**

Observations are recorded in tabular form on the basis of Mandatory items of disclosure in the Director's Report of the sample companies.

Annual reports of selected companies were analysed for the presence of mandatory disclosures as required under the Companies Act 2013 and in order to understand the substance of reporting, a table showing mandatory disclosures in the Director's Report as mandated by the Companies Act 2013 is prepared (Appendix 1). Disclosure of an item is assigned score 1 while in case of no disclosure of the item score 0 is assigned. A dichotomous procedure was followed to score each of the disclosure items. Each company was awarded a score of "1" if the company appears to have disclosed the concerned issue and "0" otherwise.

Any disclosure in the Director's Report other than the mandatory disclosures is treated as voluntary disclosure and assigned score 1. It may be noted that disclosures made in compliance with requirements of other legislations like Listing Agreement have not been assigned any score as the study mainly focuses on disclosure practices under the Companies Act 2013. The voluntary disclosures are clubbed under 6 categories based on the Voluntary Disclosure Index used in the paper (Charumati & Latha, 2015)

- Strategy and General
- Forward Looking Statements
- Human and Intellectual Capital
- Awards and Achievements
- Social & Environmental
- Others

The net score of each company was found out for each of the five years under study and an average score over the five years was then calculated. The maximum score obtainable for mandatory disclosures by a company could be 70 if all the items were disclosed. For voluntary the maximum score assigned was 40.

A Corporate Governance Disclosure Index (CGDI) was then computed by using the following formula as used by (Bhuiyan & Biswas, 2007).

$$\text{CGDI} = \frac{\text{Total Score of the Individual Company} \times 100}{\text{Maximum Possible Score Obtainable by the Company}}$$

The value of Corporate Governance Disclosure Index (CGDI) ranges between 0-100, with 0 reflecting the worst disclosure practices and 100 representing the best disclosure practices. It is to be kept into consideration that CGDI indicates only the disclosure/presence of information regarding a particular item in the annual report. It does not indicate anything about the quality/extent of disclosure of a particular item

To examine the possible relationships with disclosures, the study identifies few variables to be tested. Correlation has been used as the analytical technique for the purpose. Following Table explains the operational meaning of these variables

**Table 1**  
**Meaning of the Variables**

Variable	Acronym	Description
<b>Dependent Variable</b>		
Corporate Governance Disclosure Index (Mandatory)	CGDIM	Corporate governance disclosure index for mandatory disclosures calculated as total score obtained by the company (out of 70) divided by maximum possible score obtainable by the company multiplied by 100
Corporate Governance Disclosure Index (Voluntary)	CGDIV	Corporate governance disclosure index for

		voluntary disclosures calculated as total score obtained by the company (out of 40) divided by maximum possible score obtainable by the company multiplied by 100
<b>Independent Variable</b>		
Board Strength	BOD	Average No of Directors on Board of Directors of the Company for the five years under study
No.of Women Directors on the Board	WBOD	Average No. of Women Directors on the Board of the Company for the five years under study
Independence of the Board	INED	Average No of Independent Non Executive Directors Board of Directors of the Company for the five years under study
Audit Committee	AUD	No of meetings of the Audit Committee
Composition of Audit Committee	INEDAUD	No. of independent directors on Audit Committee
Managerial Ownership	SHARE	% of shares held by CEO and other Directors (Managerial Ownership) In percentage
Turnover	TURN	Average turnover of the Company for the five years under study

Profitability	NP	Average Net Profit percentage for the five years under study

## 5. LIMITATIONS OF THE STUDY

The following limitations characterize the methodology. If there was an evidence of information being disclosed by the company, regardless of whether the company follows it or not, a score of 1 was awarded. No attempt has been made to take into account the length of each disclosure, whether the company follows the best practices or to differentiate reports on the basis of the „quality“ of disclosures practices. This means the quality as expressed by quantum or extent of disclosures has not been considered. This is the first limitation of the study.

Another limitation is related to the generalization of the study i.e. the extent to which the results can be generalized to the entire corporate sector. As the sample size for this study is only 8 companies, the results may not be true for whole corporate sector.

## 6. RESULTS AND DISCUSSION

### Disclosure Practises of the Companies

As reflected from Table 2, there is a significant range in the disclosure index among the selected companies. For mandatory disclosures, the same ranges between the minimum score of 62 and maximum score of 88 with a mean of 79 and standard deviation of 8.24. For Voluntary disclosures, the same ranges between the minimum score of 6 and maximum score of 37 with a mean of 18 and standard deviation of 8.91. It has been observed after analysis that even if there is an increasing tendency to disclose different aspects of corporate governance, the disclosure practices and the content, quality and extent of disclosures among the selected companies varied greatly. It is clearly indicated that 75% of the companies are scoring 85 (eighty five) or lower mandatory disclosure score, meaning thereby that the extent of disclosure on corporate governance practices among Indian listed companies is fairly good though quality may remain an issue.

