

Doing good in bad times

CRISIL CSR Yearbook 2020

Analytical contacts

Maya Vengurlekar

Chief Operating Officer

CRISIL Foundation

maya.vengurlekar@crisil.com

Nitesh Jain

Director

CRISIL Ratings

nitesh.jain@crisil.com

Abhishek Neelakantan

Consultant

CRISIL Foundation

abhishek.neelakantan@ext-crisil.com

Editorial

Raj Nambisan, Director

Subrat Mohapatra, Associate Director

Nisha Prabhakaran, Lead Editor

Design: Harshal Bhavsar

Contents



6

Altruism in a time
of pandemic



10

Fiscal 2019
factoids



20

Rules of entrusted
philanthropy set to change

Executive summary

The ‘C’ in CSR, the acronym for corporate social responsibility, can very well refer to Covid-19.

Over the past few months, corporates have been using all or most of their CSR kitty to combat the scourge, be it through contribution to the PM CARES Fund, other relief funds, distribution of food, masks, personal protective equipment (PPE) kits or relief material to the needy.

CRISIL drew up a list of top 100 companies by revenue and CSR spend each in fiscal 2019, and checked whether they were alive to the need to alleviate the widespread distress caused by the pandemic.

Of the 200, ~70 appeared in both lists, while ~60 figured in only one. Of this total ~130, 113 spent on pandemic-related mitigation, according to data available in the public domain up to May 15, 2020.

Of this, about 84 companies (including support through the corporate group) contributed ~Rs 7,537 crore during March-May 2020, which can be classified as CSR spend¹. The remaining 29 either contributed to other funds (Rs 373 crore), and/or facilitated voluntary employee donations (Rs 84 crore) that cannot be classified as CSR spend, or donated solely in kind (food and masks), for which assigning a monetary value was difficult.

Private sector and foreign companies, and public sector undertakings (PSUs) have contributed proportionately to their share of the sample.

Region-wise, 36 companies in Maharashtra – also the state with the highest number of Covid-19 cases – stood out because they contributed ~63% of the total spent.

The generous contributions by India Inc to address the Covid-19 pandemic comes on the back of healthy growth in CSR spending in fiscal 2019.

The tally of eligible companies that spent on CSR in fiscal 2019 and duly reported it rose to 1,276, compared with 1,246 the previous fiscal. And their total CSR spend increased ~14% on-year to ~Rs 11,392 crore, which was a touch over 2% of their average net profit of the preceding three fiscals, as mandated by the Companies Act, 2013.

¹http://www.mca.gov.in/Ministry/pdf/Notification_10042020.pdf

Over two-thirds of these spent 2% or more of their net profits, while ~10% spent 3% or more.

Around 460 did not meet their spending target, though as a proportion, such companies have reduced.

Of what was spent in fiscal 2019, education and skill development, healthcare and sanitation, and rural development accounted for ~75%. That was a 5% jump in these areas, from the previous year. But the share of spends on environment, national heritage protection, and sports shrank.

Public sector companies, which account for ~9% of the total, contributed ~29% while private companies, which formed a majority 85%, spent ~67%. In both, around two-thirds met the mandate of 2% or more.

Financial and energy companies spent way more than manufacturers.

As has been the wont in recent times, most companies preferred to implement their CSR mandate through non-governmental organisations (NGOs) or trusts in fiscal 2019, too. This trend could, however, change a little in days to come, given the amendments proposed by the Ministry of Corporate Affairs.

All the same, it is heartening that five years since CSR spending was made mandatory, the number of companies reporting such spending and their cumulative CSR spend has increased every year, signifying improved compliance.

If anything, the 130 companies analysed by CRISIL accounted for nearly 80% of the total CSR spend by eligible listed companies in fiscal 2019. Assuming other companies would have followed a similar path, India Inc has already allocated over 80% of the annual CSR spend budget to address the Covid-19 pandemic. That could crimp the share of the other causes the corporates have been supporting.

Altruism in a **time** **of pandemic**



Corporate altruism in India has found a new purpose since the advent of the Covid-19 pandemic.

With the nationwide lockdown hard-braking economic activity on the one hand and disrupting lives, especially of the poor, on the other, companies have not only opened purse-strings but also rolled up sleeves to respond proactively to the pandemic.

CRISIL drew up a list of top 100 companies by revenue and CSR spend each in fiscal 2019, and checked whether they were alive to the need to alleviate the widespread distress caused by the pandemic. Of the 200, ~70 appeared in both lists, while ~60 figured in only one. These 130 companies were taken for analysis.

The analysis is based mainly on data available on the websites of the companies, disclosures with stock exchanges and news that featured on various authentic websites, including those of renowned newspapers, business magazines and financial websites.

The findings show corporates largely heeding the call of their social contract.

Pouring cash and kind

Out of the 130 companies analysed, 113 (or 87%) have pledged support either through cash or kind².

