

Corporate Governance Disclosures Practises of Select Listed Companies of Construction Sector under the Companies Act 2013

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Abstract

Disclosure simply means to reveal facts and information. In the context of corporate reporting, it 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 construction sector companies as against the disclosure requirements of the Companies Act 2013. The study has been done to analyze 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. Intra Sector analysis amongst the selected companies was also done using descriptive statistics and correlation. This finds the disclosure score for the selected companies and trend over the last five years post-implementation of the Companies Act 2013. Factors affecting the disclosure practises of select companies identified.

Keywords: Corporate Governance, Companies Act 2013, Disclosure, Construction Sector

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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). 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. When the literature of CG was reviewed, a need was felt to analyze the extent of Corporate Governance Disclosure Practises (CGDP) of select Listed Companies sector-wise. This paper attempts to study the extent of CGDP of select Construction Sector Companies listed on BSE.

Market Size of Indian Construction Sector

As per the information on (Make in India) the Construction Industry in India will remain buoyant due to increased demand from real estate and infrastructure projects. Indian Real Estate sector is expected to reach a market size of \$180 Bn by 2020 and \$1 Tn by 2030. It's contribution to the country's GDP is expected to be approximately 13%. Following data are vital to understand the importance of this sector on the Indian economy.

- India's construction industry is expected to grow at an annual average of 6.6% between 2019 and 2028.5
- The share of the urban population is expected to be 50% of the total population by 2050.6
- Present levels of urban infrastructure are inadequate to meet the demands of the existing urban population. There is a need for the regeneration of urban areas in existing cities and the creation of new, inclusive smart cities to meet the demands of increasing population and migration from rural to urban areas. Future cities of India will require smart real estate and urban infrastructure.
- To provide quality urban services on a sustainable basis in Indian cities, the need of the hour is that urban local bodies (ULBs) enter into partnership agreements with foreign players, either through joint ventures, private sector partners or through other models
- The share of construction in Gross Value Added (GVA) was about 7.3 for India in 2017-18. As of 2017, the construction industry employed 49.8 mn people.7

- Investments valued at \$965.5 Mn will be required by the infrastructure sector by 2040.
- India was the second biggest manufacturer of cement on the earth. The cement sector was anticipated to largely have the benefit of the importance of infrastructure development in India post-liberalization. Some of these major initiatives, such as the growth of 98 smart cities are seeming to produce a serious boost to the world. Supposing such developments within the country and assisted by appropriate government foreign policies, many foreign players like "Lafarge-Holcim, Heidelberg Cement, and Vicat" have invested in the country in the recent past. A significant issue that aids the expansion of this sector was the prepared accessibility of the raw materials for creating cement, such as stone and coal

Construction Sector and Governance Structure and its Importance

In a developing country like India, the development of robust infrastructure is a key requirement. Although immediately post India's independence the construction sector was headed by the state, the private sector has gradually acquired a prominent role in the infrastructure-building efforts in the last two decades since the adoption of economic reforms in 1991. Privatization was considered necessary to propel infrastructure development.

Having discussed the market size and the role of the state and private players in this sector, the question that remains is how does corporate governance fit within this scheme of things? One of the key features of the infrastructure sector is it is highly capital-intensive in nature, imposing considerable demand on equity as well as debt capital. While some of the supply of that capital may be available domestically, much of it will have to be sourced from financiers that are located offshore. All of these make corporate governance a *sine qua non* for meeting the demands of financing the infrastructure sector in India.

Why corporate governance in this sector becomes very important can be understood by the following characteristics of this industry:

1. Infrastructure as an asset type attracts the interests of various players, especially the management of these companies. Persons in key managerial positions tend to focus largely on profitability, especially when their compensations are linked to performance. Important matters that they need to deal with is long gestation periods of the projects, planning of

availability of funds and coordination with the government due to their involvement at various stages.

2. Shareholders in these companies are usually long term investors given the fact that each project may take significant time to complete and therefore although short term expectations of returns may be lower, the shareholders need to be vigilant about unnecessary project delays, cost overruns, stagnation in work progress etc. The necessary information needs to be made available by the management through CGDP to keep the stakeholders informed.
3. Since leverage in these companies is usually high, with loans being taken from banks and financial institutions for meeting capital requirements, sound corporate governance practices become very important.
4. Infrastructure projects, in general, affect the society at large and therefore, corporate social responsibility is vital.

