

# Corporate Governance Disclosure Practices of Selected Indian Mid-Cap and Large-Cap Pharma Companies: A Comparative Study

Shukla Ayushi ArvindKumar, Research Scholar, Department of School of Commerce, Gujarat University, Navrangpura, Ahmedabad, India. ayushi.apim@gmail.com

Dr. Prashant Jariwala, Research Guide, Associate Professor, City C.U.Shah Commerce College, Laldarwaja, Ahmedabad, India. pjari2020@gmail.com

**Abstract:** Disclosures considered as a tool to present the true and fair view of organisational practices. Corporate governance disclosures provides information of board composition, statements about company performance and information about compliance and conformance with best practices for good corporate governance. This study aimed at evaluating corporate governance disclosure practices of selected Indian Mid-Cap and Large-Cap Pharma companies as per the provisions of SEBI regulations 2015(Listing Obligations and Disclosure Requirements) and Companies Act 2013. Out of the 128 listed companies on BSE top 3 Mid-Cap and Large-Cap companies selected using convenience sampling method based on market capitalisation. Disclosure practices of each companies evaluated by framing Corporate Governance Disclosure Score Index consisting of 18 parameters based on 100 points scale including sub- parameters of listing guidelines in SEBI regulations 2015(Listing Obligations and Disclosure Requirement) and provisions of Companies Act 2013.

The study finds that all six companies fulfilled the mandatory provisions in all the sub-indices of SEBI regulations 2015(Listing Obligations and Disclosure Requirement). Among six companies Sun Pharma scored highest i.e.97.i.e. excellent. Compare to Mid-Cap, Large-Cap companies maintaining an excellent disclosures practices. Using Independent sample t-test it is to be found that there is a significant difference in the corporate governance score index of both Mid – Cap and Large-Cap Companies. Companies need to be more transparent on Board procedure, should have self-regulatory ethical governance code for better internal organisational practices, wealth maximisation and to increase the interest of other stakeholders too.

**Keywords:** Corporate Governance, Clause 49, SEBI, Companies Act 2013, BSE SENSEX

## I. INTRODUCTION

In the ongoing days where the corporate scams have been coming into the light, there is a necessity to adopt strict practices, laws, procedures and rules that can actually keep a watchdog over the activities and decisions taken by the top level management. Corporate governance prevent misuse of powers by the management and thus protect the interest of shareholders as well other stakeholders too. Corporate governance depends on four important principles like transparency, responsibility, fairness and accountability. Good corporate governance is just not only maximising the return of their shareholders but take care of the stake of other stakeholders too. And in this globalised and competitive world it is necessary for corporates to understand the relevance of wealth maximisation which not only improves disclosures practices of corporate but

improves the long term relation with their stakeholders. SEBI describes certain mandatory and non-mandatory necessities of the companies to be in the agreement concerned with corporate governance beneath clause 49 of the listing agreement. Clause 49 contents are based on several parameters such as related to Board Composition, disclosures on meetings, audit committee etc. which are required to be disclosed by all the listed companies. It become mandatory for all the listed companies to disclose a detail report on corporate governance disclosure practices. Companies Act 2013 took a step forward over the SEBI listing requirements because it not only includes listed companies but also the unlisted public companies by including some amendments like women director, remuneration of directors, corporate social responsibility reports etc.

This study examines the corporate governance disclosures practices of selected pharma companies which is based on SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and provisions of Companies Act 2013. This research shows the comparative analysis of Corporate governance score of both Large-Cap and Mid-Cap Indian pharma companies which include both mandatory and non-mandatory provisions of corporate governance which are issued by SEBI (Listing Obligations and Disclosures Requirements) Regulations 2015 and Companies Act 2013.

#### Clause 49 Listing Agreement:

The term 'Clause 49' refers to the listing agreement between the companies and the Stock Exchange on which it is listed. This clause is an addition to the listing agreement which was inserted as late to the recommendation of the Kumar Mangalam Birla committee on CG constituted by SEBI in 1999. In late 2002, the SEBI constituted the Narayana Murthy Committee to assess the adequacy of current corporate governance practices and to suggest improvements. Based on the recommendations of this committee, SEBI issued a modified Clause 49 on October 29, 2004 (the revised clause) which came into operation on January 1, 2006.