Of these 113, as many as 84 (including support through the corporate group³) contributed ~Rs 7,537 crore that can be classified as CSR spend⁴, and forms the universe of this study. Of this, 57% was contributed to the PM CARES Fund and the balance spent on other relief funds, food/ration donation, masks, sanitisers and PPE kits – where a monetary value was attached.

The remaining 29 either contributed to other funds (Rs 373 crore), and/or facilitated voluntary employee donations (Rs 84 crore) that cannot be classified as CSR spend, or donated solely in kind (food and masks), for which assigning a monetary value was difficult.

Total amount (Rs crore)



Private and public companies share burden proportionately

Of the 84 companies, as many as 56 (~67%) were private sector companies - accounting for over two-thirds of the total amount spent on pandemic-related support. The 24 public sector units, or PSUs (~29%) contributed ~30%, while seven private (foreign) sector companies brought in the rest.

²Based on analysis carried out till 15 May, 2020

³Refers to consolidated donations which have been made at a corporate group/entity level

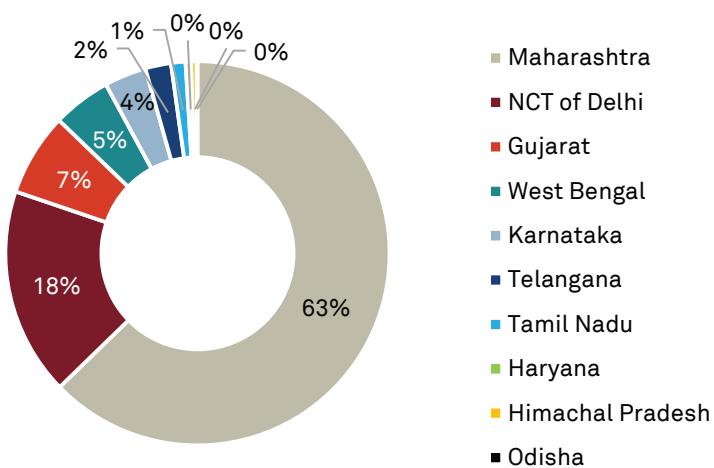
⁴http://www.mca.gov.in/Ministry/pdf/Notification_10042020.pdf

	Number of companies	Total amount spent (Rs crore)
Private sector	56	5,122
Public sector	24	2,229
Private (foreign) sector	4	186
Total	84	7,537

Most-affected Maharashtra source of maximum contribution

Of the 84 corporates that pledged support in cash, 36 companies from Maharashtra spent Rs 4,728 crore (63%). The National Capital Territory (NCT) of Delhi followed with 13 companies spending 17%. Among others, nine companies from Gujarat chipped in with 7%.

Share of spend by state (%)

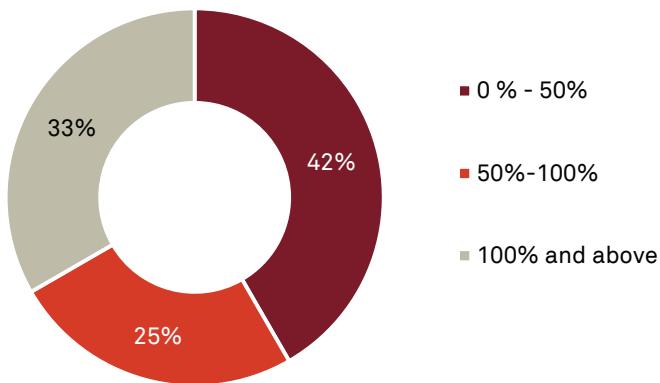


Covid-19 hogs spend, leaving little for other causes

Of the 84 companies, 48 have spent on the Covid-19 cause at a corporate level and not at the group level. Of these 48 companies, 28 have already spent more than 50% of their total CSR spend in fiscal 2019; of which, 16 companies have already spent their entire CSR spend in fiscal 2019 or even exceeded it.

Thus, with the notification from the Ministry of Corporate Affairs (MCA) on mandated activities/spending which qualify as CSR spending under Covid-19; as well as assuming the companies will continue spending around the mandatory CSR mark, allocation to other – even ongoing – projects could come down.

Split by proportion of fiscal 2019 CSR pie already spent this year (%)



Note: Excludes companies that have spent on Covid-19 at the group level and those that contributed in kind.



Fiscal 2019

factoids



Overall CSR spending jumped up ~14% to Rs 11,392 crore

Five years since it was made mandatory, spending on corporate social responsibility and reporting by eligible listed companies continued to improve, with the number of companies and their cumulative spend alike printing higher yet again in fiscal 2019.

The Companies Act, 2013, mandates a company to spend 2% of its average net profit of the preceding three years on CSR if it had in any of those years a net worth of Rs 500 crore or more, or turnover/ revenue of Rs 1,000 crore or more, or net profit of Rs 5 crore or more.