In essence, the role of corporate governance is to define the relationships between the various players detailed above and to balance the relevant interests.

OBJECTIVES OF THE STUDY

1. To study the need of Corporate Governance in the Construction Sector in India
2. To study the Corporate Governance Disclosure Practices of select listed companies of the construction sector under the Companies Act 2013
3. To study certain factors affecting the Corporate Governance disclosure practices of select companies

METHODOLOGY

CGDP of selected companies in this Sector

In this paper, an attempt has been made to study the extent of corporate governance disclosure practices of construction industries. The results of the study were then analyzed to see which factors affect disclosure practises through correlation analysis. For this purpose, five top listed construction companies according to their market capitalization were selected and their CG disclosures and factors affecting disclosures were correlated. The following are the companies considered for the analysis:

Ultratech Cement Limited

Ambuja Cements Limited

Shree Cement Limited

Larsen and Turbo Limited

Grasim Industries Limited

Period of Study: The annual reports have been collected for five 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.

DATA DESCRIPTION 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.

A table showing mandatory disclosures in the Director's Report as mandated by the Companies Act 2013 is prepared. Disclosure of an item is assigned score 1 while in case of no disclosure of the item score 0 is assigned.

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 the 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 six 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 total score is then collected year wise for five years for each of the selected companies.

8 Factors have been identified for analysis for which necessary input is collected year-wise for each company from the respective annual reports. The eight factors are as follows:

- No of Directors on Board of Directors of the Company (BOD)
- No of women directors on Board of Directors of the Company (WOM)
- No of Independent Non-Executive Directors Board of Directors of the Company (INED)
- No of meetings of the Audit Committee (AC)
- No of Independent Directors in Audit Committee (IDAC)
- % of shares held by the CEO and other Directors (Managerial Ownership) In percentage (OWN)
- Turnover of the Company (TURNOVER)
- Net Profit percentage (NP)

RESULTS & DISCUSSION

The governance disclosures inclusive of mandatory and non-mandatory has been tabulated by assigning scores for disclosures of items in the Director's Report of the Companies. This has been followed in all the five construction sector companies. Once the five companies have been identified, factors affecting the CGDP have been identified.

Table 1.1 Disclosure Practices of Ultratech Cements Limited Governance Disclosures

Year	Mandatory					Non Mandatory		Total	Percentage	
	BOD	DR	CSR	CG	Total	Percentage	Total			Percentage
Max Score	6	52	8	4	70		40		110	
2014-15	4	39.8	8	1	52.75	75%	10	25%	62.75	57.05%
2015-16	4	37.3	8	1	50.25	72%	9	23%	59.25	53.86%
2016-17	4	41.8	8	1	54.75	78%	9	23%	63.75	57.95%
2017-18	5	42.3	8	1	56.25	80%	9	23%	65.25	59.32%
2018-19	5	39.8	8	1	53.75	77%	9	23%	62.75	57.05%

Source: Researcher's Compilation

From the above table, it can be clearly observed that there was good growth in 2016-17 as compared to 2015-16. The scores were ranging between 54% in 2015-2016 and 60% in 2017-2018. Breaking down at the micro aspects the overall scores assigned under mandatory disclosure practices for Board, Directors Report disclosures, CSR and Corporate Governance was 6, 52, 8, 04 respectively, out of this the observed scores in the year 2018-2019 was 5,39.8,8, 01 respectively. It was observed that there were lots of fluctuations in DR ranging between 37.3 in 2015-2016 to 42.3 in 2017-2018. Bod Composition disclosures were stagnant at 4 for the first three years and then moved up to 5 in the last two years. On the other side, there was no fluctuation with respect to CSR which had remained constant from 2014-2015 as 8 till 2018-19. Under the Non-mandatory, no growth was observed and the same remained constant throughout with negligible shoot-ups in between.

