ARSS

ARSS INFRASTRUCTURE PROJECTS LTD.

Date: 21.09.2021

Bombay Stock Exchange Limited. Phiroze Jeejeebhoy Towers 1st Floor, Rotunda Building, Dalal Street, Mumbai- 400 001 **BSE Scrip Code - 533163**	National Stock Exchange of India Limited. Exchange Plaza, Plot No-C1, G Block Bandra Kurla Complex, Bandra (E), Mumbai-400 051 **NSE Symbol: ARSSINFRA**

Sub.: Newspaper Advertisement – Results for the Quarter Ended June 30, 2021

Dear Sir/Madam,

Please find enclosed herewith the newspaper advertisement for the financial results of ARSS Infrastructure Projects Limited for the quarter ended June 30, 2021 published in the following newspapers :

- Business Standard (In English language) (all India Editions)
- Odisha Bhaskar (In Odia language) (All Odisha Editions)

This is for your information and records.

Thanking You,

Yours Faithfully,
For ARSS Infrastructure Projects Limited

(Prakash Chhajer)
Company Secretary
Compliance Officer

Encl. As Above

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Pay versus performance

Why shareholders are angry at promoter–directors' remuneration

SUDIPTO DEY
New Delhi, 15 September

Earlier this month, Sobha Kapoor and Ekta Kapoor, part of the promoter group of Balaji Telefilms, faced shareholder ire when they failed to obtain the requisite votes on resolutions proposing pay increases for them. In recent months, several promoter-directors, including Siddharth Lal of Eicher Motors and Pawan Munjal of Hero MotoCorp, have faced similar situations. Clearly, large institutional shareholders — and public shareholders — are not taking kindly to promoter-directors upping their remuneration takeaways at a time when the prospects of business recovery are clouded by the anticipated third wave of the Covid-19 pandemic. The onus, say experts, is on the Nomination and Remuneration Committee (NRC) in the board of directors of a company to bring more transparency, objectivity and fairness in arriving at promoter-remuneration and hikes.

"There is a sense that promoters need to share in the pain in this Covid year. When growth in revenue and profits has slowed, or is negative, how can a disproportionate increase in remuneration only to promoters be justified?" asks Shriram Subramanian, founder and managing director, InGovern Research Services. The reason for shareholder angst is not hard to figure out. Aon India's Executive Compensation Study for 2021, released in April, suggests that promoter-CEOs in BSE 100 companies earn, on an average, 30 per cent more than professional CEOs. In India, the skew in remuneration between promoter-director and professional director could be as high as 20-30 times, J N Gupta, managing director, Stakeholders Empowerment Services, a proxy advisory firm, points out.

Most experts feel the weakest link in bridging the remuneration gap between promoter-directors and professional directors is the NRC. "Performance evaluation by the NRC is a mere formality today, except for true-blooded companies," says Prabal Basu Roy, director and advisor to chairman of corporate boards. Gupta describes them as "puppet" NRCs. "Often, the NRC does not apply its mind on matters related to promoter-director remuneration," he adds. Board evaluation of directors' performance is largely an internal exercise with few companies using external professionals to support their evaluation effort.

Experts point out that the NRC while assessing remuneration of promoter-directors tends to forget that the wealth of the promoter is tied to their share ownership — the average promoter holding in listed companies in India is said to be pegged around 45 per cent, and that two out of every three listed companies are controlled by families.

Amit Tandon, founder & managing director, Institutional Investor Advisory Services (IiAS), a proxy advisory firm, says the quickest way to ensure adequate checks are in place is to treat promoter-director remuneration as a related party transaction. This would mean companies would need to have approval for these payments from majority of minority shareholders.

The Companies Act, 2013, does not differentiate between promoter-directors and professional directors when it comes to remuneration. It also does not put any legal ceiling on managerial remuneration, provided the company gets due approval of shareholders or lenders for the same. A profit-making public company is allowed to pay its managerial personnel remuneration up to 11 per cent of net profit. Anything beyond this would require a special resolution that has to be approved by 75 per cent of shareholders.

