

22 February 2013

ACC and Ambuja Cements: Missing the message

Result of voting on postal ballot on increase in royalty

69.3% of ACC's shareholders and 78.6% of Ambuja Cements shareholders voted on the postal ballot for increase in royalty to 1.0% of net sales to Holcim, its parent. Both resolutions were carried by way of an ordinary resolution. Impressive, till you realize that it is 69.3% and 78.6% of those present and voting. Now unpeel the data. 52.4% of ACC's shareholders voted for the resolution and Holcim owns 50.3% of the company. A total of 56.5% of Ambuja Cements shareholders supported the royalty increase and Holcim owns 51.9% of this company.

Hobsons choice

As it was proposed as an ordinary resolution, investors all along knew that the resolution will be carried: 50% of the shareholders support to carry the resolution was assured given that Holcim, the parent and recipient of this higher amount of royalty, would support it. Yet a large number of investors in both companies were incensed enough to voice their opposition to the increase in royalty. This data is impressive. It shows that for ACC, 38.2% of the 'public' shareholders chose to vote, and 88.6% of those voting opposed the resolution. In the case of Ambuja, 55.6% of the 'public' shareholders chose to vote, with 83% of these opposing the resolution.

While institutions are often mandated to compulsorily vote, there is no such pressure on retail and high networth individuals. Yet enough of them seem riled by the proposal. Ambuja Cements which disclosed this data indicates that 43.5% of the 'non-institutional' public investors chose to vote, with 81.9% opposing the resolution, not dissimilar to the 83% in the case of institutional investors.

Writing on the wall

Postal ballots and e-voting make investor participation in voting easier; each vote is now counted – something which does not happen when voting is through show of hands. SEBI has already made e-voting mandatory for postal ballots of the 'top 500 companies.' They need to quickly extend it to all types of meetings – AGM, EGM's, Postal Ballots and Court Convened Meetings, and to all companies, not just 500. Infact there is a stronger case to argue that the need to move the smaller companies to the e-voting platform is far greater.

Based on the votes polled, Holcim's, ACC and Ambuja's directors should revisit the decision to ramp-up royalty (- and they will do well to remember that Akzo Nobel's did do so). Having dealt from a loaded deck, they may believe they have won this hand. And while they may yet choose to keep their winnings, for independent directors and other companies proposing the same, the message is loud and clear.

Amit Tandon

IIAS view on [royalty](#) and its voting recommendations on [ACC](#) and [Ambuja Cements](#) can be accessed by clicking the links provided.

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ACC Limited and Ambuja Cements Limited: Voting on increase in royalty

ACC Limited	Shares held	% holding	Voted (1)	% voted	For		Against		Invalid	
					No of Shares	% of (1)	No of Shares	% of (1)	No of Shares	% of (1)
Promoters	9,44,35,914	50.3%	9,44,35,914	100.0%	9,44,35,914	100.0%	-	-	-	-
Public	9,33,09,442	49.7%	3,56,75,766	38.2%	39,94,018	11.2%	3,16,14,368	88.6%	67,380	0.2%
Total	18,77,45,356		13,01,11,680	69.30%	9,84,29,932	75.65%	3,16,14,368	24.30%	67,380	0.05%
% shares held						52.4%		16.8%		0.04%
Ambuja Cement Limited	Shares held	% holding	Voted (1)	% voted	For		Against		Invalid	
					No of Shares	% of (1)	No of Shares	% of (1)	No of Shares	% of (1)
Promoters	78,03,08,553	51.9%	78,03,08,553	100.0%	78,03,08,553	100.0%	-	-	-	-
Public of which	72,17,58,707	48.1%	40,09,82,057	55.6%	6,82,73,044	17.0%	33,27,09,013	83.0%	-	-
- Institutional	59,11,41,304	39.4%	34,42,20,398	58.2%	5,80,22,209	16.9%	28,61,98,189	83.1%		
- others	13,06,17,403	8.7%	5,67,61,659	43.5%	1,02,50,835	18.1%	4,65,10,824	81.9%		
Total	1,50,20,67,260		1,18,12,90,610	78.64%	84,85,81,597	71.84%	33,27,09,013	28.16%	-	
% shares held						56.5%		22.2%		

Source: Company filings