Table 1.2 Certain parameters of the Company over the years

Particulars	2018-19	2017-18	2016-17	2015-16	2014-15
No of Directors on BOD	12	12	12	12	14
No of women directors on BOD	3	4	4	3	3
No of Independent Non-Executive Directors	6	6	6	6	7
No of meetings of the Audit Committee	6	5	8	5	7
No of Independent Directors in Audit Committee	4	4	3	3	3
% of shares held by the CEO and other Directors (Managerial Ownership)	0.03	0.04	0.03	0.03	0.03
Turnover of the Company (In Crores)	35105	29363	23616	23841	22656
Net Profit percentage	7.00	7.60	11.13	9.12	8.89

Source: Researcher's Compilation

Table 1.3 Co-efficient of Correlation between Variables

		BOD	WOM	INED	AC	IDAC	OWN	Turnover	NP
Mandatory	Correlation	0.050	-0.425	0.050	0.272	-0.831	-0.819	-0.575	0.640
Non Mandatory	Correlation	-0.25	0.40825	-0.25	-0.08575	0.612372	-0.25	0.882464	-0.63811

Source: Researcher's Compilation

The above table refers to the correlation of Disclosure practices and certain parameters as defined above of **Ultratech Cement Limited** across 5 years from 2014-2015 to 2018- 2019. The CG disclosure data was classified as mandatory and non-mandatory to analyze the voluntary disclosures of the company in a better way.

Under the mandatory section of the table, the disclosure practices were positively correlated to the size of the Board, No of independent directors on the Board, no of meetings of the audit committee in a year and to the net profit of the Company.

Under the non-mandatory section of the table, the disclosure practices were positively correlated to the number of non-executive independent directors on the Audit Committee, and to the turnover of the Company.

It was observed in Ultratech Cement, that the governance disclosures showed an increasing trend during the years 2015-16 to 2017-18. In 2018-19 there was a downward fluctuation observed in mandatory disclosures, in voluntary disclosures the same trend was observed for the years 2015-16 to 2018-19.

Table 2.1 Disclosure Practices of Ambuja Cements Limited: Governance Disclosures

Year	Mandatory						Non Mandatory		Total
	BOD	DR	CSR	CG	Total	Percentage	Total	Percentage	
Max Score	6	52	8	4	70		40		110
2014-15	3	39.25	7	4	53.25	76%	18	26%	71.25
2015-16	3	42.25	7	4	56.25	80%	17	24%	73.25
2016-17	3.5	44.25	8	4	59.75	85%	15	21%	74.75
2017-18	2.5	44.25	8	4	58.75	84%	16	23%	74.75
2018-19	3.5	44.25	8	4	59.75	85%	15	21%	74.75

Source: Researcher's Compilation

*During the Financial Year 2017-18, there was one woman director on Board who resigned on 21.12.2018. As such since at the end of the Financial Year (which in the case of this Company is the calendar year), i.e. on 31.12.2018, the company had no woman director, the score for this compliance has been taken as 0(zero).

** In assigning scores for Director's Report, the details of employees as required to be disclosed under Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 has been written as forms part of the report. The Annual Report as filed with the Registrar of Companies, has been filed excluding this information. However, it has been mentioned that the

information is available for inspection by interested members at the Registered Office of the Company till the respective AGM or a copy may be obtained by writing to the Company Secretary. Therefore out of the total score of 11 assigned to these disclosure points, we have assigned 8 in all the FYs analyzed.

From the above table, it can be clearly observed that there was a steady growth in disclosures practices since the first year of implementation of the Companies Act 2013, i.e. 2014-15 to 2016-17 after which the growth stabilized. The scores were ranging between 65% in 2014-2015 to 68% in 2016-2017 and thereafter. It was observed that the Mandatory disclosures showed a steady increase from 2014-15 to 2016-17 and thereafter stabilized and are at the same level of disclosures. There were lots of fluctuations under the Non-mandatory disclosures over the years under study.

Table 2.2 Certain parameters of the Company over the years

Particulars	2018-19	2017-18	2016-17	2015-16	2014-15
No of Directors on BOD	15	12	12	12	12
No of women directors on BOD	1	0	1	1	1
No of Independent Non-Executive Directors	5	5	5	5	5
No of meetings of the Audit Committee	5	7	6	7	5
No of Independent Directors in Audit Committee	3	3	3	3	3
% of shares held by the CEO and other Directors (Managerial Ownership)	0	0	0	0	0
Turnover of the Company (In Crores)	11353	10977	10240	9117	9368
Net Profit percentage	13.47%	13.55%	12.21%	10.22%	8.63%

Source: Researcher's Compilation

The table below refers to the correlation of Disclosure practices and certain parameters as defined above of **Ambuja Cements Limited** across 5 years from 2014-2015 to 2018-2019. The CG disclosure data was classified as mandatory and non-mandatory to analyze the voluntary disclosures of the company in a better way.

