

Rain Industries Ltd.

Key Takeaways

The proposals under Items 7 and 8 lack disclosure.



Meeting Type: Annual
Meeting Date: 3 May 2024
Record Date: 26 April 2024
Meeting ID: 1827649

BSE Ltd.: 500339
Index: N/A
Sector: Commodity Chemicals
GICS: 15101010

Primary Contact(s)
 Caresse Yvonne Bati
[Sustainability Advisory Services Help Center](#)

Agenda & Recommendations

Policy: Sustainability
 Incorporated: India

| Item | Code | Proposal | Board Rec. | Sust. Rec. |
|-----------------------------|-------|--|------------|------------|
| MANAGEMENT PROPOSALS | | | | |
| 1 | M0105 | Accept Standalone Financial Statements and Statutory Reports | FOR | FOR |
| 2 | M0105 | Accept Consolidated Financial Statements and Statutory Reports | FOR | FOR |
| 3 | M0108 | Approve Interim Dividend | FOR | FOR |
| 4 | M0201 | Reelect Jagan Mohan Reddy Nellore as Director | FOR | FOR |
| 5 | M0380 | Approve Borrowing Powers | FOR | FOR |
| 6 | M0462 | Approve Pledging of Assets for Debt | FOR | FOR |
| 7 | M0464 | Approve Loans, Guarantees, Securities and/or Investments in Other Body Corporate | FOR | AGAINST |
| 8 | M0127 | Approve Charitable Donations | FOR | AGAINST |

Shading indicates that Sustainability Advisory Services recommendation differs from Board recommendation

► Items deserving attention due to contentious issues or controversy

Report Contents

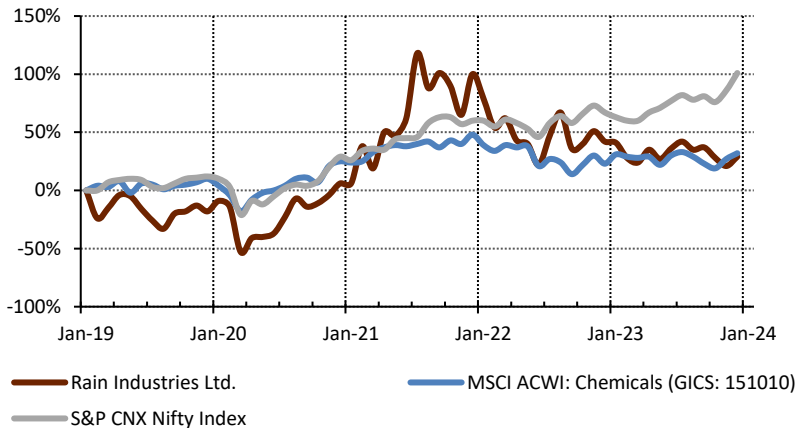
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Financial Highlights

Company Description: Rain Industries Limited, together with its subsidiaries, manufactures and sells carbon, advanced materials, and cement products in India and internationally. It offers calcined petroleum coke, coal tar pitch, green petroleum coke, and derivatives of coal tar distillation, including carbon black, creosote, naphthalene, and other aromatic oils, as well as generates electricity and steam from waste-heat recovery process.

STOCK PRICE PERFORMANCE



TOTAL SHAREHOLDER RETURNS (ANNUALIZED)

| | 1 Yr | 3 Yr | 5 Yr |
|-------------------|-------|------|-------|
| Company TSR (%) | -8.99 | 7.35 | 3.62 |
| GICS 1510 TSR (%) | 12.66 | 4.89 | 11.10 |
| Index TSR (%) | 22.21 | 7.80 | 12.79 |

Source: Compustat. As of last day of company FY end month: 12/31/2023

COMPANY SNAPSHOT (AS OF RECORD DATE)

| | |
|--|----------|
| Market Cap (M) | 60,138.6 |
| Closing Price | 178.80 |
| Dividends Paid (LTM) | 1.00 |
| 52-Week High | 219.60 |
| 52-Week Low | 140.25 |
| Shares Outstanding (M) | 336.35 |
| Average daily trading volume (prior mo)* | 3,986.20 |

Source: Compustat. As of April 12, 2024 (All currency in INR)

