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STUDY ON SHAREHOLDER RETURNS OF GREAT WORKPLACES - 2017

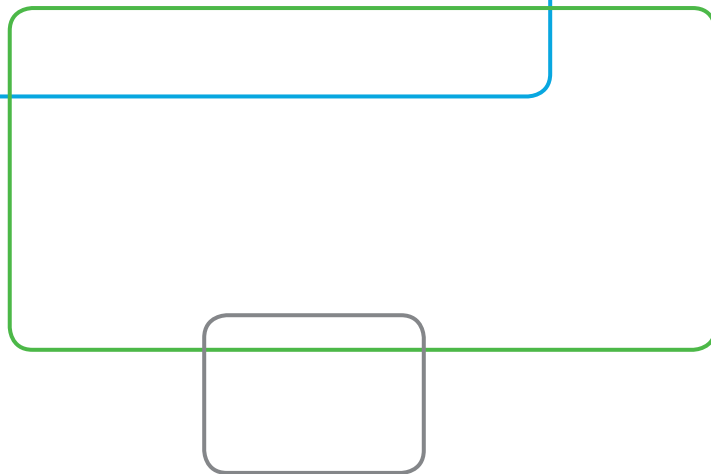
Identified by Great Place To Work[®] Institute

THE POWER OF BEING UNDERSTOOD



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We offer a wide range of professional services to meet the immediate as well as long term needs of clients' business and are aimed at helping enhance their business efficiency, reduce costs, control risks and become more competitive.

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ABOUT GREAT PLACE TO WORK® INSTITUTE

Great Place to Work® Institute is a global research, consulting and training firm that helps organisations identify, create and sustain great workplaces through the development of a High-Trust, High-Performance Culture™. The Institute serves businesses, non-profits and government agencies in 54 countries on all six continents and has conducted pioneering research on the characteristics of great workplaces for over 25 years. Great Place to Work® Institute believes all organizations can become great workplaces, and their mission is to help these organizations succeed.

Every year, Great Place To Work® Institute partners with more than 8000 organizations around the world to help create and sustain a High-Trust, High-Performance Culture™. In India, we work with over 800 organizations and their leaders to realize our mission of making India a Great Place To Work. The Great Place to Work® Institute

started operations in India in 2003 and it conducts the country's largest annual study to identify and recognize great companies to work for in India, and has now completed 13 years.

India's Best Companies to Work For – 2016 edition being the largest study in the country on workplace culture, attracted participation from more than 790 organizations spanning across 20 industries. As a part of this research Great Place to Work® Institute India surveyed over 1,55,119 employees and conducted an in depth analysis of people practices and their efficacy in all participating organizations. With the increasing number of organisation, participating and implementing the Great Place to Work® Institute framework, this year 100 companies have been recognised as the great workplaces.

GREAT PLACE TO WORK® METHODOLOGY TO SELECT THE BEST COMPANIES TO WORK FOR

According to the Institute, a great workplace is defined as an organization where its employees trust the people they work for, take pride in what they do and enjoy the company of people they work with.

It is perhaps the elegance of this definition plus the fact that unlike other surveys, the Great Place to Work® Model® looks at workplace relationships from the employees' perspective that makes this the most widely used model to understand great workplaces. The employee centric model of this Annual Study gives 2/3rd weight to feedback score of an anonymous survey of employees of participating organizations, and 1/3rd weight to analysis of the people practices that impact the creation of great workplaces. Independent studies have corroborated the business benefits of creating great workplaces.

OBJECTIVES OF THE RESEARCH

To substantiate whether the great workplaces identified by Great Place to Work® Institute in India consistently outperform major stock indices in total shareholder return. This is being sought to be established by:

- a) **Evaluation of share market returns** (in terms of capital appreciation and dividends) from the great workplaces which are listed on stock exchanges in India.
- b) **Comparison of the share market returns** of the listed companies included in the list of great workplaces vis-a-vis the market indices i.e. **BSE Sensex, Nifty 50 & CNX Nifty – Total Returns Index.**

INTRODUCTION TO THE RESEARCH STUDY

In case of corporate entities, it is observed that benefit of higher levels of trust in the workplace culminates into lower employee turnover, higher productivity, greater cost effectiveness and on top of all, distinct impact on shareholder's return.