Table 2.3 Co-efficient of Correlation between Variables

		BOD	WOM	INED	AC	IDAC	OWN	Turnover	NP
Mandatory	Correlation	-0.859	0.260	-	0.179	-	-	-0.826	-0.726
Non Mandatory	Correlation	0.772	-0.343	-	0.000	-	-	0.760	0.719

Source: Researcher's Compilation

Under the mandatory section of the table, the disclosure practices were positively correlated to the no. of women directors on the Board and no of meetings of the audit committee in a year.

Under the non-mandatory section of the table, the disclosure practices were positively correlated to the size of the Board of Directors, to the turnover of the Company and Net Profit.

No correlation could be obtained with No. of Independent Directors on the Board, No. of Independent Directors on the Audit Committee and with the ownership percentage of directors. This is because the No. of Independent Directors on the Board was constant at 5 for all the 5 years and No. of Independent Directors on the Audit Committee was constant at 3 for all the 5 years under study. Managerial Ownership was nil for all the 5 years under study.

Table 3.1 Disclosure Practices of Shree Cement Limited: Governance Disclosures

Year	Mandatory					Non Mandatory		Total	Percentage	
	BOD	DR	CSR	CG	Total	Percentage	Total			Percentage
Max Score	6	52	8	4	70		40		110	
2014-15	3.5	40.75	8	4	56.25	80%	5	7%	61.25	55.68%
2015-16	3.5	40.75	8	4	56.25	80%	5	7%	61.25	55.68%
2016-17	4	41.75	8	4	57.75	83%	5	7%	62.75	57.05%
2017-18	4	42.5	8	4	58.50	84%	6	9%	64.50	58.64%
2018-19	4	42.5	8	4	58.50	84%	6	9%	64.50	58.64%

Source: Researcher's Compilation

* In assigning scores for Director's Report, the details of employees as required to be disclosed under Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 has been written as forms part of the report. The Annual Report as filed with the Registrar of Companies, has been filed excluding this information. However, it has been mentioned that the information is available for inspection by interested members at the Registered Office of the Company till the respective AGM or a copy may be obtained by writing to the Company Secretary. Therefore out of the total score of 11 assigned to these disclosure points, we have assigned 8 in all the FYs analyzed.

From the above table, it can be clearly observed that there was a steady growth in disclosures practices since the first year of implementation of the Companies Act 2013, i.e. 2014-15 to 2017-18 after which the growth stabilized. The scores were ranging between 56% in 2014-2015 to 59% in 2017-2018 and thereafter. It was observed that the Mandatory disclosures showed a steady increase from 2014-15 to 2017-18 and thereafter stabilized and are at the same level of disclosures.

The Non-mandatory disclosures remained the same for 2014-15 to 2016-17 and then increased in 2017-18. For 2018-19 it stayed at the same level as 2017-18.

Table 3.2 Certain parameters of the Company over the years

Particulars	2018-19	2017-18	2016-17	2015-16	2014-15
No of Directors on BOD	11	11	11	11	11
No of women directors on BOD	1	1	1	1	1
No of Independent Non-Executive Directors	7	7	7	7	7
No of meetings of the Audit Committee	4	4	4	3	4
No of Independent Directors in Audit Committee	6	6	6	6	4
% of shares held by the CEO and other Directors (Managerial Ownership)	2.53	2.65	2.65	2.65	2.65
Turnover of the Company (In Crores)	11722	9833.1	8594.3	5513.64	6453.57
Net Profit percentage	8.11%	14.08%	15.58%	20.73%	6.61%

Source: Researcher's Compilation

*The turnover of the Company for FY 2015-16 is for 9 months. This is because, till FY 2014-15, the Company's financial year was ending on 30th June of every year. However, with the coming of the Companies Act 2013, the Company has implemented provisions of Section 2(41) of the Companies Act 2013 which requires the Companies to having financial years ending of 31st March from FY 2015-16 onwards. As such the turnover is for 9 months period, i.e. 01.07.2015 to 31.03.2016