Revised clause of 49 of the listing agreement in India requires all listed companies to file every quarter a CG report. According to the SEBI Guidelines the key mandatory features of Clause 49 regulations deal with the followings: Composition of the board of directors, Board meetings, functioning of audit committee, governance and disclosures regarding subsidiary companies, CEO/CFO certification of financial results. Moreover clause 49 also require companies to provide the information on related party transactions, risk management committee, remuneration to directors, whistle blower policy, disclosures on insider trading practices etc. Revised clause of 49 of listing agreement bring evolution in the corporate governance practices for India. It is now mandatory for all the Indian listed companies to file with the SEBI, the CG compliance report, Shareholding pattern along with the financial Statements.

## II. REVIEW OF LITERATURE

**Khanifah ,Pancawati, Asri, Iryantika and Udin (2020)** done a research on "The effects of Corporate Governance Disclosures on Banking performance: Empirical Evidence from Iran, Saudi Arabia and Malaysia". Study resulted that Islamic banking comply 72.4% of the attributes in CGDI. Board structure and audit committee are the highly reported variable. ROE and Tobin's Q not significantly related with sharia bank governance.

**Mustapha, Rashid, Bala and Musa (2020)** in their study "Corporate Governance and Financial performance of Nigeria Listed Banks". Three measures taken as an

independent variables like board independence, board gender and board meeting and ROA taken a dependent variable. Result indicated that all the variables are negatively insignificant except firm size is in positive Relation with ROA.

**Shakti Deb, Indrajit Deb (2020)** in their research study of "Development of Corporate governance disclosures in India: A review". Their study resulted that the present review of corporate disclosure reforms establish that concentrated ownership structure influence the process of standardisation in corporate disclosure. Disclosures persistently improved after change in the ownership pattern in India.

**Mutyala, Shalini B(2019)** done a research studies on Impact of Corporate Governance Disclosure Practices on Financial Performance of Selected Sectors" The main objective of their study is to measure the impact of corporate governance disclosures on corporate performance. Study resulted that both the voluntary and non-voluntary disclosures practices having a significant impact over the performance of the companies.

**Panditharathna(2019)** investigates the relationship between the "Corporate governance attributes and voluntary disclosures level of Sri Lankan manufacturing companies" listed in Colombo Stock Exchange. It is to be found that ownership concentration is negatively associated voluntary disclosures level but female directors have a significant relationship with voluntary disclosures level.

**Sahore, Verma(2019)** done a study on "Corporate voluntary disclosures and board independence of Indian Companies". They found that board independence is positively associated with voluntary financial and voluntary non-financial disclosures and its precursor for increasing the interest of stakeholders. Their study suggested that voluntary disclosures likely to be more if there is more independent directors.

**Rao, Sri (2019)** done a research on "A comparative study of disclosure practices of private and public sector banks in India-A study". Governance practices evaluated based on 8 parameters according to the clause 49 of the SEBI by using content analysis. 3 banks from private and public sector banks selected using convenience sampling and they found that all banks none of the banks giving information of additional committee. Also banks of AXIS and HDFC fail to disclose the role of audit committee.

**Omar, Abdul Rahman(2019)** done a research study on "Corporate Governance Disclosures from Agency theory Perspective: A conceptual Model for Saudi Listed companies. Their study reveals that Board size, Board Independence and Board meeting create a significant impact on corporate governance disclosures. Further they state that there is a need of improvement of CG Disclosures among the users of information relating to financial and non-financial statements.

**Ahmad, Eissa A and Homaidi (2018)** conducted a research on “Disclosure on Corporate governance practices in Indian Tourism companies”. Their research based on 53 tourism companies which is listed on BSE. They found that audit committee size and board size have highest disclosed variable, while government ownership is the lowest disclosed variable.

**Maheshwari (2018)** conducted a research on “Corporate disclosures practices in Indian Corporate IT Sector included in BSE Sensex: A comparative study”. Study conducted a research over selected IT Companies and found that all selected companies maintaining an excellent records of mandatory requirements but companies needs to make more transparency and provide more information in the interest of stakeholders.

**M.Alfraih(2018)** in their study of “The role of Corporate governance in intellectual capital disclosure”. Study resulted that corporate governance strongly influence the quantity of Intellectual capital disclosed in the annual report of KSE listed companies. Companies with larger boards, higher proportions of external directors and higher blockholder ownership are associated with Intellectual capital disclosure.

**Gupta (2017)** conducted a research on “Corporate Governance and disclosure practices in listed information Technology companies in India”. On the basis of their analysis it is to be found that corporate governance report must be presented with some more accuracy in a comprehensive manner regulator should give listing requirement to companies. All sample IT companies following all the listing requirements of Clause 49 given by SEBI.

**Kaur, Kaur (2015)** conducted a research on “Corporate governance disclosure practices of Public and private sector banks: A Comparative Study”. Based on the corporate governance disclosure index they found that both public and private sector banks maintain a higher level of disclosure practices particularly SBI and YES Bank shown more parameters regarding disclosure practices in their corporate governance report.