* Trading Volume in thousands of shares

FINANCIAL & OPERATIONAL PERFORMANCE

| All currency in INR | Historical Performance (FY ending) | | | | |
|------------------------------------|------------------------------------|---------|---------|---------|---------|
| | 12/2019 | 12/2020 | 12/2021 | 12/2022 | 12/2023 |
| Earnings | | | | | |
| Revenue (M) | 123,608 | 104,647 | 145,268 | 210,110 | 181,415 |
| Net Income (M) | 3,914 | 5,582 | 5,802 | 14,386 | -9,379 |
| EBITDA (M) | 15,810 | 17,387 | 23,576 | 36,594 | 17,351 |
| EPS (INR) | 11.64 | 16.60 | 17.25 | 42.77 | -27.88 |
| EPS Y/Y Growth (%) | -33 | 43 | 4 | 148 | |
| Profitability | | | | | |
| Pretax Net Margin (%) | 5 | 8 | 9 | 11 | -3 |
| EBITDA Margin (%) | 13 | 17 | 16 | 17 | 10 |
| Return on Equity (%) | 8 | 10 | 10 | 17 | -13 |
| Return on Assets (%) | 2 | 3 | 3 | 6 | -5 |
| ROIC (%) | 3 | 4 | 4 | 8 | -6 |
| Leverage | | | | | |
| Debt/Assets | 48 | 48 | 46 | 44 | 43 |
| Debt/Equity | 158 | 160 | 139 | 115 | 118 |
| Cash Flows | | | | | |
| Operating (M) | 22,400 | 18,225 | 8,336 | 10,359 | 30,635 |
| Investing (M) | -11,792 | -7,715 | -5,268 | -6,630 | -6,960 |
| Financing (M) | -6,528 | -5,999 | -7,401 | -3,957 | -21,147 |
| Net Change (M) | 3,217 | 4,247 | -4,167 | 646 | 2,375 |
| Valuation & Performance | | | | | |
| Price/Earnings | 8.47 | 7.64 | 13.90 | 3.99 | |
| Annual TSR (%) | -25.65 | 29.87 | 89.99 | -28.45 | -8.99 |

Source: Compustat. *Note: Compustat standardizes financial data and fiscal year designations to allow for meaningful comparison across companies. Compustat data may differ from companies' disclosed financials and does not incorporate non-trading equity units. See www.issgovernance.com/policy-gateway/company-financials-faq/ for more information.

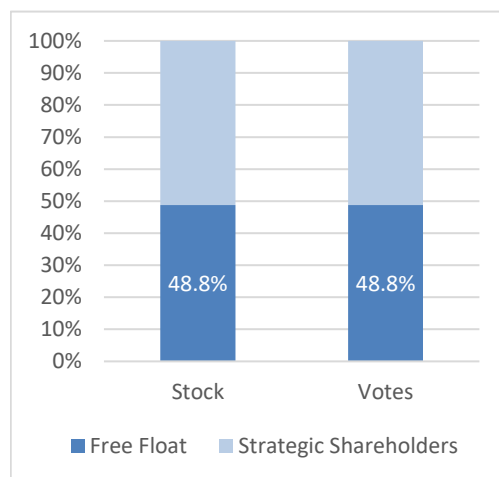
Ownership & Control Overview

| Stock Type | Votes per Share | Issued |
|-----------------------------------|-----------------|-------------|
| Common Equity | 1 | 336,345,679 |
| Top Holders - Ownership & Control | | |
| | % of Stock | % of Votes |
| <i>Treasury</i> | 0.0 | 0.0 |
| ▶Sujala Investments Pvt Ltd. | 11.2 | 11.2 |
| ▶Dalal Street LLC | 8.8 | 8.8 |
| ▶REDDY N ANUPAMA | 8.1 | 8.1 |
| ▶Rain Enterprises Pvt Ltd. | 7.5 | 7.5 |
| ▶NELLORE RADHAKRISHNA REDDY | 3.0 | 3.0 |
| ▶NELLORE SUJITH KUMAR REDDY | 2.9 | 2.9 |
| Meghamala Enterprises Pvt Ltd. | 2.8 | 2.8 |
| ▶Nivee Holdings Ltd. | 2.4 | 2.4 |
| The Vanguard Group, Inc. | 2.3 | 2.3 |

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Percentages rounded down to 1 decimal. "▶" identifies shareholders considered strategic under ISS' definition.

ISS' definition of strategic shareholders may include, but is not limited to, shareholders with board representation, State-controlled entities, insiders/executives, employee funds, and other entities with holdings beyond a materiality threshold (5% or 10%).