Table 3.3 Co-efficient of Correlation between Variables

		BOD	WOM	INED	AC	IDAC	OWN	Turnover	NP
Mandatory	Correlation	-	-	-	-0.516	-0.516	0.590	-0.938	0.258
Non Mandatory	Correlation	-	-	-	-0.612	-0.612	0.408	-0.887	0.103

Source: Researcher's Compilation

The above table refers to the correlation of Disclosure practices and certain parameters as defined above of **Shree Cement Limited** across 5 years from 2014-2015 to 2018-2019. The CG disclosure data was classified as mandatory and non-mandatory to analyze the voluntary disclosures of the company in a better way.

Under the mandatory section of the table, the disclosure practices were positively correlated to the extent of managerial ownership and net profit.

Under the non-mandatory section of the table, the disclosure practices were positively correlated to the same parameters as mandatory disclosures.

No correlation could be obtained with Board Size, No. of Women Directors on Board and No. of Independent Directors on the Board. This is because the Board Size was constant at 11, the no. of Women Directors on Board was constant at 1 and No. of Independent Directors on the Board was constant at 7 for all the 5 years under study.

Table 4.1 Disclosure Practices of Larsen and Toubro Limited: Governance Disclosures

Year	Mandatory						Non Mandatory		Total	Percentage
	BOD	DR	CSR	CG	Total	Percentage	Total	Percentage		
Max Score	6	52	8	4	70		40		110	
2014-15	3	41	8	4	56	80%	5	7%	61	55.45%
2015-16	3.33	41	8	4	56.33	80%	7	10%	63.33	57.58%
2016-17	3.67	43	8	4	58.67	84%	10	14%	68.67	62.42%
2017-18	3.67	42	8	4	57.67	82%	10	14%	67.67	61.52%
2018-19	3.67	43	8	4	58.67	84%	12	17%	70.67	64.24%

Source: Researcher's Compilation

* In assigning scores for Director's Report, the details of employees as required to be disclosed under Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 has been written as forms part of the report. The Annual Report as filed with the Registrar of Companies, has been filed excluding this information. However, it has been mentioned that the information is available for inspection by interested members at the Registered Office of the Company till the respective AGM or a copy may be obtained by writing to the Company Secretary. Therefore out of the total score of 11 assigned to these disclosure points, we have assigned 8 in all the FYs analyzed.

From the above table, it can be clearly observed that there was a steady growth in disclosures practices since the first year of implementation of the Companies Act 2013, i.e. 2014-15 to 2016-17, followed by a slight drop in 2017-18 and then growth in 2018-19. The scores were ranging between 55% in 2014-2015 to 64% in 2018-2019. It was observed that the Mandatory disclosures showed a steady increase from 2014-15 to 2016-17, followed by a slight drop in 2017-18 and then

growth in 2018-19. The Non-mandatory disclosures showed an increasing trend since 2014-15 onwards.

Table 4.2 Certain parameters of the Company over the years

Particulars	2018-19	2017-18	2016-17	2015-16	2014-15
No of Directors on BOD	22	22	20	20	14
No of women directors on BOD	1	1	1	1	0
No of Independent Non-Executive Directors	11	11	11	10	7
No of meetings of the Audit Committee	8	8	9	8	13
No of Independent Directors in Audit Committee	4	3	3	3	3
% of shares held by the CEO and other Directors (Managerial Ownership)	0.1	0.09	0.15	0.15	0.26
Turnover of the Company (In Crores)	86988	74612	66301	63813	57558
Net Profit percentage	7.68%	7.22%	8.23%	7.84%	8.78%

Source: Researcher's Compilation

*Figures of turnover and net profit percentage for FY 2014-15 are as per IGAAP, figures from 2015-16 onwards are as per Ind-AS.

Table 4.3 Co-efficient of Correlation between Variables

		BOD	WOM	INED	AC	IDAC	OWN	Turnover	NP
Mandatory	Correlation	-0.748	-0.532	-0.573	0.659	-0.650	0.804	-0.886	0.853
Non Mandatory	Correlation	-0.833	-0.645	-0.728	0.715	-0.766	0.868	-0.987	0.796

Source: Researcher's Compilation

The above table refers to the correlation of Disclosure practices and certain parameters as defined above of **Larsen & Toubro Limited** across 5 years from 2014-2015 to 2018- 2019. The CG disclosure data was classified as mandatory and non-mandatory to analyze the voluntary disclosures of the company in a better way.