**Maheshwari, Meena (2015)** done research on “Corporate governance practices: A Comparative study of HDFC and SBI”. The main objective of their study is to analyse the good corporate governance practices also to determine the financial and non-financial disclosures in SBI and HDFC. Secondary data collected from annual report of 2013-14. Overall it is observed that SBI is maintaining best practices with regards to Corporate governance large number of board of directors with reference to non-executive directors whereas negative aspects like whistle blower policy, review of chairman for various committee, dematerialisation of shares, director appointment or re-appointment etc.

**Kulkarni, Maniam (2014)** conducted study on “Corporate governance –Indian Perspective”. they define that ethics,

auditors and audit committee ,internal governance are the root causing factors of corporate governance .Independent directors have more defined roles and responsibilities. They suggested more on stakeholder oriented system making finance itself accountable to public interest.

**Raithatha,Bapat (2014)** in their research work of “Impact of Corporate Governance on Financial Disclosures: Evidence from India”. They found that variables like board size has a significant impact and board independence on financial disclosures.Their study also supports independent directorship which might provide exposure to different corporate environment, diverse perspective and knowledge to the directors. Also they notifies that foreign shareholding improves disclosures.

**Subramanayam, Dasaraju(2014)**done a research on “Corporate Governance and disclosures practices in Listed information technology (IT) companies in India. Among the 6 sample IT companies using Standard & Poor score card Infosys, Wipro, HCL scored more than 100.They suggested that corporate governance has to be monitored with good legislation and compliances.

**Asthana ,Dutt(2013)** in their research work of “The extent of disclosure code of corporate governance in India: A Comparative study of public and private sector banks”. In private sector banks compliance of non –mandatory disclosures are high compared to public sector banks. Committees like director promotion, DPC vigilance committee very less complied in private banks

**Omran,Abdelrazaik and Alexandria (2013)** conducted a study on “ The association between Corporate Governance and Corporate disclosures : A critical review”. Their study reveals that researcher used disclosure index and content analysis to measure the governance index and found that there is a significant relationship between the internal audit quality and both corporate mandatory disclosure and corporate voluntary disclosure.

**Research Gap:** Poor corporate governance practices and lack of transparency in corporate financial reporting became the root cause of Asian Financial Crisis. Thereby there is a need to adopt the stringent governance practices which can improve the quality of financial and non-financial disclosures of companies. From the above studies it can be observed that majority of the previous studies covers the Governance disclosures practices based on selected parameters as Rao, Sri (2019) covers only 8 parameters of Clause 49 of listing agreement for the evaluation of governance practices in Indian banking sector and the result of their study shows that few banks fail to disclose information of additional committee and role of audit committee. Maheshwari & Meena (2015)shown negative aspects of disclosures in whistle blower policy, directors remuneration etc .The present research studies intended to contribute to the burgeoning research on Corporate governance disclosures practices with reference to all

significant parameters of listing requirements of SEBI Regulations 2015 (Listing obligations and disclosure requirements) as well as Companies Act 2013 provisions of governance disclosure specifically in Large-Cap and Mid-Cap Indian pharma companies as per the model suggested by S.C Das and the inter-firm comparison of score index of companies evaluated to check the differences in the disclosure index of selected pharma companies.

**Significance of the Study:** Corporate Governance become imperative in today’s globalised world because of increasing conflict between ownership and management disciplines ,the non-compliance of financial reporting by auditors which inflict heavy losses on investors as well as lower down the financial integrity and ethical standards. Thereby need of good corporate governance practices become the necessity of the corporate world.

1.This studies inform about the Corporate Governance practices of selected Mid-Cap and Large-Cap Indian pharma companies so as to understand their nature, scope and extent of similarities and dissimilarities in governance practices of both the category of companies.

2.This study shows inter-firm comparison of Governance score index between selected Indian Mid -Cap and Large-Cap pharma companies.

3.This study would specifically helpful to the potential investors who wants to invest in to the pharma companies. Also it will help the management to follow the self-regulatory ethical codes which will improve their internal corporate mechanism also this will help them to understand the relevance of global standards governance practices also stakeholders interested will be protected and which will significantly increase the shareholders value too.

### III. RESEARCH METHODOLOGY

**Objectives of The Study:** The present study conducted to assess the corporate governance disclosure practices as per SEBI (Listing Obligations and disclosure requirements) 2015 and Companies Act 2013 Provisions.

1.To study Corporate Governance Disclosure Practices of selected Mid -Cap and Large- Cap Pharma companies of India.

