



CORPORATE GOVERNANCE MECHANISMS IN TATA STEEL LIMITED

Dr. N. K. Pradeep Kumar¹ | Dr. P. Mohan Reddy²

¹ Academic Consultant, Department of Commerce, S.V. U College of CM&CS, S.V. University, Tirupati- 517502.

² Professor, Department of Commerce, S.V. U College of CM&CS, S.V. University, Tirupati- 517502.

ABSTRACT

Corporate governance is a system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby, mitigating agency risks which may stem from the misdeeds of corporate officers. Tata Steel Limited is a stalwart and the exemplary performance of Tata Group in the field of corporate governance, with strong code of ethics and excellence in performance. It is well said about Tata's that 'Good governance has taken root in and spread to all branches of the Tata Group and there is nothing amorphous about that.' It has already set high standards for corporate governance which has to be revered, appreciated and followed by the generations to come. The present paper aims at focusing on the mechanisms of corporate governance in Tata Steel Limited Company.

KEY WORDS: Tata Steel Limited, Corporate Governance, Tata Group.

INTRODUCTION

Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed. Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders and include the rules and procedures for making decisions in corporate affairs. Corporate governance includes the processes through which corporations' objectives are set and pursued in the context of the social, regulatory and market environment. Governance mechanisms include monitoring the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders. Corporate governance practices are affected by attempts to align the interests of stakeholders.

AIM OF THE PAPER

The present paper aims at endeavouring to focus on the mechanisms of corporate governance in Tata Steel Limited Company.

RESEARCH METHODOLOGY

Data used in the study is based on the secondary sources and collected through various books, journals and published annual report of the Tata Steel Limited and other selected official websites have been referred and used for the purpose of the study.

SIGNIFICANCE OF THE CORPORATE GOVERNANCE

The increasing importance of governance mechanisms comes in the wake of major corporate scandals in internationally renowned companies like Enron, Tyco and WorldCom as well East Asian crisis in the early nineties and Satyam in India, with a large body of empirical and theoretical research highlighting the significant impact that an economy's corporate governance system can have on the profitability and growth of corporations.

NEED FOR THE CORPORATE GOVERNANCE

A corporation is a congregation of various stakeholders, namely customers, employees, investors, vendor partners, government and society. In this scenario a corporation should be fair and transparent to its stakeholders in all its transactions. This gives the pathway for the need of corporate governance in corporation to develop appropriate strategies that result in the achievement of stakeholder objectives attracting, motivating, retaining talent and creating a secure with prosperous operating environment and improving operational performance. It manages and mitigates risk and protects the company's reputation.

BACKDROP

Tata Steel Limited (TSL) (formerly Tata Iron and Steel Company Limited (TISCO) is an Indian multinational steel-making company headquartered in Mumbai, Maharashtra, India, and a subsidiary of the Tata Group. It was the 11th largest steel producing company in the world, with an annual crude steel capacity of 25.3 million tonnes, and the second largest private-sector steel company in India with an annual capacity of 9.7 million tons. Tata steel has manufacturing operations in 26 countries, including Australia, China, India, the Netherlands, Singapore, Thailand and the United Kingdom. Its largest plant is located in Jamshedpur, Jharkhand. In 2007 Tata steel acquired the UK-based steel maker, Corus, which was the largest international acquisition by an Indian company till that date. It was ranked 486th in the 2014 Fortune Global ranking of the world's

biggest corporations. It was the seventh most valuable Indian brand of 2013 as per Brand Finance. Tata steel limited has completed 100 years of steel making in India.

CORPORATE GOVERNANCE PHILOSOPHY OF TSL

Corporate governance is creation and enhancing long-term sustainable value for the stakeholders through ethically driven business process. At Tata Steel, it is imperative that Company affairs are managed in a fair and transparent manner. Tata Steel, ensure to follow the corporate governance guidelines and best practices. It considers inherent responsibility to disclose timely and accurate information regarding our financials and performance as well as the leadership and governance of the Company. In accordance with the Tata Steel Group Vision, Tata Steel Group aspires to be the global steel industry benchmark for value creation and corporate citizenship. The Group expects to realize its Vision by taking such actions as may be necessary in order to achieve its goals of value creation, safety, environment and people. The Board of Directors is at the core of corporate governance practice and oversees how the Management serves and protects the long-term interests of all stakeholders. They believe that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance.