Under the mandatory section of the table, the disclosure practices were positively correlated to the no. of meetings of the Audit Committee, the extent of managerial ownership and net profit.

Under the non-mandatory section of the table, the disclosure practices were positively correlated to the same parameters as mandatory disclosures.

Table 5.1 Disclosure Practices of Grasim Industries Limited: Governance Disclosures

Year	Mandatory				Total	Percentage	Non Mandatory		Total	Percentage
	BOD	DR	CSR	CG			Total	Percentage		
Max Score	6	52	8	4	70		40		110	
2014-15	3.67	44.5	8	4	60.17	86%	9	13%	69.17	62.88%
2015-16	4.00	45.5	8	4	61.50	88%	9	13%	70.50	64.09%
2016-17	4.00	45.5	8	4	61.50	88%	9	13%	70.50	64.09%
2017-18	4.00	45.5	8	4	61.50	88%	7	10%	68.50	62.27%
2018-19	4.00	47	8	4	63.00	90%	9	13%	72	65.45%

Source: Researcher's Compilation

* In assigning scores for Director's Report, the details of employees as required to be disclosed under Rule 5 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 has been written as forms part of the report. The Annual Report as filed with the Registrar of Companies, has been filed excluding this information. However, it has been mentioned that the information is available for inspection by interested members at the Registered Office of the Company till the respective AGM or a copy may be obtained by writing to the Company Secretary. Therefore out of the total score of 11 assigned to these disclosure points, we have assigned 8 in all the FYs analyzed.

From the above table, it can be clearly observed that there was a steady growth in disclosures practices since the first year of implementation of the Companies Act 2013, i.e. 2014-15 to 2016-17, followed by a slight drop in 2017-18 and then growth in 2018-19. The scores were ranging between 62% in 2014-2015 to 65% in 2018-2019. It was observed that the Mandatory disclosures showed a steady increase from 2014-15 to 2018-19 ranging from scores 60 to 63 out of the total score of 70.

Table 5.2 Certain parameters of the Company over the years

Particulars	2018-19	2017-18	2016-17	2015-16	2014-15
No of Directors on BOD	14	12	12	14	12
No of women directors on BOD	3	1	1	1	1
No of Independent Non-Executive Directors	7	6	6	7	6
No of meetings of the Audit Committee	6	6	6	8	6
No of Independent Directors in Audit Committee	3	3	3	4	3

% of shares held by the CEO and other Directors (Managerial Ownership)	0.11	0.11	0.12	0.13	0.13
Turnover of the Company (In Crores)	72971	55894	36068	34488	32847
Net Profit percentage	3.76%	7.90%	11.41%	9.46%	7.39%

Source: Researcher's Compilation

*Figures of turnover and net profit percentage for FY 2014-15 are as per IGAAP, figures from 2015-16 onwards are as per Ind-AS.

Table 5.3 Co-efficient of Correlation between Variables

		BOD	WOM	INED	AC	IDAC	OWN	Turnover	NP
Mandatory	Correlation	-0.637	-0.762	-0.637	-0.019	-0.019	0.706	-0.793	0.417
Non Mandatory	Correlation	-0.612	0.250	-0.612	-1.000	-1.000	-0.559	0.382	-0.291

Source: Researcher's Compilation

The above table refers to the correlation of Disclosure practices and certain parameters as defined above of **Grasim Industries Limited** across 5 years from 2014-2015 to 2018- 2019. The CG disclosure data was classified as mandatory and non-mandatory to analyze the voluntary disclosures of the company in a better way.

Under the mandatory section of the table, the disclosure practices were positively correlated to the extent of managerial ownership and net profit.

Under the non-mandatory section of the table, the disclosure practices were positively correlated to the no. of women Directors on the Board and turnover of the Company.