RSM India has studied and analysed the stock performance of the publicly listed companies in 2017 that are identified as great workplaces by Great Place to Work® Institute in their 'India's Best Companies to Work For – 2016 edition.' **We had conducted similar study from 2013 to 2016 and this is the fifth year of such research study. It has been observed that the publicly listed great workplaces as identified by Great Place to Work® Institute consistently outperform major stock indices and yield a significantly higher return on investment.**

Similar research studies were carried out by Russell Investment Group in US. They studied the stock market performance of publicly listed great workplaces in the Fortune List published by the Great Place to Work® Institute Inc. USA, for well over 10 years.

HYPOTHESIS

The companies have been chosen from the Top 50 list of Great Workplaces for the years 2008–2012 and Top 100 list for 2013 – 2016. The period July 2008 to June 2009 was selected as the base period because starting 2008 a list of Top 50 is being consistently published, before 2008 the list was limited to Top 25 which did not consist adequate number of publicly listed companies.

Only companies listed on two major Stock Exchanges in India – NSE and BSE – have been chosen.

As the list of Great Workplaces is issued during the month of June every year, the investment period for the purpose of the research study [i.e. Evaluation of share market returns (in terms of capital appreciation and dividends)] is taken as 1st July 2015 to 30th June 2016.

RESEARCH METHODOLOGY

To evaluate the investor value created by the great workplaces as compared to the constant market rate of return, we have used the Reinvestment Model and the Hold Model in this research report. Results of these reinvestment and hold model have then been compared to the BSE Sensex, NSE Nifty 50 and CNX NIFTY – Total Returns Index points on the 1st trading day of July for the same period. We have compared total cumulative returns over the period under consideration.

Dividends, Split of shares and Bonus issued by the companies to shareholders during the year have been accounted for. Right issue of shares has not been accounted for as it requires additional investment.

Transaction and other incidental costs have been ignored while calculating the return on investment.

REINVESTMENT MODEL



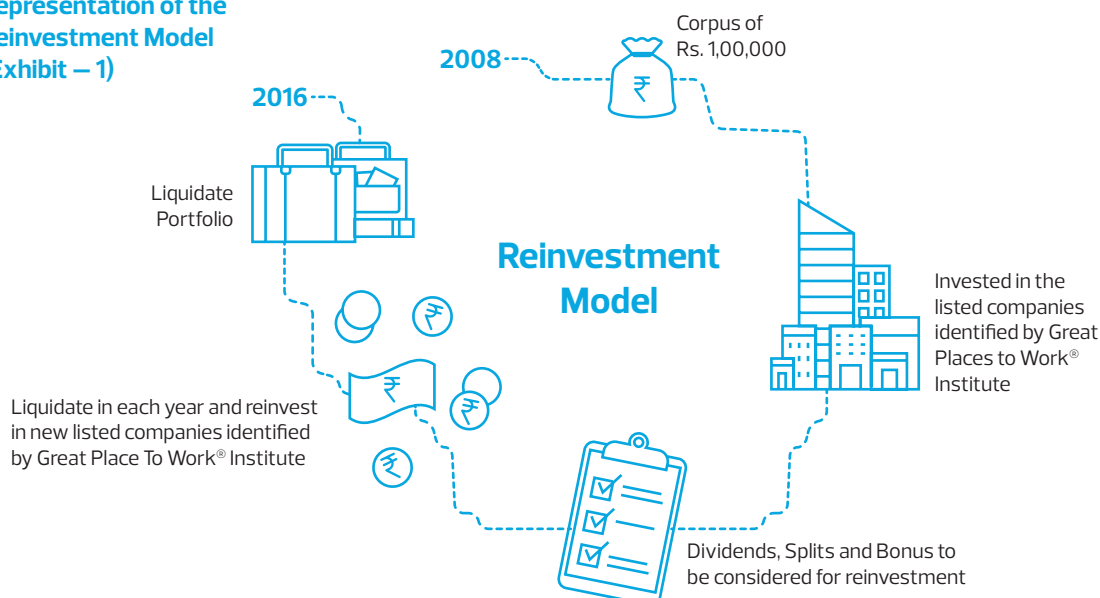
Under this model, an amount of Rs. 1,00,000 is equally invested on the first trading day of July 2008 into equity shares (at closing price) of listed Great Workplaces as per the published list.