**Table 2**  
**Descriptive Statistics of CGDI**

<b>Description</b>	<b>CGDIM</b>	<b>CGDIV</b>
<b>Minimum</b>	62	6
<b>Maximum</b>	88	37
<b>Mean</b>	79	18
<b>Median</b>	79	17
<b>Mode</b>	87.71	-
<b>Standard Deviation</b>	8.24	8.91

Further as per the following table, Table 3 it is clear that the 50% of the sample companies have secured in the range of 71-80. None of the companies have a score exceeding 90 which signals a gap in the mandatory disclosures required by the Companies Act 2013.

**Table 3**  
**Frequency Distribution of CGDIM**

<b>Total Score</b>	<b>Frequency (N)</b>	<b>Cumulative N</b>	<b>Percent (%)</b>	<b>Cumulative %</b>
Above 90	0	0	0	0
81-90	3	3	37.50%	37.50%
71-80	4	7	50.00%	87.50%
61-70	1	8	12.50%	100%

### **Item wise disclosure of Corporate Governance**

For analyzing item wise disclosure compliance by sample companies, the most recent annual report i.e. annual report of 2019 has been analysed and summarized in Appendix 1. It is clear from the appendix that 33 items of disclosure are being disclosed by 100% companies, 8 items are being disclosed by more than 80% companies. 6 items are being disclosed by 50% or less of the sample companies in their Directors Report, one being DIN of the Directors signing the same are not being mentioned in accordance with section 158 of the Companies Act 2013 and the amounts proposed to be transferred to reserves in accordance with section 134 of the Companies Act 2013 is not being mentioned.

### **Determinants of Disclosure**

Studies done on corporate governance in the past reveal that the extent of corporate governance disclosure, reflected in terms of the Corporate Governance Disclosure Index is affected by a number of factors. We have used correlation technique to evaluate the effect of a few parameters on the disclosure practises of the select companies.

### **Correlation results**

As seen from above, out of the 8 (Eight) Factors tested, Turnover is a factor having significant correlation with mandatory disclosure Practices of the select Companies in the Automobile Sector as a whole (calculated by taking average Mandatory CGDP Scores of the select companies and average factor results of the select companies).

Table 4: Correlation Analysis		CGDSM	BOD	WBOD	INED	AUD	INEDAUD	SHARE	TURN	NP
CGDSM	Pearson Correlation	1	-0.216	0.051	0.493	-0.084	0.338	0.463	-.847**	-0.132
	Sig. (2-tailed)		0.607	0.905	0.214	0.843	0.413	0.432	0.008	0.756
	N	8	8	8	8	8	8	5	8	8
BOD	Pearson Correlation	-0.216	1	0.469	0.641	-0.023	0.230	0.246	0.266	-0.145
	Sig. (2-tailed)	0.607		0.241	0.087	0.957	0.584	0.690	0.525	0.732
	N	8	8	8	8	8	8	5	8	8
WBOD	Pearson Correlation	0.051	0.469	1	0.167	0.474	0.516	0.098	0.063	-0.319
	Sig. (2-tailed)	0.905	0.241		0.693	0.235	0.190	0.875	0.883	0.441
	N	8	8	8	8	8	8	5	8	8
INED	Pearson Correlation	0.493	0.641	0.167	1	-0.353	0.258	0.307	-0.422	-0.020
	Sig. (2-tailed)	0.214	0.087	0.693		0.391	0.537	0.615	0.298	0.963
	N	8	8	8	8	8	8	5	8	8
AUD	Pearson Correlation	-0.084	-0.023	0.474	-0.353	1	0.151	0.375	0.292	-.852**
	Sig. (2-tailed)	0.843	0.957	0.235	0.391		0.721	0.534	0.482	0.007
	N	8	8	8	8	8	8	5	8	8
INEDAUD	Pearson Correlation	0.338	0.230	0.516	0.258	0.151	1	-0.545	-0.418	-0.283

	Sig. (2-tailed)	0.413	0.584	0.190	0.537	0.721		0.342	0.303	0.496
	N	8	8	8	8	8	8	5	8	8
SHARE	Pearson Correlation	0.463	0.246	0.098	0.307	0.375	-0.545	1	-0.050	-0.304
	Sig. (2-tailed)	0.432	0.690	0.875	0.615	0.534	0.342		0.937	0.620
	N	5	5	5	5	5	5	5	5	5
TURN	Pearson Correlation	-.847**	0.266	0.063	-0.422	0.292	-0.418	-0.050	1	-0.172
	Sig. (2-tailed)	0.008	0.525	0.883	0.298	0.482	0.303	0.937		0.683
	N	8	8	8	8	8	8	5	8	8
NP	Pearson Correlation	-0.132	-0.145	-0.319	-0.020	-.852**	-0.283	-0.304	-0.172	1
	Sig. (2-tailed)	0.756	0.732	0.441	0.963	0.007	0.496	0.620	0.683	