In fiscal 2019, of the 4,817 companies listed on the Bombay Stock Exchange and the National Stock Exchange, 1,976 met the criteria for mandatory CSR spending under Section 135(5) of the Act.

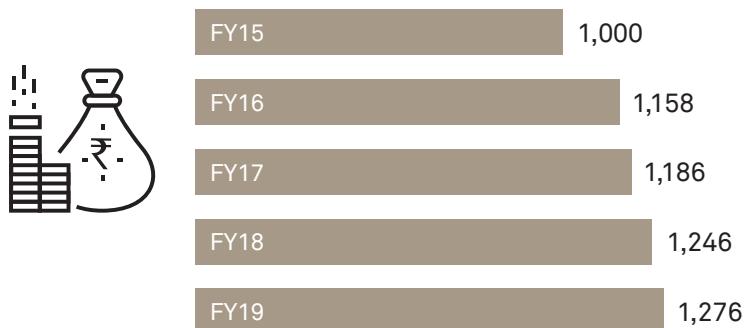
Of these 1,976 companies, 129 said they were unable to spend because of various reasons (such as delay in identifying projects, and setting up of in-house expertise). Another 319 did not report CSR activity in their annual report. For 102 companies, annual reports for fiscal 2019 were not available either on their websites or on those of the stock exchanges. A further 150 said they were not required to spend because they did not meet the criteria, or were loss making.

Net-net, 1,276 companies spent and reported on CSR, up 2.4% from 1,246 in fiscal 2018. The proportion of companies that met the criteria remained unchanged at ~65%.

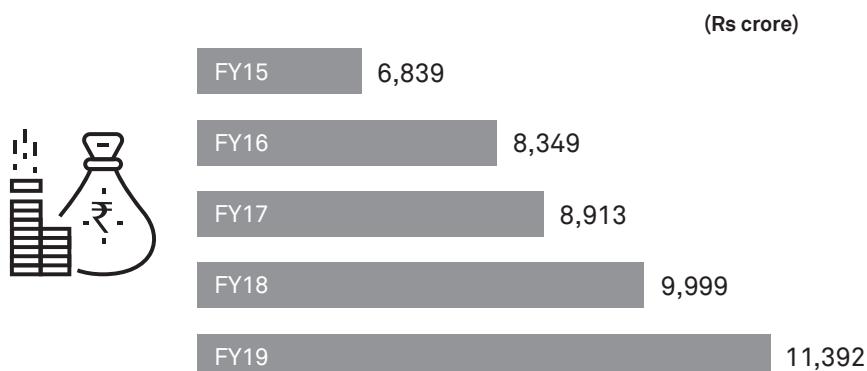
These 1,276 companies spent an aggregate Rs 11,392 crore on CSR activities in fiscal 2019, marking a growth of almost 14% on-year.

The number of companies reporting on CSR spends has increased every year since fiscal 2015, signifying improved compliance.

Number of companies reporting CSR spend on the rise



Total CSR spend by eligible listed companies also headed north



Spurt comes despite a change in key eligibility norm

The increase in the company pool and their total spend comes as a pleasant surprise considering the Companies (Amendment) Act, 2017, had changed the eligibility criteria for spending on CSR to financials of the “immediately preceding financial year” rather than the earlier stipulation of “any of the three preceding financial years”.

This was expected to shrink the universe considering the number of unique companies reporting profits in a single fiscal would typically be less than those reporting in any of the three immediately preceding fiscals.

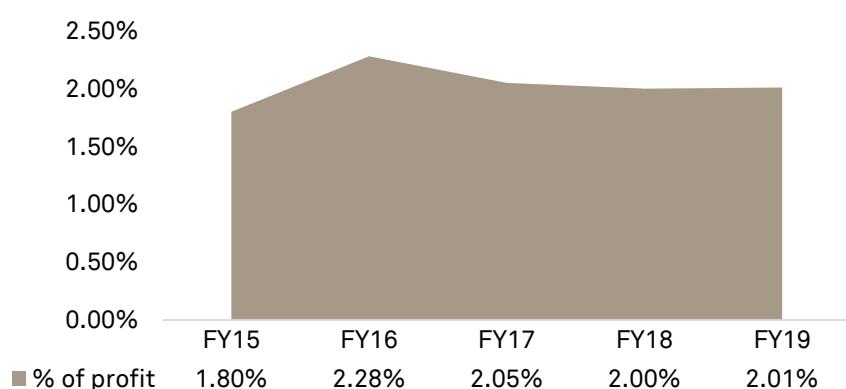
Companies continue to give back to society

Total CSR spend as a percentage of average profit remained stable around the mandated mark as companies continued to give back to society.

Quite consistent

On aggregate, companies have been on mandate

CSR spends remain stable around mandated 2% mark



Of the 1,276 companies, 817, or 64.03%, spent 2% or more of their profits – a tad higher than 62.4% the previous fiscal – while 9.33%, or 119 companies, spent 3% or more.