The Year on Year (YOY) effect of split, bonus and dividend is captured.

The portfolio is liquidated after year-end i.e., on 1st July 2009 (& subsequently each year) and the proceeds together with dividend earned are reinvested equally in the new published list of Great Workplaces issued annually.

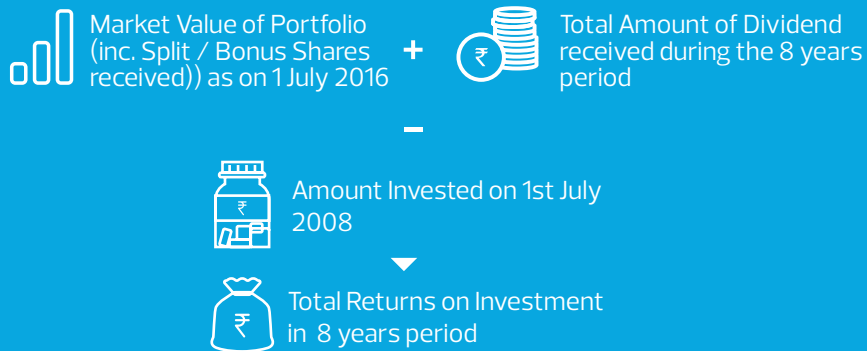
This investment strategy is repeated every year till June 2016. Refer Exhibit – 1.

Representation of the Reinvestment Model (Exhibit – 1)

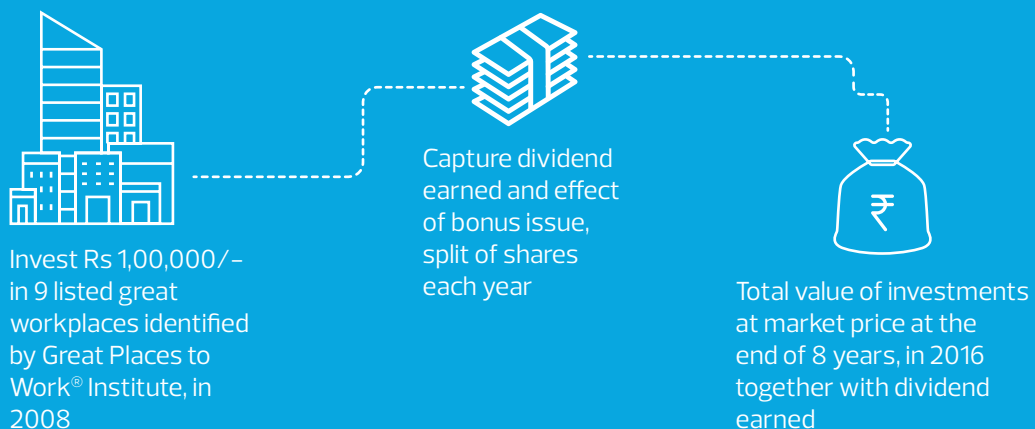


HOLD MODEL

Under this model, an amount of Rs. 1,00,000 is equally invested on the first trading day of July 2008 into equity shares (at closing price) of listed 9 Great Workplaces as per the published list of 2008 and is held up to 2016. Year on year effect of split, bonus and dividend on the invested shares is captured. The total return at the end of the period of 8 years includes market value of the shares as at 1st July, 2016 together with split, bonus and amount of total dividends earned during the period of 8 years. Refer Exhibit – 2.