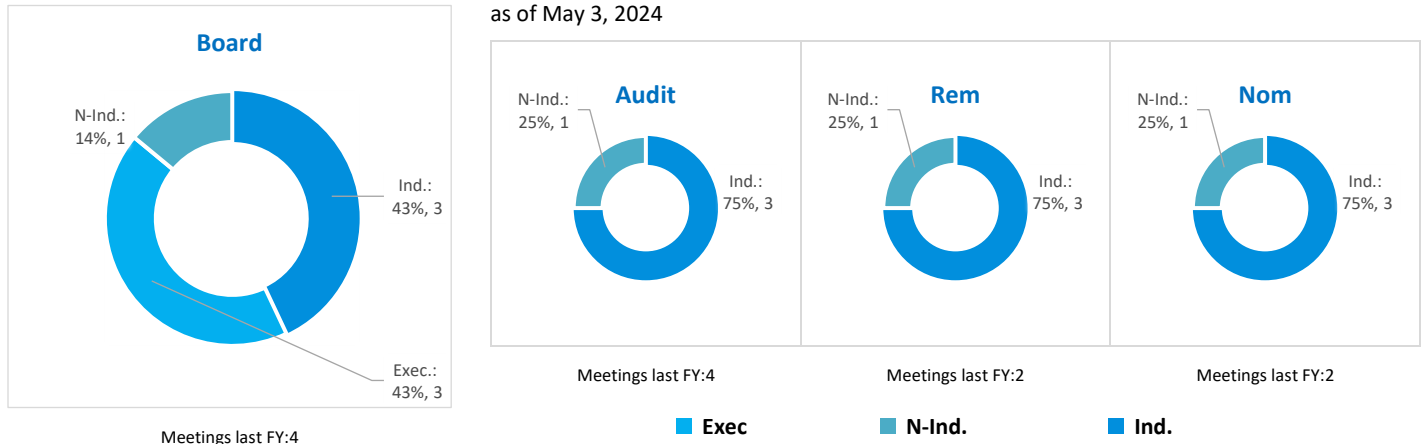


[to Detailed Ownership Profile](#)

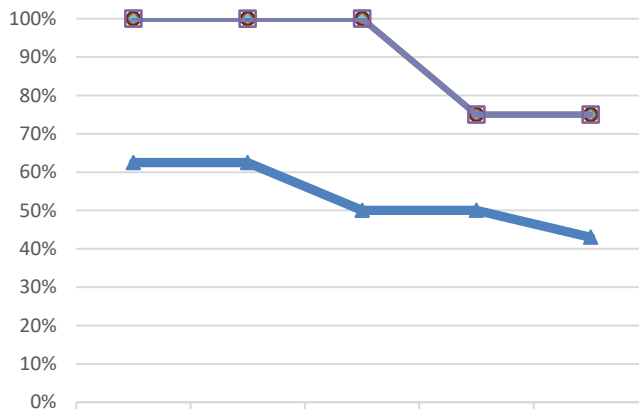
Board & Committee Composition

The information provided in the charts and tables below is based on Sustainability Advisory Services data records, which rely on disclosures in proxy materials and other public sources available as of the date set forth below (for the general meeting under review) and, with respect to information from prior years, information that was available ahead of each year's annual general meeting at the time of Sustainability Advisory Services' report for that meeting. As such, these charts and tables might not reflect changes to the board composition and/or other covered elements subsequently disclosed by the issuer after Sustainability Advisory Services' publications or between general meetings. Independence values refer to Sustainability Advisory Services Independence classifications ("Exec": Executive Director; "N-Ind.": Non-Independent Director; "Ind.": Independent Director).

as of May 3, 2024

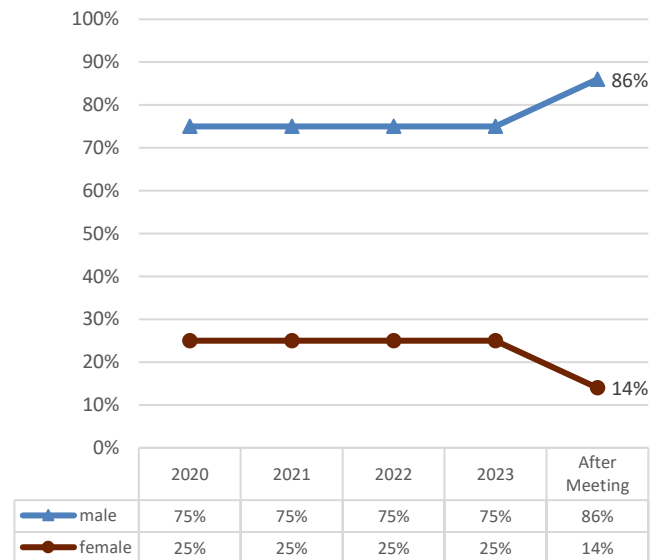


Independence History



| | 2020 | 2021 | 2022 | 2023 | After Meeting |
|-----------|------|------|------|------|---------------|
| Board | 63% | 63% | 50% | 50% | 43% |
| Audit Com | 100% | 100% | 100% | 75% | 75% |
| Rem Com | 100% | 100% | 100% | 75% | 75% |
| Nom Com | 100% | 100% | 100% | 75% | 75% |