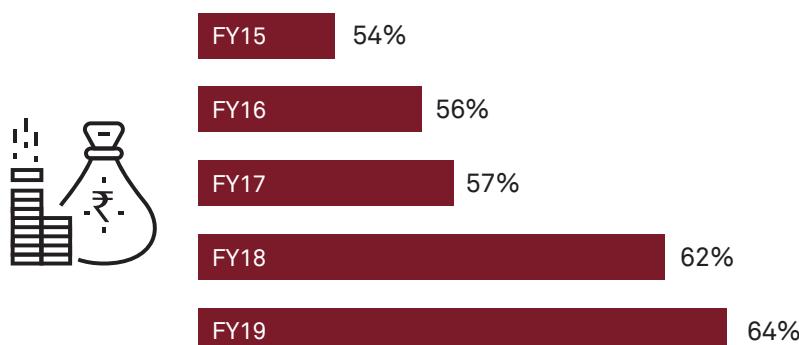
Over 49% of the total spend came from companies that spent between 2.01% and 2.99% of their profits on CSR, and a further 8.92% from those that spent 3% or more.

At the other end, 460 companies did not meet their spending target in fiscal 2019. Of these, 238 spent less than 1%.

Fewer misers

Companies spending less than 2% reduce even as overall pool swells

Corporates spending >2% on the rise



Of the 1,276 companies, 1,065 had figured in the list of spenders in the previous fiscal as well. As many as 679, or 63.76%, of these increased their CSR spend on-year, while 339 or 31.83% reduced spend, and 47 companies, or 4.41%, logged no change.

Majority of companies met the mark across sales buckets

More than half of the companies in each sales bracket spent 2% or more.

The proportion of companies with net sales of more than Rs 1,000 crore increased to 43.3% from 38.8% in fiscal 2018. Of these 552, as much as 63% spent 2% or more of their profits, which is more or less the same as in fiscal 2018. Around 7.42% spent 3% or more, while 17% spent less than 1%.

The number of companies with net sales of Rs 10,000 crore or more increased to 95 from 70 the previous fiscal. However, only 58.95% of these spent 2% or more of their profits on CSR, down from 70% the previous fiscal. And 16% spent less than 1%.

Of companies generating less than Rs 1,000 crore of net sales, 65% spent 2% or more – up from 61% the previous fiscal – whereas 80 spent more than 3%. However, 140 spent less than 1% on CSR.

At the bottom of the pyramid, 63.68% of the companies with sales below Rs 99 crore spent 2% or more on CSR. This was similar to the fiscal 2018, and shows that bucket size is no determinant of altruism.

That said, not every bucket met the mark in terms of average CSR spend.

CSR spend by net sales category

Sales range (Rs crore)	Proportion of companies that spent 2% or more	Average CSR spend in FY19
99 and below	64%	1.86%
100-499	67%	1.66%
500-999	60%	2.05%
1,000-9,999	64%	2.86%
10,000 +	59%	1.68%

Education, health and rural remained the top spending areas

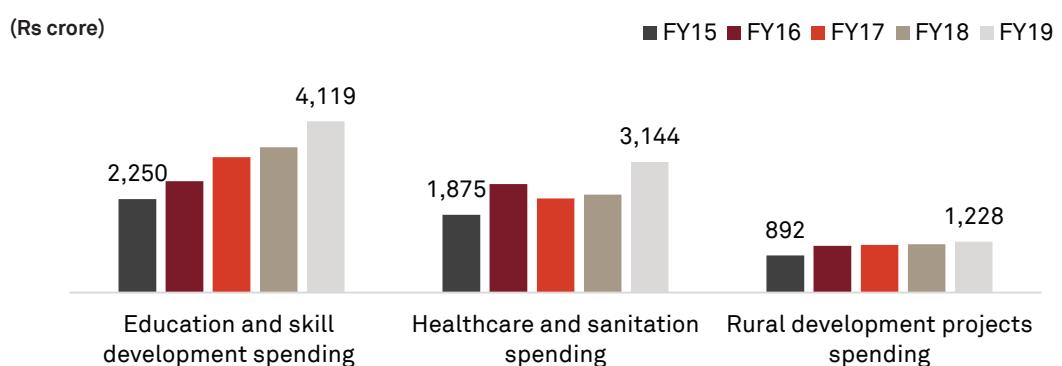
Education and skill development, healthcare and sanitation, and rural development accounted for ~75% of the total spend on CSR, up a good 500 basis points on-year.

Education and skill development saw the highest spending, in terms of both, number of companies spending (1,030) and proportion of total spend (36.16%, up from 35.03% the previous year).

Healthcare and sanitation remained the second-highest, with its share of spend increasing to a notable 27.60% from 23.55% a year ago, as the number of companies spending on it also increased to 881 from 813.