Representation of Hold Model (Exhibit – 2)



RESULTS

The following table shows the comparison of Year-on-Year (YOY %**) Return on Investment, Annual Returns (i.e., Dividend Received plus Capital Appreciation) and the Total Value of Investments (TVOI) at the end of each year (including the dividend received during the year) for over a period of six years taking 2008 as a base year and the Compounded Annual Growth Rate (CAGR) for the Reinvestment & Hold Model in comparison to BSE Sensex, Nifty 50 (CNX Nifty) & CNX Nifty – Total Returns Index.

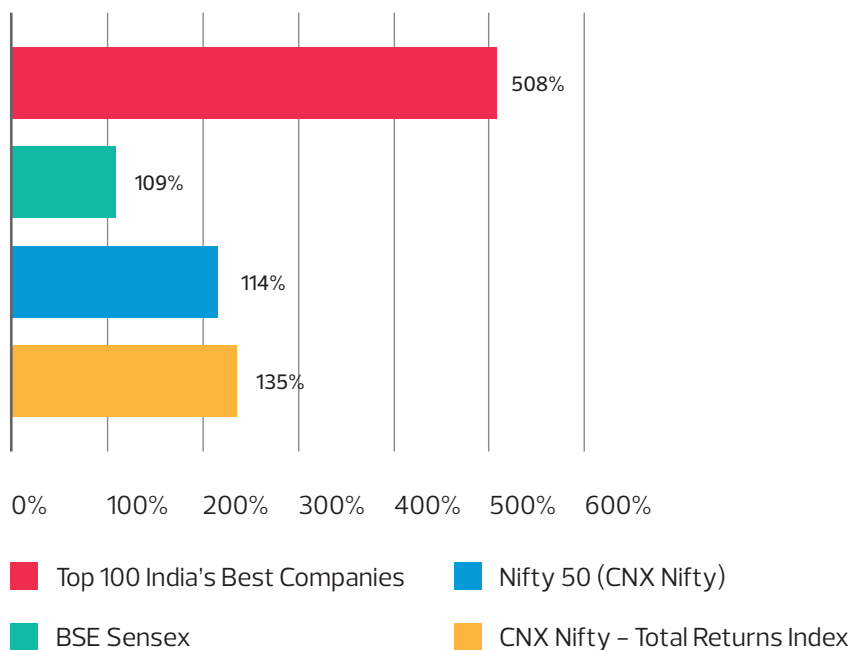
All figures in INR

| Particulars | | Reinvestment Model | Hold Model | BSE Sensex 30 | Nifty 50 | CNX NIFTY – Total Returns Index |
|---------------------------------|--------------------|--------------------|------------|---------------|----------|---------------------------------|
| Year | Initial Investment | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| 2008 – 09 | TVOI | 122,126 | 122,126 | 112,991 | 111,398 | 112,692 |
| | Returns | 22,126 | 22,126 | 12,991 | 11,398 | 12,692 |
| | YOY % | 22% | 22% | 13% | 11% | 13% |
| 2009 – 10 | TVOI | 190,292 | 181,243 | 135,085 | 134,764 | 137,986 |
| | Returns | 68,166 | 59,117 | 22,094 | 23,366 | 25,294 |
| | YOY % | 56% | 48% | 20% | 21% | 22% |
| 2010 – 11 | TVOI | 234,597 | 191,661 | 144,756 | 144,408 | 149,501 |
| | Returns | 44,305 | 10,418 | 9,671 | 9,644 | 11,515 |
| | YOY % | 23% | 6% | 7% | 7% | 8% |
| 2011 – 12 | TVOI | 216,834 | 226,936 | 134,234 | 135,462 | 142,021 |
| | Returns | (17,763) | 35,275 | (10,522) | (8,964) | (7,480) |
| | YOY % | (8%) | 18% | (7%) | (6%) | (5%) |
| 2012 – 13 | TVOI | 251,449 | 300,075 | 151,041 | 151,379 | 160,617 |
| | Returns | 34,615 | 73,139 | 16,807 | 15,914 | 18,596 |
| | YOY % | 16% | 32% | 13% | 12% | 13% |
| 2013 – 14 | TVOI | 383,177 | 387,933 | 196,859 | 195,925 | 210,256 |
| | Returns | 131,728 | 87,858 | 45,818 | 44,546 | 49,639 |