		CGDSM	BOD	WBOD	INED	AUD	INEDAUD	SHARE	TURN	NP
<b>CGDSV</b>	<b>Pearson Correlation</b>	1	0.198	0.435	-0.008	0.102	0.556	0.376	-0.195	-0.019
	<b>Sig. (2-tailed)</b>		0.638	0.281	0.986	0.810	0.153	0.532	0.644	0.964
	<b>N</b>	8	8	8	8	8	8	5	8	8
<b>BOD</b>	<b>Pearson Correlation</b>	0.198	1	0.469	0.641	-0.023	0.230	0.246	0.266	-0.145
	<b>Sig. (2-tailed)</b>	0.638		0.241	0.087	0.957	0.584	0.690	0.525	0.732

<b>WBOD</b>	<b>N</b>	8	8	8	8	8	8	5	8	8
	<b>Pearson Correlation</b>	0.435	0.469	1	0.167	0.474	0.516	0.098	0.063	-0.319
	<b>Sig. (2-tailed)</b>	0.281	0.241		0.693	0.235	0.190	0.875	0.883	0.441
<b>INED</b>	<b>N</b>	8	8	8	8	8	8	5	8	8
	<b>Pearson Correlation</b>	-0.008	0.641	0.167	1	-0.353	0.258	0.307	-0.422	-0.020
	<b>Sig. (2-tailed)</b>	0.986	0.087	0.693		0.391	0.537	0.615	0.298	0.963
<b>AUD</b>	<b>N</b>	8	8	8	8	8	8	5	8	8
	<b>Pearson Correlation</b>	0.102	-0.023	0.474	-0.353	1	0.151	0.375	0.292	-0.852**
	<b>Sig. (2-tailed)</b>	0.810	0.957	0.235	0.391		0.721	0.534	0.482	0.007
<b>INEDAUD</b>	<b>N</b>	8	8	8	8	8	8	5	8	8
	<b>Pearson Correlation</b>	0.556	0.230	0.516	0.258	0.151	1	-0.545	-0.418	-0.283
	<b>Sig. (2-tailed)</b>	0.153	0.584	0.190	0.537	0.721		0.342	0.303	0.496
<b>SHARE</b>	<b>N</b>	8	8	8	8	8	8	5	8	8
	<b>Pearson Correlation</b>	0.376	0.246	0.098	0.307	0.375	-0.545	1	-0.050	-0.304
	<b>Sig. (2-tailed)</b>	0.532	0.690	0.875	0.615	0.534	0.342		0.937	0.620
<b>TURN</b>	<b>N</b>	5	5	5	5	5	5	5	5	5
	<b>Pearson Correlation</b>	-0.195	0.266	0.063	-0.422	0.292	-0.418	-0.050	1	-0.172
	<b>Sig. (2-tailed)</b>	0.644	0.525	0.883	0.298	0.482	0.303	0.937		0.683
<b>NP</b>	<b>N</b>	8	8	8	8	8	8	5	8	8
	<b>Pearson Correlation</b>	-0.019	-0.145	-0.319	-0.020	-0.852**	-0.283	-0.304	-0.172	1
	<b>Sig. (2-tailed)</b>	0.964	0.732	0.441	0.963	0.007	0.496	0.620	0.683	
	<b>N</b>	8	8	8	8	8	8	5	8	8

**\*\*Correlation is significant at the 0.01 level (2- tailed)**

**Source: Researcher's Own Compilation**

As seen from above, none of the factors tested have significant correlation with the voluntary corporate governance disclosure Practices of the select companies of the Automobile Sector as a whole

## **7. CONCLUSION**

From the above study it is inferred that the Companies Act 2013 is a not so old legislation and the companies in India are still in the process of making full disclosures, as required by the provisions of the Act. The mandatory disclosure compliance index is still not 100% despite the fact that the sample companies were top listed companies in the Automobile Sector.

Secondly, the analysis reveals that there is a considerable gap in the sphere of extent, quantum and quality of disclosures made by the companies in the annual report.

Thirdly, the concept of Independent Directors is a very vital concept introduced by the Companies Act 2013. The Companies Act 2013 has tightened the definition of independence. Every ID is also required to declare that he or she meets the criteria of independence. The recent introduction of the Independent Director Database by the Ministry of Corporate Affairs is also a welcome step. This is concluded in the light of the fact that the no. of independent directors on the Board could be one of the important factors influencing Corporate Governance Disclosure Practises of Companies in India.