However, the Securities and Exchange Board of India's (Sebi) listing regulations specify that the annual remuneration of a director who is part of the promoter group cannot be more than 2.5 per cent of net profit, or ₹5 crore, whichever is higher. Anything beyond that would require the company to seek shareholder approval through a special resolution.

Some experts, such as InGovern's Subramanian, think promoter-directors should cap their cash compensation, and take the bulk of their pay-outs in the form of dividends. "That way, it is equitable for all shareholders who have taken the risk in investing and backing the promoter. "Compensation should be benchmarked to Total Shareholder Return," says Subramanian.

Not everyone agrees with this line of thinking. IiAS believes that dividend declaration should not favour a specific class of shareholders, namely promoters or controlling shareholders, as that may impact the long-term interests of shareholders.

Performance-driven agreements for promoter pay-outs are seen as a more viable option for fixing promoter remuneration. "Sebi could perhaps mandatorily require listed companies (with a turnover of above ₹500 crore) to adopt a Key Managerial Remuneration policy approved by the shareholders, and an independent expert. We have seen similar developments in the case of dividend declaration policy as well," says Amit Agarwal, partner, Nangia & Co.

But one thing experts agree on is that the NRC has to bring in more transparency in promoter-directors' performance appraisals. "It is important to establish and publish the principles for assessment to evaluate the effectiveness and contribution by each of the directors. While establishing this assessment, NRC should consider the relative performance of the organisation in comparison to a relevant peer group," says Pothen Jacob, practice leader - executive compensation & governance at Aon India.

Building linkages between the relative performance of the organisation to the compensation of the directors can make the compensation proposal a lot more credible and acceptable to the shareholders, he adds.

Experts point out that the mix of promoter remuneration pay-out vis-à-vis what promoters earn through dividend has a tax planning angle too. Typically, in the case of a company promoter earning more than ₹5 crore as annual income, dividends will be taxed at the peak rate of 42.74 per cent (30 per cent tax + 37 per cent surcharge + 4 per cent cess). In the hands of the company, however, the dividend pay-out is not tax deductible, so there are no inherent tax advantages for the company, except outflow of cash, and depletion of reserves.

But the payment of promoter remuneration is completely tax deductible in the hands of the company. "Thus, an obvious tax planning follows, to the extent that there is a tax arbitrage in cases where a company opts for a promoter remuneration pay-out vis-à-vis dividend," says Agarwal.

PAY SLIPS

Remuneration related resolutions

Period From (Oct 1st -Sept 30th)	2017	2018	2019	2020	2021 (till Sept 3)
TOTAL	335	304	506	303	296
DEFEATED	1	4	1	6	2
PASSED	334	300	505	297	294

There were many appointment and remuneration related resolutions that were flagged off by proxy advisory firms. Most of them sailed through riding on the back of higher promoter shareholding. Here are few recent resolutions that could not pass the muster with shareholders.

Issues facing companies

Company	Resolution issue
Eicher Motors	Re-appointment of Siddhartha Lal as managing director and payment of remuneration
Cyient	Remuneration of non-executive directors
Manpasand Beverages	Waiver of excess managerial remuneration of whole-time directors
Orient Cement	Re-appointment and remuneration of executive directors
Poonawalla Finance	Payment of existing remuneration to vice-chairman and managing director
ISEG Heavy Engineering	Remuneration of managing director

Source: Stakeholders Empowerment Services

Pilot projects to get drones to deliver vaccines, drugs

PEERZADA ABRAR
Bengaluru, 15 September

On a sunny weekend this month, the residents of Vikarabad district in Telangana witnessed an unusual sight: a flight of drones between the Police Parade Ground and a primary health care centre, a 3-km distance. The flight was aimed at assessing how life-saving blood, vaccines and medicines could be delivered more rapidly and to remote areas.

This was a "beyond visual line of sight" (BVLOS) drone trial run for Telangana's "Medicine from the Sky" project that kicked off in September. It used the identified air-space of the Vikarabad district, 75 km from Hyderabad, and successfully delivered critical healthcare supplies such as vaccines via drones flying at an altitude of 400 metres.