| | YOY % | 52% | 29% | 30% | 29% | 31% |
| 2014 – 15 | TVOI | 497,716 | 462,000 | 216,182 | 216,926 | 235,518 |
| | Returns | 114,539 | 74,067 | 19,323 | 21,001 | 25,262 |
| | YOY % | 29% | 19% | 10% | 11% | 12% |
| 2015 – 16 | TVOI | 607,863 | 633,634 | 209,424 | 213,726 | 235,055 |
| | Returns | 110,147 | 171,634 | (6,758) | (3,200) | (463) |
| | YOY % | 22% | 37% | (3%) | (1%) | (0%) |
| Cumulative Return on Investment | | 507,863 | 533,634 | 109,424 | 113,726 | 135,055 |
| Cumulative Total Returns % | | 508% | 534% | 109% | 114% | 135% |

The data of closing prices of shares of listed companies, face value of shares, dividend per share, issue of bonus shares, split of shares and shares indices such as BSE Sensex 30, Nifty 50 and CNX Nifty – Total Returns Index have been taken from the websites of BSE India / NSE India.

** The YOY% has been rounded off to the nearest whole number.

SHAREHOLDERS' RETURN



*Returns as per Reinvestment model has been considered in this matrix on Shareholders' return

Note: The BSE Sensex 30 reflects the free float market value of 30 component stocks relative to a base period. The 30 component companies which are some of the largest and most actively traded stocks are representative of various industrial sectors of the Indian economy. The base value of the BSE Sensex 30 is taken as 100 on 1 April 1979, and its base year as 1978–79.

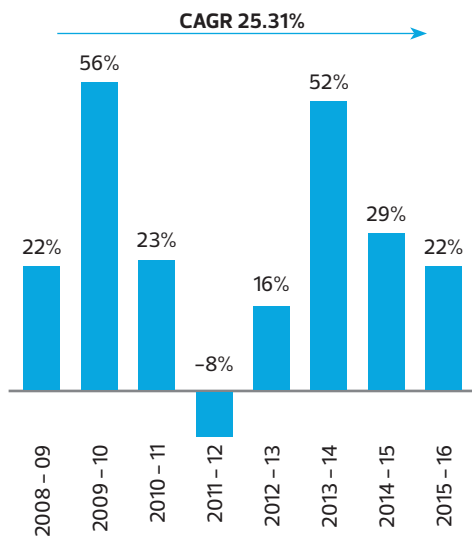
The Nifty 50 is a well diversified 50 stock index accounting for 23 sectors of the Indian economy and offers investment managers exposure to the Indian market in one portfolio. The Nifty 50 Index represents about 62.9% of the free float market capitalization of the stocks listed on NSE as on March 31, 2017. The Nifty 50 index is a free float market capitalisation weighted index.

The CNX Nifty–Total Returns Index reflects the returns on the index arising from constituent stock price movements and dividend receipts from constituent index stocks.