As per the table given below, amidst all the Cement and Cement Products, Ambuja Cements Limited is identified as the better governance disclosing company with an average governance score of 73.75. The least disclosing company was Ultra Tech Cement with an average score of 62.75. However, in case of mandatory disclosures, the maximum % score has been achieved by Grasim Industries Limited at 88% and in case of voluntary disclosures, the maximum disclosures have been made by both Ultratech and Ambuja Cements Limited at 23%.

Table 6.1 Intra Sectoral Analysis: CGDP Average Scores

Companies	Average Mandatory Disclosure Scores		Average Voluntary Disclosure Scores		Average Overall Scores	
	Score	In % terms				
Ultratech Cements Limited	53.55	77%	9.2	23%	62.75	57.05%
Ambuja Cements Limited	57.55	82%	16.2	23%	73.75	67.05%
Shree Cement Limited	57.45	82%	5.4	8%	62.85	57.14%
Larsen & Toubro Limited	57.47	82%	8.8	13%	66.27	60.24%
Grasim Industries Limited	61.53	88%	8.6	12%	70.13	63.76%

Source: Researcher's Compilation

Table 6.2 Descriptive Statistics of CGDP Scores being dependent variable and Parameters considered in the analysis being independent variables

	N	Minimum	Maximum	Mean	Std. Deviation
Dependent Variable-					
CGDP Score	5	62.75	73.75	67.15	4.77
Independent Variable					
No of Directors on BOD	5	11	19	13.2	3.27
No of women directors on BOD	5	0	3	1	1.22
No of Independent Non-Executive Directors	5	5	10	6.8	1.92
No of meetings of the Audit Committee	5	3	9	6	2.12
No of Independent Directors in Audit Committee	5	3	5	3.4	0.89
% of shares held by the CEO and other Directors (Managerial Ownership) In percentage	5	0	2.626	0.5856	1.14
Turnover of the Company (In Crores)	5	8,423.32	69,854.40	32,412.02	25,958.96
Net Profit percentage	5	7.95%	13.02%	9.85%	2.32%

Source: Researcher's Compilation

Table 6.2 indicates the descriptive statistics of dependent and independent variables, including their maximum-minimum and mean values. According to the table, the sample companies have

- Average CGDP Scores of 67.15, the maximum score being 73.75 out of total scores of 110.

- at least 11 Directors on the Board, and a maximum of 19 directors. The mean no. of Directors on Board is 13
- maximum of 3 women directors on Board. The mean no. of Women Directors on Board is 1.
- At least 5 Independent Non-Executive Directors on the Board, and a maximum of 10 INEDs. The mean no. of INEDs on Board is 6
- at least 3 meetings of their Audit Committees with maximum 9 meetings, the mean no of meetings being 6.
- at least 3 INEDs on the Audit Committees with maximum 5, the mean no of INEDs on the committee being 3.
- In some companies, the managerial ownership is nil, whereas the same extended up to 2.6% in some. The mean ownership percentage is 0.58%
- Minimum turnover of 8423 crores and maximum 69854 crores.
- Minimum net profit percentage stood at 7.95%, which indicated that all companies in the sample at least made around 8% profits.

Table 6.3 Average figures of 5 years (2014-15 to 2018-19)

Particulars (Average of 5 years under study)	Ultratech Cements Limited	Ambuja Cements Limited	Shree Cement Limited	Larsen & Toubro Limited	Grasim Industries Limited
CGDP Scores	62.75	73.75	62.85	66.27	70.13
No of Directors on BOD	12	12	11	19	12
No of women directors on BOD	3	0	1	0	1
No of Independent Non-Executive Directors	6	5	7	10	6
No of meetings of the Audit Committee	6	6	3	9	6
No of Independent Directors in Audit Committee	3	3	5	3	3
% of shares held by the CEO and other Directors (Managerial Ownership) In percentage	0.03	-	2.63	0.15	0.12
Turnover of the Company (In Crores)	27117.8	10211	8423.322	69854.4	46453.6
Net Profit percentage	8.69%	11.61%	13.02%	7.95%	7.98%