Finally, it can be concluded that though there have been concerted efforts to strengthen corporate governance practices in India, yet the efforts to disclose world-class information on the part of companies are required so that they can participate in the global economy

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## Appendix 1

### Detailed Item wise disclosure

Sl. No.	Item of Disclosure	No. of companies	% of companies
1	Has the Company appointed small shareholder director?	-	0%
2	Has the DIN of Directors signing the Annual Reports being mentioned	4.00	50%
3	Whether adequate disclosures relating to disqualifications of directors given in Director's Report?	1.00	13%
4	Whether number of Directorships held by directors is within limits	8.00	100%
5	Whether at least 1/3rd of the Board is comprised of independent directors	8.00	100%
6	Any woman director on Board of the Company	8.00	100%
9	Extract of Annual Return in form MGT-9	8.00	100%
10	Number of meetings of the Board of Directors of the Company	8.00	100%
11	Director's Responsibility statements (6 points)	8.00	100%
12	Fact of resignation of Director	8.00	100%
13	The details of directors or key managerial personnel who were appointed or have resigned during the year	8.00	100%
14	Statement on declaration given by independent directors under sub-section (6) of section 149	8.00	100%

15	Fact of Reappointment of independent directors after term of 5 years	5.00	63%
16	Details of equity shares with differential rights, as per the details prescribed in Rule, in the Board's Report for the financial year in which the issue of equity shares with differential rights was completed	5.00	63%
17	Details of sweat equity shares, as per the details prescribed in Rule, in the Board's Report for the year in which the shares are issued.	5.00	63%
18	In case of a company covered under sub-section (1) of section 178, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;	8.00	100%
19	Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made—(i) by the auditor in his report; and (ii) by the company secretary in practice in his secretarial audit report;	7.00	88%
20	Particulars of loans, guarantees or investments under section 186	8.00	100%
21	Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form	8.00	100%
22	The state of the company's affairs & change in the nature of business	8.00	100%
23	The amounts, if any, which it proposes to carry to any reserves	4.00	50%
24	The amount, if any, which it recommends should be paid by way of dividend	8.00	100%
25	Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to	7.00	88%

	which the financial statements relate and the date of the report		
26	Conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;	8.00	100%
27	A statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company	8.00	100%
28	In case of a listed company and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors;	8.00	100%
29	Any scheme of provision of money for purchase of own shares by employees or by trustees for the benefit of employees. Giving of any loans to persons in the employment of the company other than its directors or KMP, for an amount not exceeding their salary or wages for a period of six months to purchase or subscribe for fully paid-up shares in the company or its holding company to be held by them by way of beneficial ownership, then disclosures of voting rights not exercised directly by the employees in respect of shares to which the scheme relates	2.00	25%
30	The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;	7.00	88%
31	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	7.00	88%

32	The percentage increase in the median remuneration of employees in the financial year	7.00	88%
33	The number of permanent employees on the rolls of company;	7.00	88%
34	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration; percentile may be read as percentage	5.50	69%
35	Affirmation that the remuneration is as per the remuneration policy of the company	6.00	75%
36	The Board's report shall include a statement showing the names of the top ten employees in terms of remuneration drawn and the name of every employee who if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakhs rupees; ii. if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakhs and fifty thousand rupees per month;	8.00	100%
37	Names of subsidiary and performance overview may to be given. The names of companies which have become or ceased to be its subsidiaries, joint ventures or associate companies during the year.	8.00	100%
38	Details about the statutory auditors of the company, any change made during the year, whether existing auditor(s) is/are eligible for reappointment etc.	8.00	100%
39	Composition of an Audit Committee and reasons for not accepting recommendations of Audit Committee by the Board	6.00	75%

40	Details of significant and material orders passed by the regulators / courts / tribunals impacting the going concern status and the Company's operations in future	7.00	88%
41	Statement in respect of adequacy of internal financial controls with reference to the Financial Statements	8.00	100%
42	Revision of financial statements or Board's Report	-	0%
43	Corporate Social Responsibility and its terms of reference Disclosures as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules,2014 shall be made.	8.00	100%
44	Details of establishment of Vigil mechanism	7.00	88%
45	Deposits Details of deposits which are not in compliance with the requirement of chapter V of the Act.	6.00	75%
46	Fraud	5.00	63%
47	A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs	8.00	100%
48	The Composition of the CSR Committee	8.00	100%
49	Average net profit of the company for last three financial years	8.00	100%
50	Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)	8.00	100%
51	Details of CSR spent during the financial year	8.00	100%
52	In case the company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.	8.00	100%
53	A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance	8.00	100%

	with CSR objectives and Policy of the company		
54	all elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the directors;	8.00	100%
55	details of fixed component and performance linked incentives along with the performance criteria;	8.00	100%
56	service contracts, notice period, severance fees;	8.00	100%
57	stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.	8.00	100%