Rural development also remained the third-highest spending head with 310 companies spending on it compared with 281 a year ago, and average spend highest among all categories. However, its share of the pie declined from 11.64% to 10.78%.

Education, health and rural development have seen spending increase over the last five years



Among other areas, relief funds and benefits for armed forces also logged an increase in CSR spend on-year.

At the other end, spending on environment fell to 7.60% from 10.08%. Spending on national heritage protection also fell to 1.08% from 3.42% the previous fiscal, after almost tripling in the four fiscals through 2018. Spending on promotion of sports, which almost doubled over the four fiscals, also saw its share shrink.

The shares of empowerment, funds for technology development, and slum area development also came off.

Public sector spends relatively well

Both public sector undertakings and private sector companies focused on spending more than the stipulated requirement of 2% of average of profit on CSR.

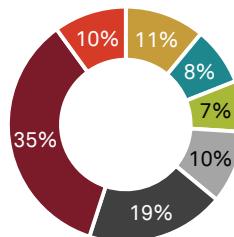
Of the total, 113 public sector companies spent Rs 3,224 crore, 1,104 private companies spent Rs 7,709 crore, and 59 private (foreign) companies spent Rs 459 crore.

This means, though public sector companies represented only ~8% of the companies engaged in CSR, they contributed to ~28% of the total spend. Of the total public sector companies, 61.95% spent more than 2% of their profits, just short of the previous year's 62.2%. The number of companies spending less than 1% reduced by 4.49 percentage points, while that of those spending 2% or more increased 5.10%.

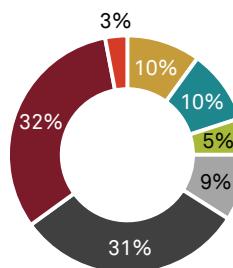
Private companies – representing ~86% of the universe of eligible companies - contributed proportionately lower, to ~65% of the CSR spend. Also, 64.13% of these companies spent more than 2% of their profits on CSR activities.

Of the private (foreign) companies, 66.10% spent more than 2% on CSR, though 20.34% spent less than 1%.

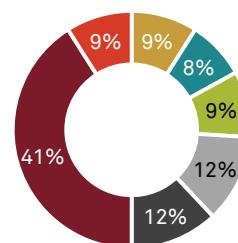
Private sector companies
100% = 1,104 companies



Private (foreign) companies
100% = 59 companies



Public sector companies
100% = 113 companies



- 0-0.49
- 0.50-0.99
- 1.00-1.49
- 1.5-1.99
- 2
- 2.01-2.99
- 3 and above

Financial services companies punched way above their weight

In fiscal 2019, the trend in participation by sector was more or less in line with the previous year, with more than half the companies across sectors spending 2% or more.

Manufacturing, commodities and consumer accounted for a little less than two-thirds of the number of companies but a little over one-third of the spend. Manufacturing contributed the most to CSR spend at 19.96%, though its performance was poor as it represents 34.72% of the companies and spent 1.61% on average.

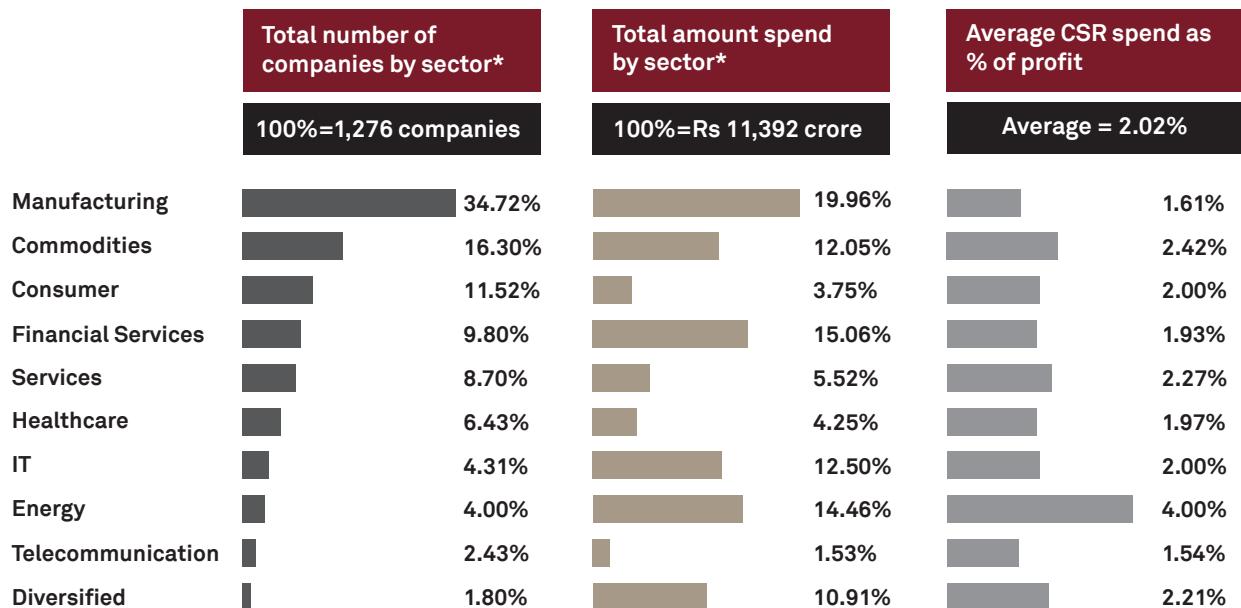
At the other end, financial services accounted for less than a tenth of the companies but over a sixth of the spend. Indeed, its contribution was up 1.42 percentage points on-year.