Stakeholders' Relationship Committee

The Board re-named the then "Investors' Grievance Committee" as the "Stakeholders' Relationship Committee". The remit of the Committee is to consider and resolve the grievances of the security holders of the Company, including complaints relating to transfer and transmission of securities, non-receipt of dividends, and such other grievances as may be raised by the security holders from time to time.

Ethics and Compliance Committee

In accordance with the Securities and Exchange Board of India Regulations, the Board of Directors of the Company adopted the revised Tata Code of Conduct (TCoC) for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (the Code) to be followed by Directors, Officers and other Employees. The Code is based on the principle that Directors, Officers and Employees of a Tata Company owe a fiduciary duty to, among others, the shareholders of the Company to place the interest of the shareholders above their own and conduct their personal securities transactions in a manner that does not create any conflict of interest. The Code also seeks to ensure timely and adequate disclosure of Price Sensitive Information to the investor community by the Company to enable them to take informed investment decisions with regard to the Company's securities. In terms of the said Code, the Ethics and Compliance Committee was constituted.

Safety, Health and Environment Committee

The Safety, Health and Environment Committee of the Board were constituted to oversee the policies relating to Safety, Health and Environment and their implementation. The Board has approved a Charter for the functioning of the Committee. The terms of reference of the Committee are:

- Review operational performance, anticipate potential issues and provide support in setting direction for improvements; and
- Reduce carbon emissions per tonne of steel produced

Finance Committee

The Finance Committee of the Board was constituted to consider the proposal for meeting the financing requirements of the Company and the Tata Steel Group.

Code of Conduct

The Company has adopted the Tata Code of Conduct (TCoC) for EDs, Senior Management Personnel and other Executives of the Company. The Company has received confirmations from the EDs as well as Senior Management Personnel regarding compliance of the Code. It has also adopted the TCoC for NEDs of the

Company. The Company has received confirmations from the NEDs regarding compliance of the Code. Both the Codes are posted on the website of the Company.

Share Transfer System

Share Transfers in physical are normally processed within 15 days from the date of receipt in accordance to the completion of documents in all respects. Certain Directors and the Company Secretary are empowered to approve transfers. Table 1 portrays the distribution of shareholding of ordinary shares.

Table 1
Distribution of Shareholding of Ordinary Shares

Shareholding	Total No. of Shareholders		% to total holders		Total No. of Shares		% to total capital	
	2015	2014	2015	2014	2015	2014	2015	2014
1	25,007	25,595	2.51	2.53	25,007	25,595	0.00	0.00
2-10	1,31,899	1,38,554	13.23	13.71	9,28,059	9,77,786	0.10	0.10
11-50	3,10,222	3,18,879	31.11	31.54	94,20,050	95,85,042	0.97	0.99
51-100	1,71,061	1,69,840	17.15	16.80	1,37,62,068	1,35,31,218	1.42	1.39
101-200	1,65,105	1,66,474	16.56	16.47	2,45,54,566	2,45,60,803	2.53	2.53
201-500	1,16,714	1,16,228	11.70	11.50	3,68,52,529	3,62,93,225	3.80	3.70
501-1000	41,104	40,107	4.12	3.97	2,96,39,337	2,87,27,333	3.05	2.96
1001-5000	31,028	30,234	3.11	2.99	6,13,06,069	5,96,44,835	6.31	6.14
5001-10000	2,922	2,866	0.29	0.28	2,03,14,625	1,98,93,507	2.09	2.05
10001-100000	1,931	1,850	0.19	0.18	4,65,45,870	4,48,46,005	4.79	4.62
100001 and above	329	344	0.03	0.03	72,78,67,259	73,31,30,056	74.94	75.48
Total	9,97,322	10,10,971	100.00	100.00	97,12,15,439	97,12,15,405	100.00	100.00

Source: Data emphasized from the annual report of Tata Steel Limited

Listing on Stock Exchanges

- The Company's ordinary shares listed on BSE Limited and National Stock Exchange of India Limited in India are presented in Table 2.