Gender Diversity Trend



Director Tenure



*The charts depict board and committee independence based on Sustainability Advisory Services classification, which might differ from company classification of directors. There has been a change in the methodology for Sustainability Advisory Services classification of directors from February 2021.

Board Profile (after upcoming meeting)

| Item # | Executive Directors | Affiliation | Independence | | Leadership | Gender | Age | Tenure | Term Ends | Committee | | |
|--------------------------------|----------------------------|-----------------------|--------------|----------------------------------|------------|--------|---------|---------|-----------|-----------|----------|----------|
| | | | Co. | Sustainability Advisory Services | | | | | | Audit | Comp | Nom |
| | Nellore Radhakrishna Reddy | | Exec | Exec | CEO | M | 82 | 40 | 2024 | | | |
| 4 | Jagan Mohan Nellore Reddy | | Non-Ind. | Exec | Vice Chair | M | 57 | 26 | | | | |
| | Sujith Kumar Reddy | Familial Relationship | Non-Ind. | Exec | | M | 52 | 32 | | | | |
| Non-Executive Directors | | | | | | | | | | | | |
| | Brian Jude McNamara | | Ind. | Ind. | Chair | M | 61 | 5 | 2027 | M | M | M |
| | Varun Batra | | Ind. | Ind. | Lead Dir | M | 57 | 6 | 2028 | C | F | M |
| | Shanti Sree Bolleni | | Ind. | Ind. | | F | 61 | 1 | 2028 | M | C | C |
| | Robert Thomas Tonti | | Ind. | Non-Ind. | | M | 65 | 2 | 2026 | M | M | M |
| | | | 57% Ind. | 43% Ind. | | 14% F | Ave: 62 | Ave: 16 | Ave: 3 | 75% Ind. | 75% Ind. | 75% Ind. |

Committee Membership: M = Member | C = Chair | **F = Member and Financial Expert**

Shaded cells in blue indicate that company and Sustainability Advisory Services independence classifications differ.

DIRECTOR NOTES

| | | | |
|---|---------------------------|------------------------------|---|
| 4 | Jagan Mohan Nellore Reddy | OTHER INFORMATION | Considered an executive under Sustainability Advisory Services' classification of directors because he is an executive of Rain Carbon Inc., a wholly owned subsidiary of the company. |
| | Sujith Kumar Reddy | FAMILIAL RELATIONSHIP | |
| | | OTHER INFORMATION | Considered an executive under Sustainability Advisory Services' classification of directors because he is an executive of Rain Cements Limited, a wholly owned subsidiary of the company. |
| | Robert Thomas Tonti | OTHER INFORMATION | Considered non-independent non-executive under Sustainability Advisory Services' classification of directors given that he served as a senior vice president in Rain Carbon Inc. |

COMMITMENTS AT PUBLIC COMPANIES

| Item # | Director Name | # of boards | Company Name | Mandate Type | CEO | Board Chair | Committee | | |
|--------|----------------------------|-------------|----------------------------|------------------------|-----|-------------|-----------|------|-----|
| | | | | | | | Audit | Comp | Nom |
| | Nellore Radhakrishna Reddy | 1 | Rain Industries Ltd. | Executive Director | ✓ | | | | |
| 4 | Jagan Mohan Nellore Reddy | 1 | Rain Industries Ltd. | Executive Director | | | | | |
| | Sujith Kumar Reddy | 1 | Rain Industries Ltd. | Executive Director | | | | | |
| | Brian Jude McNamara | 1 | Rain Industries Ltd. | Non-Executive Director | | ✓ | M | M | M |
| | Varun Batra | 1 | Rain Industries Ltd. | Non-Executive Director | | | C | F | M |
| | Shanti Sree Bolleni | 3 | Rain Industries Ltd. | Non-Executive Director | | | M | C | C |
| | | | Nava Limited | Non-Executive Director | | | F | | |
| | | | B.N. Rathi Securities Ltd. | Non-Executive Director | | | | | |
| | Robert Thomas Tonti | 1 | Rain Industries Ltd. | Non-Executive Director | | | M | M | M |