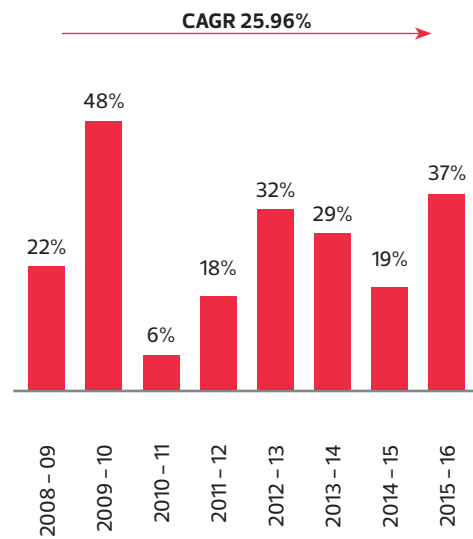
ANALYSIS AND CONCLUSION

During our study of share market performance of listed Great Workplaces, we observed that Reinvestment Model made a Year-on-Year (YOY %) Return on Investment of 22% in 2015-16 generating a cumulative return on the initial investment of 508% in past 8 years. At the same time, Hold Model made a Year-on-Year (YOY %) Return on Investment

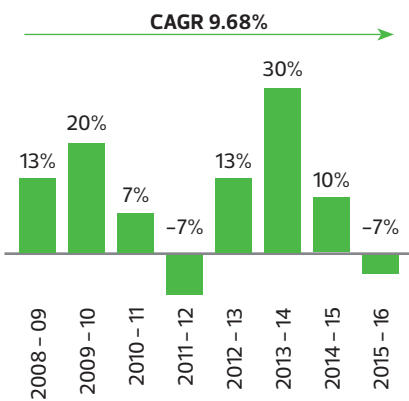
of 37% in 2015-16 generating a cumulative return on the initial investment of 534% in past 8 years. The year-on-year Return on Investment (%) and Compounded Annual Growth Rate (CAGR %) for 8 years for Reinvestment model, Hold model, BSE Sensex, Nifty 50 & CNX Nifty are graphically represented as under:



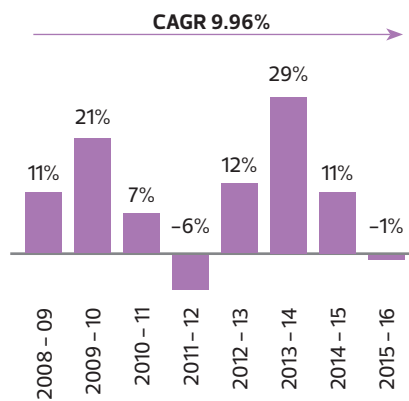
Reinvestment model



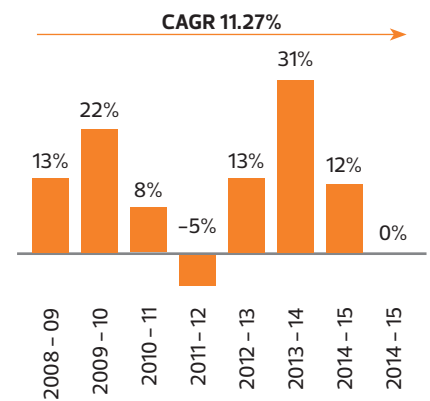
Hold model



BSE Sensex



Nifty 50



CNX Nifty

The Reinvestment Model illustrates that Great Workplaces consistently outperform major stock indices such as BSE Sensex 30, Nifty 50 & CNX Nifty – Total Returns Index over a period of time.

Comparative Cumulative Stock Market Returns - Reinvestment Model



The Hold Model, which is more of a conservative approach to the investment also, concurs with the linkage between being a great workplace and financial performance.

Thus, we infer that companies that are identified as great workplaces

by Great Place to Work® Institute continue to show a positive correlation with returns provided to shareholders. The current study reveals that great workplaces have outperformed major stock indices by a factor of 4 and have yielded 5 x returns on the initial investment.