Energy also continued to punch above its weight with 4% of the pool contributing nearly a sixth of the total spend. And though the sector's contribution was down 8.04 percentage points on-year, average CSR spend of these companies was a whopping 4%.

The IT sector was also a good contributor, with 4.31% of companies and 12.50% of the spend. However, the average spend was exactly 2% as a whopping 46.4% of these companies spent less than 2%.

On-year basis, the number of companies spending more than 2% of their profits on CSR increased by 9.3 percentage points in healthcare, followed by consumer and services industries with 7.4 and 5.8 percentage points, respectively.

Telecom remained a laggard on all fronts with just 2.43% players spending on CSR, the least contribution to total spend (1.53%) and the lowest average spend (1.37%).



Maharashtra hogged the biggest slice of the pie

The top 10 states (based on number of companies with registered offices in each) accounted for 96% of the total CSR spend in fiscal 2019.

In terms of proportion of companies by state, there was no major change from the previous fiscal.

Maharashtra accounted for the lion's share of the pie, receiving 49.85%, up from 46.9% in fiscal 2018, even as the number of companies rose to 427 from 403 in the previous fiscal.

The National Capital Territory of Delhi was the next in line, grabbing 17.25% of the pie, compared with 19.9% the previous fiscal, even though the number of companies in the region reduced to 136 from 146 in the previous fiscal.

Karnataka, West Bengal and Tamil Nadu showed an impressive increase in the amount spent on CSR. Gujarat, however, was the only state that saw a decrease in CSR spend compared with the previous fiscal.

More than half of the companies in all states spent 2% or more on CSR as a percentage of profit. Gujarat surpassed the other states with 74.80% companies in the state (compared with 63.33% in the previous fiscal) spending 2% or more on CSR.

Telangana with 66.67% (compared with 53.97%) and Tamil Nadu with 65.18% (against 59.13%) also showed marked improvement in fiscal 2019. The companies in Telangana showed the highest increase (12.70 percentage points) in the number of companies spending 2% or more on CSR compared with fiscal 2018.

On the contrary, there was a reversal or sorts in Haryana with a decrease of 5.15 percentage points in the number of companies that spent 2% or more on CSR.

States/UT	2019					2018			
	Number of companies	Total amount spent (Rs crore)	Less than 2% on CSR	2% or more on CSR	Number of companies	Total amount spent (Rs crore)	Less than 2% on CSR	2% or more on CSR	
Maharashtra	427	5678	36%	64%	403	4688	35%	65%	
New Delhi	136	1965	37%	63%	146	1906	40%	60%	
Gujarat	123	700	25%	75%	120	736	37%	63%	
Tamil Nadu	112	409	35%	65%	115	340	41%	59%	
West Bengal	96	579	30%	70%	92	486	28%	72%	
Karnataka	67	818	42%	58%	60	774	40%	60%	
Telangana	60	376	33%	67%	63	337	46%	54%	
Rajasthan	40	221	45%	55%	38	170	42%	58%	
Uttar Pradesh	35	62	34%	66%	33	44	33%	67%	
Haryana	32	127	37%	63%	34	120	32%	68%	
Rest of India	148	457	44%	56%	142	399	42%	58%	
Total	1276	11,392	36%	64%	1246	9,999	38%	62%	

Most companies used implementing agencies

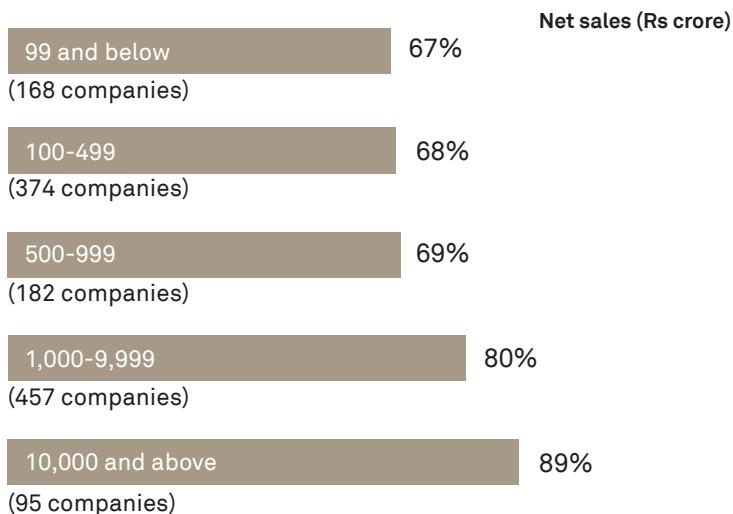
Use of implementing agencies to execute CSR projects continued to gain ground with 943 of the 1276 companies reporting in the affirmative. At 74%, the proportion of such companies was up marginally from 73% the previous year.