2.To Construct Corporate Governance Disclosure Index as per the provisions issued in SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Companies Act 2013.

3.To do a comparative study of Governance Score Index of selected Mid -Cap and Large -Cap pharma companies of India and to find differences in the score index of both the category of companies.

**List of pharma companies selected:** Pharmaceutical companies listed in Bombay Stock Exchange is the population of the study. There were total 128 Companies listed in BSE in pharmaceutical industry under equity

segment with active status as May 2021.Companies are grouped into two segments i.e. Mid-Cap and Large-Cap Companies based on market capitalisation criterion.

Mid-Cap Companies	Large -Cap Companies
Alkem Lab	Sun-Pharma
Abbott India	Divis Labs
Sanofi India	Dr Reddys Labs

**Sample size and collection of data:** Out of total population of 128 companies listed on BSE only top 3 Large cap and 3 Mid -Cap companies of pharma sector selected as a sample using Convenience sampling method based on their market capitalisation in both the segment. The study is entirely based on secondary data. Data has been collected from the annual report of the companies and from the companies website as well as from the various journals, reports etc. Rest all other details collected from various journals and reports.

#### Hypothesis:

H<sub>0</sub>: There is no significant difference between the corporate governance score index of selected Mid - Cap and Large - Cap Pharma Companies of India.H<sub>1</sub>: There is significant difference between the corporate governance score index of selected Mid - Cap and Large -Cap Companies Pharma companies of India.

**Limitations of the Study:** This study has following limitations which are as follows:

1.This study consider only the selected listed Pharma companies of India on BSE.

2.This study does not cover the other different sectors so the result will not be generalise for the other sectors of this country.

**Analysis of Disclosure Practices:** Corporate governance disclosure practices in selected pharmaceutical companies has been analysed based on CG scores of each company separately. Corporate Governance Scores is mechanism used in the study considering the mandatory as well as non-mandatory recommendations of SEBI listing Agreement 2015 and Companies Act 2013.To evaluate the governance score 100 points score index have been framed ,whereby appropriate weightage in terms of points has been awarded to the governance parameters and criteria for the selection of governance standard done using 18 parameters with their sub- parameters including both mandatory and non-mandatory provisions of SEBI (Listing Obligations and disclosure requirements) 2015, Companies Act 2013 and model suggested by S.C Das as shown in Table 2.The total scores for each companies assessed to get the top rated companies in Corporate Governance Scores as per the five point grading scale system which is to be followed in Table 2.

**Table 1: Score Result**

Marks	Remarks
90-100	Excellent
75-89	Very Good

60-74	Good
50-59	Satisfactory
0-49	Bad

(Source: Score result table developed by author)

**Table 2: Criterion for the evaluation of Governance Standards of Selected Indian Pharma Companies for the financial year 2019-20**

Sr.No	Governance Parameters	Points	Total Score	Sun Pharma	Divis Labs	Dr. Reddy Labs	Alkem Lab	Abbott India	Sanofi India
1)	<b>Statement of Company's Philosophy on Code of Governance</b>	1	1	1	1	1	1	1	1
2)	<b>Composition of the board and BOD meetings held</b>								
i)	Not less than 50% of the Board of Directors comprising of Non- executive directors At least one woman director	1	1	1	1	1	1	1	1
ii)	Where Chairman is Non-Executive	1	1	1	1	1	1	1	1
iii)	Director-At least 1/3 of the board comprise independent director where Chairman is Executive –At least 1/2 of the Board comprise Independent Director At least four Board of director meetings in a year Attendance record of BOD meetings	1	1	1	1	1	1	1	1
iv)	<b>Chairman and CEO Duality</b>								
v)	Promoter Executive Chairman –cum-MD/CEO	1	1	1	1	1	1	1	1
	Non-Promoter Executive Chairman-cum-MD/CEO								
3)			5						
i)	Promoter Non-Executive Chairman	1	1	1	1	1	1	1	1
ii)	Non-Promoter Non-Executive Chairman	1	1	1	1	1	-	-	-
iii)	Non-Executive Independent Chairman	1	1	-	-	-	1	-	1
iv)		1	1	1	-	-	-	1	1
v)		1	1	1	1	1	1	1	1
4)	<b>Disclosure of tenure &amp; age limit of directors</b>	2	2	2	2	2	2	2	2