"Drones could bring transformational change in rural and remote areas with instant access to vital medical supplies," said Swapnik Jakkampudi, co-founder of Skye Air Mobility, a drone-tech start-up that ran the trials with Blue Dart Med Express Consortium.

Skye Air's drones delivered the vaccine payload of 1.5 kg to the 3-km distance within seven minutes. The trial was conducted using state-of-the-art temperature controlled box maintaining 2-8 degrees Celsius. Further, live payload health tracking was enabled to ensure safe and secure package delivery. The trials witnessed manless flights navigated remotely through a control centre.

"Our battle against Covid-19 continues to unfold with new challenges that need solutions in real time," said Balfour Manuel, managing director, Blue Dart. "The pandemic has taught each one of us the importance of logistics and the need for a tech-led supply chain infrastructure."

India has so far vaccinated around 56 per cent of its population with one dose and 17 per cent with both doses. The current situation calls for much deeper penetration of vaccines, especially in remote areas. "Delivery of vaccination through drones would help achieve this goal," said Manuel.

The trials will continue till mid-October. Jakkampudi of Skye Air said drones can reduce a 1.5-hour delivery time by road to 30 minutes or less.

Skye Air is not alone in such endeavours. This month, TechEagle, another delivery drone firm, also launched drones for the Medicine from the Sky Project. This involved delivering medicine and vaccine samples through drones in collaboration with the Telangana Government, NITI Aayog, World Economic Forum and Apollo Hospitals.

Hospitals in Vikarabad were selected for trials as central points because of the presence of cold chain facilities.

Vikram Singh Meena, founder and CEO, TechEagle, said the Peregrine X-Drone being used in the project is fully automatic. It has 4G-enabled communication, which provides real-time positioning of the drone, and makes it controllable from any part of the world. It flew the drone with 4 kg of payload consisting of 200 doses of Covid-19 vaccines. Peregrine X maintained a temperature of 2.4 degrees Celsius throughout the flight. The firm has plans to conduct over 100 deliveries to over six community health centres.

Experts said that the new liberalised drone rules 2021 have given the much-awaited opportunity to scale indigenously developed drone technology. Anshu Abhishek, co-founder and chief operating officer of TechEagle, said the Medicine from the Sky project is expected to be an important enabler for the development of the drone industry. "We will evaluate the over 1,000 data points captured in the flights," he said.

Smit Shah, director of Drone Federation of India, said the project is a critical step towards strengthening India's rural health-care capacity. "We look forward to other states taking inspiration from Telangana's initiative to supply vaccines and other healthcare supplies via drones."

Last month, in Bengaluru, Throttle Aerospace Systems (TAS) and India's largest B2B e-commerce platform Udaan successfully completed the trial run for drone delivery of medicines, under the supervision of the Director General of Civil Aviation. This included the BVLOS trial-run for drone delivery of medicines. The trial was conducted within a 15-km radius at Gauribidanur on the outskirts of Bengaluru by Udaan for the last mile delivery of medicines.

The success of the trial run opens a massive opportunity to revolutionise customer experience in the distribution and logistics space. "It is aligned with our vision to build tech-enabled solutions to empower small businesses such as *kiranas*, shop owners, chemists, and MSMEs that are based in the remote corners of India," said Soumyadeep Mukherjee, product engineer, Udaan.

In June, Flipkart partnered with the Telangana government to lead the consortium tasked with the development and execution of the drone deliveries of medical supplies to remote areas under the Medicines from the Sky project. The pilot was tested out for delivering thousands of Covid-19 vaccines in Hyderabad. Google-backed delivery and e-commerce firm Dunzo Digital also led a Med-Air consortium along with industry experts to conduct experimental BVLOS drone delivery flights for the Medicine from the Sky Project.

Accelerating the settlement cycle & challenges facing FPIs

SRIRAM KRISHNAN

About two decades back, one would have had to walk to the nearest taxi point to get a taxi to travel to a chosen destination. Today, an app brings the taxi to the customer's location.