Companies spending upwards of Rs 50 crore on CSR invariably used implementing agencies, and 90% of those spending upwards of Rs 10 crore used one.

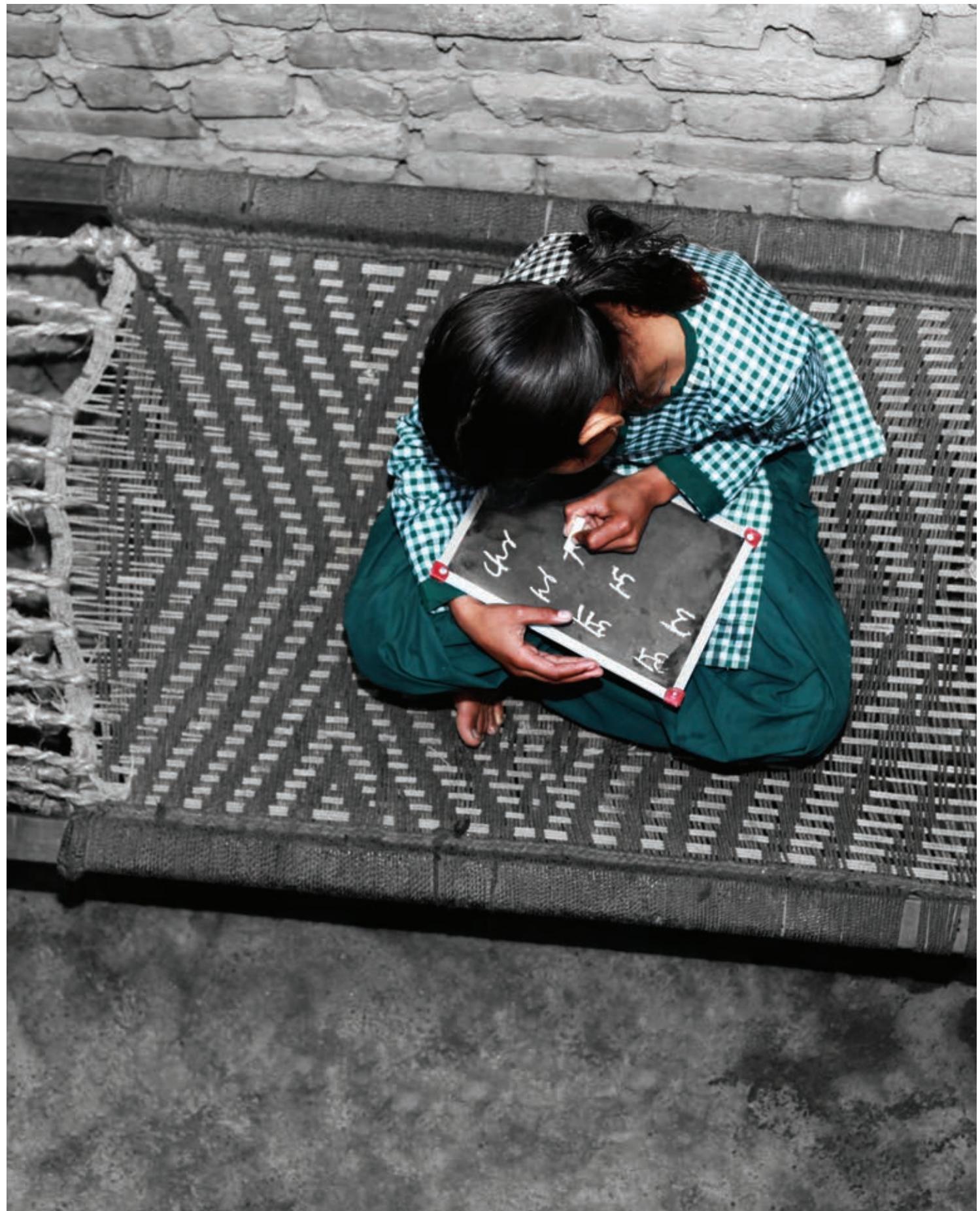
But at the other end, a good 53% of the companies spent less than Rs 1 crore on CSR, and even of these, 65% engaged an implementing agency.

Further, 67% of the companies using implementing agencies spent 2% or more on CSR.