5)	<b>Disclosures regarding to Independent Directors</b>		6						
i)	Definition of ID	1		1	-	-	-	-	-
ii)	Familiarisation program to ID & details of such training imparted to be disclosed in the annual report	1		1	1	1	1	1	1
iii)	Separate meeting of the ID	1		1	1	1	1	1	1
iv)	Selection criteria the terms and condition of appointment shall be disclosed on the website of the company	1		1	1	1	1	1	1
v)	Formal letter of appointment of ID	1		1	1	1	1	1	1
vi)	Limit of No. of directorship for ID (IF WHOLE TIME DIRECTOR THEN THESE THREE OR IF NOT WHOLE TIME DIRECTOR THEN SEVEN	1		1	1	1	1	1	1
6)	<b>Disclosures of:</b>								
i)	Remuneration policy	1	2	1	1	1	1	1	1
ii)	Remuneration of directors	1		1	1	1	1	1	1
7)	<b>Directorship and Committees Membership/Chairmanship of directors across all companies</b>	2	2	2	2	2	2	2	2
8)	<b>Code of Conduct</b>								
i)	Information on Code of Conduct	1	2	1	1	1	1	1	1
ii)	Affirmation of Compliance	1		1	1	1	1	1	1
9)	<b>Post Board meeting follow up system and compliance of the Board Procedure</b>	2	2	2	2	2	-	-	-
10)	<b>Board committees:</b>		8						
A)	<b>Audit Committee:</b>								
i)	Transparency in composition of the committee (Qualified and Independent)	1		1	1	1	1	1	1
ii)	Compliance of minimum requirement of No. of Independent Directors in the committee (Minimum three director and 2/3of the members should be ID)	1		1	1	1	1	1	1
iii)	Compliance of minimum requirement of the number of Committee meetings (At least four times)	1		1	1	1	1	1	1
iv)	Information about literacy & financial expertise of the committee								
v)	Information about participation of Head of finance, Statutory Auditors, Chief Internal Auditors and other invitees in the committee meetings	1		1	1	1	1	1	1
vi)	Disclosures of audit committee charter & terms of reference	1		1	1	1	1	1	1
vii)	Disclosures of Committee Report	2		2	2	2	2	2	2
B)	<b>NOMINATION AND REMUNERATION COMMITTEE:</b>								
i)	<b>Formation of the committee:</b> Information about number of committee meetings		6						
ii)	Compliance of minimum requirement of No. of Non-Executive directors in the committee (At least 3 members)	1		1	1	1	1	1	1
		1		1	1	1	1	1	1

iii)	Compliance of the provisions of independent directors as chairman of the committee								
iv)	Compliance of the provisions of independent director as chairman of the committee	1		1	1	1	1	1	1
v)	Information about participation of meetings.	1		1	1	1	1	1	1
vi)	Disclosure of Committee report	1		1	1	1	1	1	1
C)	<b>SHAREHOLDERS/STAKEHOLDERS RELATIONSHIP COMMITTEE:</b>		5						
i)	Transparency in composition of the committee	1		1	1	1	1	1	1
ii)	Information about nature of complaint & queries received and disposed –item wise	1		1	1	1	1	1	1
iii)	Information about number of committee meetings								
iv)	Information about action taken and investors/shareholders survey	1		1	1	1	1	1	1
v)	Disclosures of Committee report	1		1	1	1	1	1	1
D)	<b>Risk Management Committee</b>		2						
i)	Formation of committee	1		1	1	1	1	1	1
ii)	Disclosures of Committee charter report	1		1	1	1	1	1	1
E)	<b>Additional Committee</b>		4						
i)	Health and safety & Environment Committee	1		-	-	-	-	-	-
ii)	CSR and Sustainable Development Committee	1		1	1	1	1	1	1
iii)	Investment Committee	1		-	-	-	-	-	-
iv)	Other Committee	1		1	1	1	-	-	-
11)	<b>Disclosures and Transparency:</b>		24						
	Significant related party transactions having potential conflict with the interest of the company	2		2	2	2	2	2	2
	Non-Compliance related to capital market matters during the last 3 years	2		2	2	2	2	2	2
	Board Disclosures Risk Management								
	Information to the board on Risk Management	2		2	2	2	2	2	2
	Management Discuss and Analysis								
	Publishing of Risk Management Report	2		2	2	2	2	2	2
	<b>Information to Shareholders-</b>								
	Appointment of new director/re-appointment of retiring director	1		1	1	1	1	1	1
	Quarterly results & presentations								
	Share-Transfers								
	Directors' Responsibility Statement								
	Shareholder right	1		1	1	1	1	1	1
	Audit Qualification								
	Training of board members	1		1	1	1	1	1	1
	Evaluation of non-executive directors.	1		1	1	1	1	1	1
	Resignation of director with reason	2		2	2	2	2	2	2
		2		2	2	2	2	2	2
		2		2	2	2	2	2	2
		2		2	2	2	2	2	2