Table 2

Stock Exchanges	ISIN	Stock Code
BSE Limited (BSE)	INE081A01012	500470
National Stock Exchange of India Limited (NSE)	INE081A01012	TATASTEEL

Source: Data emphasized from the annual report of Tata Steel Limited

- International Listings of securities issued by the Company are presented in Table 3.

Table 3

Security	Year of Issue	ISIN	Listed on
Global Depository Receipts (GDRs)	1994	US87656Y1091	Luxembourg Stock Exchange
Global Depository Receipts (GDRs)	2009	US87656Y4061	London Stock Exchange

Source: Data emphasized from the annual report of Tata Steel Limited

- Perpetual Hybrid Securities in the form of Non-Convertible Debentures are listed on the Wholesale Debt Market segments of the Stock Exchanges in Table 4.

Table 4

Rate (%)	ISIN	Principal Amount (Rs in crores)	Date of Maturity	Listed on
11.80	INE081A08165	1,500.00	Perpetual	NSE & BSE
11.50	INE081A08173	775.00	Perpetual	NSE

Source: Data emphasized from the annual report of Tata Steel Limited

Audit Committee

The primary objective of the Committee is to monitor and provide effective supervision of the Management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting. As required by Clause 49 of the Listing Agreement, audit committee to the best of their information and according to the explanations given and the representations made by the Directors and the Management, certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreements.

Awards and Recognition

- Certificate of Recognition at the 14th ICSI National Awards for Excellence in Corporate Governance
- '2015 World's Most Ethical Company' Award in the 'Metals' category from Ethisphere Institute, the global leader in defining and advancing the standards of ethical business practices.
- NatSteel Holdings received the Energy Efficiency National Partnership Award 2014 by the Singapore National Environment Agency.
- SCSC, one of the subsidiaries of TSTH, received EIA Monitoring Awards 2014 from Environmental Impact and Evaluation Bureau, Ministry of Natural Resources and Environment for Excellent Environment Management.
- Recognized as 'Corporate Citizen of the Year' 2013-14 by the Economic Times Awards for Corporate Excellence.
- NatSteel Holdings received the Workplace Safety & Health Innovation and Performance Awards (Silver) 2014 by the Singapore WSHC Council.

SUMMARY AND CONCLUSION

According to Organization for Economic Co-operation and Development (OECD) corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholder. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those of objectives and monitoring performance are determined. Furthermore, an effective corporate governance framework necessitates the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

Tata is a stalwart and the exemplary performance of Tata Group in the field of corporate governance, with strong code of ethics and excellence in performance. It is well said about Tata's that 'Good governance has taken root in and spread to all branches of the Tata Group and there is nothing amorphous about that.' It has already set high standards for corporate governance which has to be revered, appreciated and followed by the generations to come. The role of the board should be that of governance to ensure that corporate direction and management are executed in the best interest of the shareholders, to ensure that shareholder value is not eroded and that the corporation fully recognized and bears its social responsibility. To be effective, the board needs to focus on strategic direction and implementation, monitoring financial performance, CEO development, evaluation and succession and monitoring legal and ethical performance. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital. Failure to implement good governance procedures has a cost in terms of a significant risk premium when competing for scarce capital in today's public markets.

REFERENCES

1. Sukhada, W., Corporate Governance: The Tata Way, The IUP Journal of Corporate Governance, 2007.
2. Brown, P., Corporate Governance, Accounting and Finance: A Review, Accounting and Finance, 2011.
3. Dr. Himachalam, D., Corporate Governance-Emerging Issues and Global Challenges (Edit.), Excel India Publishers, 2013, New Delhi.
4. Annual Report of Tata Steel Limited, 2014-15.