Technology has made this possible. Also, about two decades back, G N Bajpai, then chairman of the Securities and Exchange Board of India (Sebi), had expressed a desire to implement the T+1 settlement cycle by April 2004. This was after India had gone live with T+3 effective April 2002. The regulators did move this further to T+2 effective April 2003, but the move to T+1 has unfortunately remained pending. Can technology help address the perceived challenges and make T+1 possible, too?

On September 7, Sebi issued an interesting circular that lets the exchanges and investors decide whether they want to move to the T+1 model effective January 2022. Almost everyone agrees that an accelerated settlement cycle is a progressive step, will help reduce settlement risk and free up capital, effectively leading to higher volumes. Incidentally, the United States is also exploring a shift to the T+1 model.

In the proposed model of Sebi, a stock exchange can offer a T+1 settlement cycle on any scrip, which then needs to be followed uniformly for all transactions, including block deals in that scrip. Domestic investors, including the retail segment, platform providers and tech-savvy brokers, seem quite delighted, as their capital can be deployed more effectively. Also, this can help prevent misuse by the broker of the securities received in payout apart from reducing margin requirements. By crunching the time between trade execution and settlement, the risk of a counterparty failing during this time comes down, too. However, foreign portfolio investors (FPIs) don't seem to be happy.

With a return of over 50 per cent in the past 12 months, India has been a top performing market. No wonder then that the equity assets of FPIs have touched a record $651 billion at the end of August 2021, which is almost one-fifth of India's market capitalisation of about $3.5 trillion. It is, therefore, important to ensure that any such transition to the T+1 model doesn't end up disturbing the FPIs.

The first challenge here stems from the fact that currently, FPIs send out the details of the trade done on T day to their global custodian (GC) after India trading hours, which the GC relays to the India custodian during the night. Post-reconciliation with the broker contract note, the India custodian confirms these trades with the Clearing Corporation by 1 pm on T+1 day. In the T+1 model, such confirmation would perhaps need to be completed on T day itself, within a few hours of the close of market hours, which can be challenging. In case of a mismatch, the India custodian may not be able to confirm the trade, and the resultant hand delivery can put pressure on the broker who needs to arrange for funds overnight to complete the pay-in process the next morning. During certain times of the year, e.g. MSCI rebalancing, trade volumes tend to shoot up sharply, and so could such mismatches.

The second challenge is that FPIs have to pre-fund in the T+1 model. In the current T+2 structure, on the morning of T+1 day, when FX markets are active, the FPIs book FX deals to buy the Indian rupee (INR) to fund the trades of T day by selling foreign currency. The exact value of US dollar (USD) is then remitted by the FPIs via their global custodian. This helps reconcile the value of the trade with the FX booked for the same on an end-to-end basis. In the T+1 format, the FPIs would have to pre-fund on an approximate basis, or alternatively keep INR in their account with the Indian custodian on T day itself. FPIs could lose out on ease of reconciliation and on best time to book FX deals.

Thirdly, the T+1 model could disrupt the Securities Lending and Borrowing (SLB) segment, and unless trading hours are extended by a few more hours, that product would become irrelevant.

The concern is that should, for example, one exchange turn into a T+1 exchange, we could see a fragmentation of the order book and the liquidity, should domestic volumes move to such T+1 exchange

Fourthly, as India looks to increase its weightage in the global indices, global funds tracking such indices and ETFs, for example, could face challenges in the absence of adequate liquidity.

The concern is that should, for example, one exchange turn into a T+1 exchange, we could see a fragmentation of the order book and the liquidity, should domestic volumes move to such T+1 exchange.

It would be interesting to see how the key exchanges in India react to this circular, as that could decide the future of liquidity. Domestic investors could jump at this while FPIs might perhaps wait and watch. Technology can certainly solve the challenges outlined above, and it is a great opportunity for the market intermediaries to chip in here.

Congratulations are due to the regulators though, who have avoided the temptation to get prescriptive here and instead chosen to let the market decide the way forward. Let the action begin.

The writer is MD and Co-head, Global Transaction Banking, Deutsche Bank India

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