

Corporate Governance & Value Creation Rating

CARE's Corporate Governance Rating (CGR) is an opinion on relative standing of an entity with regard to adoption of corporate governance practices. It provides information to stakeholders about the level of corporate governance practices of the entity. It enables corporate entities to obtain an independent and credible assessment of the quality and extent of their corporate governance. The rating process would also determine the relative standing of the entity vis-à-vis the best practices followed in the domestic as well as international arena. Companies can also use these ratings as reference and set benchmarks for further improvements. Investors and other stakeholders get benefited as they are able to differentiate companies based on degree of corporate governance.

CARE undertakes perusal of various documents like agenda papers and Minutes of Board and Board committees, Minutes of the Annual General Meeting and Extraordinary General Meeting, Annual Return and other documents filed by the company with ROC, SEBI, stock exchanges (domestic and international) and all other regulatory bodies, prospectus (if applicable) and offer documents. CARE's team will interact with the Chairman, MD/CEO and independent directors, key officials of the company, Statutory Auditors, Internal Auditors, Lenders and Institutional/major shareholders.

CARE, under the CGR exercise, assesses seven key parameters which are identified as under:

1. Board composition & functioning;
2. Ownership structure;
3. Organization structure and Management Information System;
4. Shareholder relationship;
5. Disclosure & transparency;
6. Financial prudence; and,
7. Statutory and regulatory compliance.

Good Corporate governance also helps ensuring that corporations take into consideration the interests of a wide range of constituencies, as well as of the communities within which they operate. Good corporate governance aims at value creation for its stake holders. Evaluation of the extent of value creation and balanced distribution of wealth is undertaken by CARE under its CGV rating exercise. The exercise involves assessment of wealth creation and distribution parameters in addition to the parameters evaluated under CGR. The composite rating is called as “Corporate Governance and Value Creation Rating“.

Wealth creation by a company based on sound business strategy and practices adopted by its management as also maintaining financial and operational discipline would promote enhancing stakeholder value. The quality of management and its capabilities under stress, corporate strategy & philosophy and succession planning would be examined by CARE to assess wealth management practices. Creation and distribution of wealth to the stakeholders would be evaluated with reference to, inter-alia,

1. Shareholder;
2. Employees;
3. Lenders/ Creditors;
4. Suppliers;
5. Customers; and
6. Society.

The emphasis will be to assess sustainable value creation and distribution and hence the analysis will not only examine the past but evaluate the future as well.