Comparative Table of Returns
provided by Great Places to Work
for Companies vis-à-vis Average
Returns of Major Stock Indices

| Years | Returns by India's Best Companies to Work For (%) | Average Returns of Major Stock Indices (%) | Ratio of India's Best Companies to Major Stock Indices |
|------------------|---|--|---|
| | (a) | (b) | (c) = (a) / (b) |
| 2008-2009 | 22 | 12 | 1.83 |
| 2009-2010 | 90 | 36 | 2.50 |
| 2010-2011 | 135 | 46 | 2.93 |
| 2011-2012 | 117 | 37 | 3.16 |
| 2012-2013 | 151 | 54 | 2.80 |
| 2013-2014 | 283 | 101 | 2.80 |
| 2014-2015 | 398 | 123 | 3.24 |
| 2015-2016 | 508 | 119 | 4.25 |

LIMITATIONS

The above study on shareholders return is restricted to following limitations / assumptions:

- Shares of the companies can be bought in fractions unlike in the real financial market where shares are available in whole only.
- There are no exit charges like commission or brokerages etc. upon sale of shares of the companies.
- For study purpose only, the above used indices of BSE / NSE are assumed as Shares that can be bought and sold in the market.

DISCLAIMER

The information provided in this research is for general purpose and should not be taken as the personal opinion of or advice of RSM India. This information is not intended to provide specific personalized advice including, without limitation, investment, financial, legal, accounting or tax advice. RSM India is not liable to any damages direct or indirect that anyone incurs on acting on the basis of this research report. You are advised to consult your financial advisors before taking any investment decisions. The background and the methodology provided in this report have been sourced from **Great Place to Work® Institute**.

Appendix

The great workplaces identified by Great Place to Work® Institute that are listed on stock market which have been considered for the Hold and Reinvestment Model are listed hereunder:

Great Place to Work® Institute's Great Workplaces List – Index of Listed Companies

2008–09 *

Dr. Reddy's Laboratories Ltd.
Godrej Consumer Products Ltd.
JM Financial Ltd.
Kotak Mahindra Bank Ltd.
Marico Ltd.
MindTree Ltd.
Monsanto India Ltd.
NTPC Limited
Procter & Gamble Hygiene & Health Care Ltd.

2009–10

Bharti Airtel Ltd.
Dr. Reddy's Laboratories Ltd.
Godrej Consumer Products Ltd.
Housing Development Finance Corporation Ltd.
JM Financial Ltd.
Kotak Mahindra Bank Ltd.
Marico Ltd.
MindTree Ltd.
Monsanto India Ltd.
NTPC Limited
Tasty Bite Eatables Ltd.
The Oberoi Group (EIH Ltd.)
Titan Industries Ltd.

2010–11

Bharti Airtel Ltd.
Blue Dart Express Ltd.
Claris Lifesciences Ltd.
Firstsource Solutions Ltd.
Godrej Consumer Products Ltd.
Indian Oil Corporation Ltd.
Jubilant Foodworks Ltd.
Kotak Mahindra Bank Ltd.
Marico Ltd.
Monsanto India Ltd.
NTPC Limited
Taj Hotels Resorts and Palaces (Indian Hotels Co. Ltd.)
Tata Teleservices Ltd.
Whirlpool Of India Ltd.

2011–12

Bharti Airtel Ltd.
Blue Dart Express Ltd.
Claris Lifesciences Ltd.
Firstsource Solutions Ltd.
Godrej Consumer Products Ltd.
HCL Infosystems Ltd.
Idea Cellular Ltd.
Indian Oil Corporation Ltd.
Jubilant Foodworks Ltd.
NIIT Ltd.
NTPC Limited
Tata Power Company Ltd.
Tata Teleservices Ltd.
The Oberoi Group (EIH Ltd.)
Titan Industries Ltd.
Trident Ltd.