Implementing agencies used



Of the companies with sales of Rs 10,000 crore and above, 89% used implementing agencies, indicating larger companies prefer to conduct their CSR activities through implementing agencies.



Rules of entrusted philanthropy set to change



The Ministry of Corporate Affairs (MCA) has released the Draft Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020, proposing amendments to the existing Companies (Corporate Social Responsibility Policy) Rules, 2014, for suggestions/ public comments.

The new rules will alter the way CSR is implemented in India, which is mostly through implementing agencies. To quote the draft document:

"The Board shall ensure that the CSR activities are undertaken by the company itself or through:

- a) a company established under section 8 of the Act, or*
- b) any entity established under an Act of Parliament or a State legislature.*

Provided that such company/entity, covered under clause (a) or (b), shall register itself with the central government for undertaking any CSR activity by filing the e-form CSR-1 with the Registrar along with prescribed fee."

There is a big question mark on companies' capacity to execute CSR projects on their own.

We have earlier flagged how the stipulation limiting all expenditure, including expenditure on administrative overheads, to 5% of the total CSR expenditure of the company in one financial year is coming in the way. Respondents in one of our surveys had pointed out how CSR entailed multiple costs – salaries of dedicated CSR staff, administrative overheads, establishment expenses, CSR communication expenses, professional fees and statutory filing, and related consultancy, to name some – which far exceeded that ceiling.

Other proposals

The proposals also include other, more stringent rules. These include:

Definition

The very definition of CSR stands modified as follows:

"Corporate Social Responsibility (CSR)" means the activities undertaken by a Company in pursuance of its statutory obligation laid down in section 135 of the Act in accordance with the provisions contained in these Rules, but shall not include the following, namely –

- 1. Activities undertaken in pursuance of normal course of business of the company.*
- 2. Any activity undertaken by the company outside India.*
- 3. Contribution of any amount directly or indirectly to any political party under section 182 of the Act.*
- 4. Activities that significantly benefit the employees of the company and their families.*

Provided that in case of any activity having less than twenty five percent employees as its beneficiary, then such activity shall be deemed to be CSR activity under these rules."

Transparency

In a bid to raise the level of transparency, the new rules require all companies to mandatorily disclose their CSR activities on their websites in public domain – especially disclosures on the composition of CSR Committee, CSR Policy and approved projects.

Impact assessment

Also, companies with yearly CSR budget is above Rs 5 crore in 3 consecutive years will need to undertake a third-party impact assessment – which will need to be reported and disclosed under company's annual report.

While the 5% ceiling on administrative overheads continues, it can be raised to 10% in a year when the company conducts an impact assessment.

Multi-year projects

The draft document defines a multi-year project undertaken by any company with timelines not exceeding three years, as well as such projects whose duration has been extended beyond a year.

Unspent CSR amount

If a company fails to spend the unspent amount accumulated in its unspent CSR account within three years, then the unspent amount is to be transferred to the National Unspent Corporate Social Responsibility Fund.

Board/Committee role

Besides, the role of the CSR Committee or Board has been expanded to include:

- Monitoring implementation of ongoing projects as well as empowered to make modifications.
- Formulating and recommending to the Board an annual action plan in pursuance of the CSR Policy.

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

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CRISIL Foundation

CRISIL Foundation, a public charitable trust, was set up in March 2013 as CRISIL's corporate social responsibility (CSR) arm. Our mission is to empower socially and economically disadvantaged communities within and beyond our areas of operations.

In Assam and Rajasthan, we have established a robust scalable intervention through our flagship programme Mein Pragati – strengthening the financial capabilities of over 160,000 rural women; as well as an ecosystem that sustains behaviour change through a well-trained community cadre called sakhis – which is active, self-sustainable, and delivering outcomes.

The Foundation's efforts in Assam were also recognised by the Government of India under the 'National CSR Award 2018' in the category 'Corporate Awards in CSR in Challenging Circumstances', which was conferred by the Hon'ble President of India in October 2019.

In 2017, the Reserve Bank of India (RBI) selected CRISIL Foundation to implement a three-year pilot project, MoneyWise Centres for Financial Literacy (CFLs). Under this, CRISIL Foundation has set up 25 CFLs across seven districts in Maharashtra, Haryana and Rajasthan using a 'hub-and-spoke' approach. CRISIL Foundation has initiated rollout of a technology-based certification programme (called GramShakti) to increase the knowledge and skillsets of sakhis and build this cadre to enable last-mile financial inclusion.

CRISIL RE, CRISIL's environment conservation programme under the aegis of the CRISIL CSR Policy, is focused on tree plantation and a number of other initiatives. The programme includes centrally driven and employee-led projects, and strives to engage employees and their families, friends and relatives in conservation activities. 'RE' is a sustained endeavour of CRISIL to work towards preserving the oceans and forests, tackling climate change and its impacts, thereby positively impacting 'Life below Water' and 'Life on Land' – two key Sustainable Development Goals of the United Nations.

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