		1		1	1	1	1	1	1
		1		1	1	1	1	1	1
12)	<b>General Body Meeting:</b> Location and time of General Meetings held in last 3 years Details of Special Resolution passed in the last 3 AGM Details of resolution passed last year through Postal Ballot including the name of Conducting official and voting procedures	1	3	1	1	1	1	1	1
		1		1	1	1	1	1	1
		1		1	1	1	1	1	1
13)	Means of Communication and General Shareholders Information	2	2	2	2	2	2	2	2
14)	Whistle-Blower Policy & Vigilance Mechanism	2	2	2	2	2	2	2	2
15)	CEO/CFO certification	2	2	2	2	2	2	2	2
16)	Compliance of Corporate Governance and Auditors Certificate: Clean Certificate from auditors	5	5	5	5	5	5	5	5
17)	Code for prevention for Insider Trading	5	5	5	5	5	5	5	5
18)	<b>Disclosures of stakeholder's Interest:</b> Environment, Health and safety measures i) Human Resource Development initiative Corporate Social Responsibility ii) Industrial Relation Disclosures of policies on EHS,HRD,CSR & IR iii) iv) v)	1	5	1	1	1	-	-	-
		1		1	1	-	-	-	-
		1		1	1	1	1	1	1
		1		1	1	-	-	-	-
		1		1	1	1	1	1	1
	Total	100	100	97	95	93	89	89	90

(Source: CG scores calculated based on annual reports of selected sample companies)

**ANALYSIS AND INTERPRETATION**

The above given table 2 represent the calculation of Corporate governance score index value done based on total 18 parameters of mandatory and non-mandatory recommendations of SEBI Regulations 2015 and Companies Act 2013 of all selected Indian pharma companies for the year 2019-20. Governance score index calculated based on the model suggested by S.C Das and the information collected from the annual reports of the companies. All companies graded on the five points grading scale based on their score index value. Overall it to be found that on an average basis that all companies lies in the category of ‘Excellent because all the companies are following the mandatory provisions of Governance Standards with insignificant difference in the score index of both the category of companies.

In the group of Large -cap companies Sun pharma scored highest i.e. 97, Divis Labs 95 and Dr Reddy labs 93 respectively. Dr.Reddy labs scored low among large –cap pharma companies because of not showing disclosures on human resource development initiative, Industrial relations committee, definition of Independent director and also because of absence of promoter and non-promoter executive chairman cum MD. Sun pharma is the only among all the selected companies following all the mandatory and non-mandatory provisions of SEBI Listing Agreement 2015 and Companies Act 2013. Whereas in the category of Mid -Cap companies Alkem lab and Abbot India scored low i.e.89 which represent that both mid-cap companies not showing disclosures on Industrial relations, human resource development ,environment ,health and safety measures committee also both the companies does not have non –promoter and executive chairman cum MD and Sanofi India scored high i.e. 90. On average basis as per five points grading scale Mid-Cap companies lies in category of “very good” disclosures of governance practices.

**Comparative Analysis of Corporate governance score index of selected Mid -Cap and Large- Cap pharma companies of India.**



**Table 3: Showing the Mean and Standard deviation value for both Mid –Cap and Large-Cap selected pharma companies of India for the year 19-20**

Group Statistics					
	COMPANIES	N	Mean	Std. Deviation	Std. Error Mean
SCORE INDEX	LARGE	3	95.0000	2.00000	1.15470
	MID	3	89.3333	.57735	.33333

(Source: IBM SPSS22)

**Table 4: Independent Sample T-test of Mid -Cap and Large –Cap selected pharma companies of India for the year 19-20**

SCORE INDEX	Levene's Test for Equality of Variances		T-test for Equality of Means						
	F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Equal variances assumed	1.730	.259	4.715	4	.009	5.66667	1.20185	2.32979	9.00354
Equal variances not assumed			4.715	2.331	.031	5.66667	1.20185	1.13926	10.19407

(Source: IBM SPSS22)

**Analysis and Interpretation:**

In order to test the hypothesis to find the differences in mean value of corporate governance score index Independent Sample T-test have been conducted on IBM SPSS22 to find the significant difference in the corporate governance score index value of both Large -Cap and Mid- Cap Pharma companies. This test is conducted to compare the means of same variable between two groups. The above given table 3 represent the Mean and the standard deviation value of all three Mid-Cap and Large-Cap companies based on their corporate governance score index . From the given Group statistics mean value of Large-Cap companies is 95 and Mid- Cap companies is 89 and standard deviation is 2 and 0.57 respectively .Overall it can be said that there is a significant difference in the score index mean value of both the category of companies i.e.6 and standard deviation i.e. 1.43 respectively.