2012–13

Bajaj Finance Ltd.
Blue Dart Express Ltd.
Brigade Enterprises Ltd.
Claris Lifesciences Ltd.
Dr. Reddy's Laboratories Ltd.
EIH Ltd. (The Oberoi Hotels)
GAIL (India) Ltd.
Godrej Consumer Products Ltd.
Godrej Industries Ltd.
Godrej Properties Ltd.
Idea Cellular Ltd.
Indian Hotels Company Ltd. (Taj Hotels resorts and palaces)
Indian Oil Corpn. Ltd.
JM Financial Ltd.
Jubilant Foodworks Ltd.

2012–13

Lupin Ltd.
Mahindra & Mahindra Ltd.
Mindtree Ltd.
Monsanto India Ltd.
NIIT Ltd.
NTPC Ltd.
Rallis India Ltd.
RPG Life Sciences Limited
Tata Power Co. Ltd.
Titan Company Ltd.
TV18 Broadcast Ltd.
Venus Remedies Ltd.
Whirlpool Of India Ltd.

* Only 2008–09 list of Great Workplaces has been considered for Hold Model

2013-14

Apollo Tyres Ltd.
Bajaj Finance Ltd.
Blue Dart Express Ltd.
Brigade Enterprises Ltd.
Claris Lifesciences Ltd.
Dr. Reddy's Laboratories Ltd.
Future Retail
GAIL (India) Ltd.
Godrej Consumer Products Ltd.
Godrej Industries Ltd (Chemicals SBU)
Godrej Properties Ltd.
Harrisons Malayalam Ltd.
Indian Hotels Company Ltd.
Indian Oil Corporation Ltd.
JM Financial Services Ltd.

2013-14

Jubilant FoodWorks Ltd.
Lupin Ltd.
Mahindra & Mahindra Financial Services Ltd.
Mahindra & Mahindra Ltd. (Automotive & Farm Equipment Sectors)
Marico Ltd.
Monsanto India Ltd.
NTPC Ltd.
Reliance Capital Ltd – Commercial Finance
Shoppers Stop Ltd.
Titan Company Ltd.
Venus Remedies Ltd.
Whirlpool of India Ltd.

2014-15

Adani Power Ltd.
Apollo Tyres Ltd.
Bajaj Finance Ltd.
Brigade Enterprises Ltd.
Claris Lifesciences Ltd.
EIH Ltd. (The Oberoi Group)
Gabriel India Ltd.
Godrej Consumer Products Ltd.
Godrej Properties Ltd.
Grindwell Norton (A Saint-Gobain Group Company)
Indian Hotels Company Ltd.
Indian Oil Corporation Ltd.
Jindal Power Ltd.
JM Financial Services Ltd.
Lupin Ltd.

2014-15

Mahindra & Mahindra Ltd. (Mahindra & Mahindra Automotive & Farm Equipment Sectors)
Marico Ltd.
Monsanto India Ltd.
NTPC Ltd.
Reliance Capital Ltd. (Commercial Finance)
RPG Life Sciences Ltd.
Shoppers Stop Ltd.
SKS Microfinance Ltd.
Venus Remedies Ltd.
Whirlpool of India Ltd.
Wockhardt Group

2015-16

Apollo Tyres Ltd.
Bajaj Finance Limited
Bharat Financial Inclusion Ltd
Bharti Airtel
Bharti Infratel Ltd.
Blue Dart Express Ltd.
Brigade Enterprises Ltd.
Claris Lifesciences Ltd.
Gabriel India Ltd.
Godrej Consumer Products Limited
Godrej Properties Ltd.
Harrisons Malayalam Ltd.
Idea Cellular Ltd.
Indian Hotels Company Ltd.
Indian Oil Corporation Ltd.

2015-16

Mahindra & Mahindra Automotive & Farm Equipment Sectors
Mahindra & Mahindra Financial Services Ltd.
Marico Ltd.
NTPC Ltd.
Power Grid Corporation of India Ltd.
Reliance Commercial Finance
The Oberoi Group
Titan Company Ltd.
Whirlpool of India Ltd.

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