Table 6.4 Correlation Analysis

	<i>CGDP Scores</i>	<i>BOD</i>	<i>Women Dir</i>	<i>INED</i>	<i>Audit Comm Meeting</i>	<i>INED in Audit Comm</i>	<i>Managerial Ownership</i>	<i>Turnover</i>	<i>Net Profit</i>
CGDP Scores	1								
No of Directors on BOD	-0.030	1							
No of women directors on BOD	-0.621	0.437	1						
No of Independent Non-Executive Directors	-0.393	0.882	-0.318	1					
No of meetings of the Audit Committee	0.253	0.865	-0.289	0.551	1				
No of Independent Directors in Audit Committee	-0.504	0.376	0.000	0.058	-0.791	1			
Managerial Ownership	-0.514	0.341	-0.015	0.101	-0.766	0.999	1		
Turnover of the Company	-0.023	0.842	-0.203	0.741	0.837	-0.517	-0.471	1	
Net Profit percentage	-0.017	0.542	-0.192	0.347	-0.772	0.762	0.732	-0.855	1

The above table shows that the correlation between the CGDP Scores and the number of meetings of the Audit Committee are positively correlated. This suggests that the Audit Committee meetings influence the Corporate Governance Disclosure Practises to a great extent. The correlation between the CGDP Scores and Board Size, Turnover and Net Profit is negative, but not statistically significant.

CONCLUSION

It was observed that despite the fact that the sample included top 5 BSE listed companies belonging to the construction sector, the compliance with the mandatory corporate governance disclosures mandated by the Companies Act 2013 is not hundred per cent. The disclosure practices score have gradually improved since the first year of implementation of the Companies Act 2013. The importance of voluntary disclosure practises is also expected to increase, and companies have to

adhere to the same to keep pace with the growing stakeholder activism in these companies. In a nutshell, we can say the corporate governance disclosure scenario in India is still in the work-in-progress stages and needs further improvement.

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Appendix

Constituents of Mandatory Corporate Governance Disclosures in Directors Report under the Companies Act 2013

Board of Director (BOD): Max Score 6

Has the Company appointed small shareholder director?
Has the DIN of Directors signing the Annual Reports being mentioned
Whether adequate disclosures relating to disqualifications of directors given in the Annual Report?
Whether the number of Directorships held by directors is within limits
Whether at least 1/3rd of the Board is comprised of independent directors
Any woman director on Board of the Company

Directors Report related disclosures (DR): Max Score 52

Extract of Annual Return in form MGT-9
Number of meetings of the Board of Directors of the Company
Director's Responsibility statements (6 points)
Fact of resignation of Director
The details of directors or key managerial personnel who were appointed or have resigned during the year
a statement on declaration given by independent directors under sub-section (6) of section 149
Reappointment of independent directors after term of 5 years
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

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.
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;
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;
particulars of loans, guarantees or investments under section 186
particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form
the state of the company's affairs & change in the nature of business
the amounts, if any, which it proposes to carry to any reserves
the amount, if any, which it recommends should be paid by way of dividend
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 which the financial statements relate and the date of the report
Conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;
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
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;
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
Managerial Remuneration related disclosure under section 197 of the Companies Act 2013 and relevant rules
Names of subsidiary and performance overview. The names of companies which have become or ceased to be its subsidiaries, joint ventures or associate companies during the year.
Details about the statutory auditors of the company, any change made during the year, whether existing auditor(s) is/are eligible for reappointment etc.
Composition of an Audit Committee and reasons for not accepting recommendations of Audit Committee by the Board
Details of significant and material orders passed by the regulators/ courts/ tribunals impacting the going concern status and the Company's operations in future
Statement in respect of adequacy of internal financial controls with reference to the Financial Statements
Revision of financial statements or Board's Report
Corporate Social Responsibility and its terms of reference Disclosures as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules,2014
Details of establishment of Vigil mechanism
Deposits Details of deposits which are not in compliance with the requirement of chapter V of the Act.
Fraud

Corporate Social Responsibility (CSR) Max Score 8

A brief outline of the company's CSR policy, including an overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs
The Composition of the CSR Committee
Average net profit of the company for last three financial years

Prescribed CSR Expenditure (two per cent. of the amount as in item 3 above)
Details of CSR spent during the financial year
Total amount to be spent for the financial year; b) Amount unspent, if any; c) Manner in which the amount spent during the financial year is detailed below
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.
A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the company

Corporate Governance (CG) Max Score 4

all elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the directors;
details of fixed component and performance linked incentives along with the performance criteria;
service contracts, notice period, severance fees;
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.