Table 4 represent the analysis of corporate governance score index of both Mid-Cap and Large-Cap companies based on independent sample t-test to check the significant difference in the score index of both the category of companies. Since the p value is 0.009 which is less than the table value i.e. 0.05 the null hypothesis tends to be rejected and we can conclude that difference in mean value is statistically significant different from 0 also there is a significant difference in the variances of both the group are not equal. Hence it can be said that the mean value of large –cap pharma companies is more than the mid-cap pharma companies and there is a significant difference in the score index of both Mid -Cap and Large -Cap Companies Large-Cap companies showing high level disclosure practices compared to Mid-Cap pharma companies.

**IV. FINDINGS OF THE STUDY**

- 1.Out of 6 selected pharma companies Sun Pharma and Divis Labs showing an excellent disclosures practices regarding stakeholders interest. Also all the Large Cap Companies showing a proper disclosure of Post Board meeting follow up and compliance of Board Procedure whereas none of the Mid cap companies reported it in their annual report.
- 2.Under Additional Committee both the type of companies shown compliance over corporate social responsibilities and Sustainable development committee but only large cap companies shown information some other additional committees other than Statutory committees.
- 3.All the selected companies disclosures practices are in compliance with all the mandatory provisions of corporate governance as per SEBI (Listing Obligations and Disclosure Requirements) 2015 and Companies Act 2013 provisions. However, the above analysis represent that the overall highest score index is 97. None of the company shown a full disclosure as per SEBI (Listing Obligations and Disclosure Requirements) 2015 and Companies Act 2013 provisions.
- 4.All six companies have Chairman cum MD which is Promoter, NED and ID. Whereas in large cap companies Chairman is also NED as well as ID.
- 5.All the six companies framed proper policy related to related party transactions and insider trading practices. Each company has obtained the auditor certificate to comply with governance practices. All companies comply with the mandatory provision of clause 49 regarding Independent director and Board Meetings which should be conducted minimum 4 times in a year.

6.All companies disclosed proper information to their shareholders regarding quarterly results, voting rights, about director responsibility statement, audit qualification etc. All companies disclose information related training of ID in their annual report.

7.All companies disclose a structured information of remuneration committee towards the director remuneration.

8.All company comply with the mandatory requirements of statutory committee like Audit committee, corporate social responsibility, risk management committee. relationship committee, remuneration committee.

## V. SUGGESTION OF THE STUDY

As per the Score result index table it can be said that all the Large -Cap companies scored excellent. Whereas on an average basis of all three Mid -Cap companies scored very good. But none of these companies shown hundred percent compliance with all 18 parameters and Sub-parameters. In order to get full score companies should adopt the following suggestions:

1.All Mid -Cap companies should give disclosure on post board meeting follow up system and compliance of Board Procedure.

2.Companies should give full disclosures in stakeholders interest like environment and healthy safety measures, investment committee etc. Mid -Cap companies should also give fair disclosure on Industrial relation, Human resource development and various other committees.

3.Companies should disclose the definition of Independent Director in its annual report.

4.In order to score more Large - Cap companies should also have promoter non-executive chairman and Mid -Cap companies should also have Non-promoter executive chairman.

## VI. CONCLUSION

In the Current dynamic and complex globalised environment it is essential to follow globalised corporate governance standards in order to reduce the risk of fraudulent activities by the top management as it set the benchmark for all the corporate world. Regulators giving immense importance to ethical standards by penalising the officer in default if they do not comply the same. In sum, selected Indian pharma companies maintaining good governance disclosures practices there is a significant difference in the score index of both Large-cap and Mid-Cap pharma companies . Compared to mid-cap, large -cap pharma companies showing high level of corporate governance disclosures practice. Among all the firms sun pharma shown an excellent disclosure practices whereas abbot and alkem score index found to be quite low and also as per Independent t-test it is to be justifiable that there is a significant difference in the mean value of the both the groups. But in order to increase the usefulness of the governance disclosures regulators

should stress more on disclosing information like Human resource Committee, investment committee, Environment, Health and safety measures etc. Such measures will bring more viability in ethical governance code and bring more transparency and reliability in their disclosures. Regulators can also give an annual disclosure questionnaire for forms through internet and presenting the results of such disclosures in a orderly way via searchable database. Companies need to be more transparent on Board procedure also Regulators should take more stringent steps to bring transparency in disclosure practices. Companies should have self-regulatory ethical governance code in their organisation which will help the management to improve their internal governance mechanism, strengthening the corporate performance and increase the interest of others stakeholders too.

## REFERENCES

- [1] Ahmad, Eissa A and Al-homaidi (2018) Disclosure on Corporate governance practices in Indian Tourism companies. International Journal of Research,05(15),660-678
- [2] Asthana, Dutt(2013)The extent of disclosure code of corporate governance in India: A Comparative study of public and private sector banks, Global journal of Management and Business Studies,3(2),111-118
- [3] Gupta (2017) Corporate Governance and disclosure practices in listed information Technology companies in India, International Journal of Multidisciplinary Research and development, 4(6),497-501
- [4] Kaur,Kaur (2015) Corporate governance disclosure practices of Public and private sector banks: A Comparative Study. International journal of Business Management,2(1),908-920
- [5] Khanifah , Pancawati, Asri, Iryantika and Udin (2020) "The effects of Corporate Governance Disclosures on Banking performance: Empirical Evidence from Iran,SaudiArabia and Malaysia",Journal of Asian Finance and Economics and Business,7(3) 41-51
- [6] Kulkarni, Maniam (2014) "Corporate governance –Indian Perspective, International Journal of Trade , Economics and Finance ,5(4),364-368
- [7] Maheshwari (2018) Corporate disclosures practices in Indian Corporate IT Sector included in BSE Sensex: A comparative study, Indian Journal of Accounting (IJA), 50 (1) ,13-20
- [8] Maheshwari, Meena (2015) Corporate governance practices: A Comparative study of HDFC and SBI, International journal of Research in IT ,Management and Engineering,5(5),7-27
- [9] M.Alfraih(2018)The role of Corporate governance in intellectual capital disclosure, International journal of Ethics and Systems,34(1),101-121
- [10] Mustapha, Rashid, Bala and Musa (2020)in their study "Corporate Governance and Financial performance of Nigeria Listed Banks". Journal of Adv Research in Dynamical & Control Systems,12(1),5-10

- [11] Mutyala, Shalini B(2019)Impact of Corporate Governance Disclosure Practices on Financial Performance of Selected Sectors” International journal of Research in IT.6(5),21-32
- [12] Omar, Abdul Rahman(2019)Corporate Governance Disclosures from Agency theory Perspective: A conceptual Model for Saudi Listed companies . International Journal of academic research in business and social science,9(5),518-530
- [13] Omran, Abdelrazaik and Alexandria (2013)The association between Corporate Governance and Corporate disclosures: A critical review, Journal of Public administration and governance,3(3),94-107
- [14] Panditharathna (2019)Corporate Governance and Voluntary Disclosures Level; Evidence from Manufacturing companies in Sri Lanka, International journal of Scientific and Research publication,9(12),720-730
- [15] Raithatha, Bapat (2014) Impact of Corporate Governance on Financial Disclosures: Evidence from India, Corporate Ownership & Control ,12(1),874-889
- [16] Rao, Sri (2019)“A comparative study of disclosure practices of private and public sector banks in India-A study”. ICTACT journal on management studies, 5 (4),1116-1120
- [17] Sahore ,Verma(2019)Corporate voluntary disclosures and board independence of Indian Companies, Corporate Governance and Sustainability review ,3(1)42-50
- [18] Shakti Deb, Indrajit Deb (2020) Development of Corporate governance disclosures in India: A review, International Company & Commercial Law Review,31(5),2-9
- [19] Subramanayam , Himachalam Dasaraju(2014)Corporate Governance and disclosures practices in Listed information technology (IT) companies in India, Open journal of accounting,3, 89-106
- [20] Subramanyam Mutyala, Shalini B (2019) Impact of Corporate Governance Disclosure Practices on Financial Performance of Selected Sectors”, International Journal of Scientific & Technology Research,8(11),2846-2861
- [21] <https://www.investopedia.com>
- [22] <https://sunpharma.com/investors-annual-reports-presentations/>
- [23] <https://www.abbott.co.in/investor-relations/financials.html>
- [24] <https://www.sanofiindia.com/en/investors/annual-reports>
- [25] <https://www.alkemlabs.com/annual-reports.php>
- [26] <https://www.drreddys.com/investors/reports-and-filings/annual-reports/>
- [27] <https://www.divisilabs.com/investor-relations/reports-and-filings/annual-reporting/>
- [28] <http://www.moneycontrol.com/stocks/marketinfo/netsales/bs-e/pharmaceuticals-drugs.html>
- [29] <https://www.researchgate.net/publication/228435019>