DIRECTOR PAY, ATTENDANCE AND EQUITY OWNERSHIP OVERVIEW MOST RECENT FY

| Item # | Director Name | Board Position | Attendance (in %) | Total Compensation | Ownership | | |
|--------------|----------------------------|--|-------------------|--------------------|------------|---------|---------|
| | | | | | # | % stock | % votes |
| 4 | Nellore Radhakrishna Reddy | ED, CEO | 100 | INR 0 | 10,383,730 | 3.1 | 3.1 |
| | Jagan Mohan Nellore Reddy | ED | 100 | INR 0 | 100 | <0.1 | <0.1 |
| | Sujith Kumar Reddy | ED | 100 | INR 0 | 10,028,770 | 3.0 | 3.0 |
| | Brian Jude McNamara | NED, Chair, Audit (M), Comp (M), Nom (M) | 100 | INR 1,800,000 | 0 | 0 | 0 |
| | Varun Batra | NED, Audit (C), Comp (M), Nom (M) | 100 | INR 1,440,000 | 0 | 0 | 0 |
| | Shanti Sree Bolleni | NED, Audit (M), Comp (C), Nom (C) | 100 | INR 1,015,000 | 0 | 0 | 0 |
| | Robert Thomas Tonti | NED, Audit (M), Comp (M), Nom (M) | 100 | INR 1,440,000 | 0 | 0 | 0 |
| Total | | | | INR 5,695,000 | | | |

Attendance rates take into account board and committee meetings.
ED for Executive Directors, NED for Non-Executive Directors

QualityScore



Environmental and Social Scores As Of: April 17, 2024
Last Data Profile Update: March 13, 2024

ISS Environmental and Social QualityScore is based on company disclosure and transparency practices. Scores indicate the decile rank among the industry group. Scores are calculated at each pillar by summing the factor scores in that pillar. Not all factors and not all subcategories have equal weight.

For more information on ISS Environmental and Social QualityScore, visit www.issgovernance.com/solutions/qualityscore. For questions, visit [ISS Help Center](#).

Climate Awareness Scorecard

Climate Risk Exposure

CARBON RISK CLASSIFICATION

| | |
|-------------------|-------------|
| Risk Level | High |
|-------------------|-------------|

The Carbon Risk Classification identifies a company's individual exposure to carbon risks based on industry assignment and business activities, taking into account the greenhouse gas emissions of production processes, products and services along the value chain. Risk exposure is classified as high, medium, low, or negligible.

Climate Performance

CURRENT CLIMATE PERFORMANCE

| Greenhouse Gas Emissions | Total |
|--|--------------------------------|
| Total Emissions (Scope 1&2) | 3,243,198 tCO ₂ e* |
| Total Emissions (Scope 3) | 4,694,867 tCO ₂ e** |
| Emission Intensity (Scope 1&2 /m\$ revenue) | 1,215 tCO ₂ e |
| Average Peer Emission Intensity (Scope 1&2 /m\$ revenue) | 285.4 tCO ₂ e |

To meet climate targets and avoid climate risks, the current and future performance on climate challenges matters. Current direct and indirect greenhouse gas emissions, normalized by revenue, provide an indicator for the climate efficiency of a company. This can be contrasted to the average emission intensity of industry peers with a similar emission profile. Greenhouse gas emissions are sourced from company disclosure or the CDP and are updated by 31 December of each year for the previous business year. For non- or poorly reporting companies, emissions will be estimated. The Carbon Risk Rating provides a future-oriented analysis of carbon-related risks through an assessment of climate-related performance indicators and the company specific carbon risk classification. It differentiates between leaders, outperformers, medium performers and laggards on a scale from 0 (worst) to 100 (best).

Climate Disclosure

CLIMATE RISK DISCLOSURE

| Climate Disclosure Pillars | Disclosure Alignment |
|----------------------------|--------------------------|
| Governance | STANDARD UNMET |
| Strategy | PARTIAL ALIGNMENT |
| Risk Management | PARTIAL ALIGNMENT |
| Metrics & Targets | PARTIAL ALIGNMENT |

A key indicator of a robust strategy to address the risks and opportunities of climate change is a company's disclosure of its activities. The Climate Disclosure assessment follows the nomenclature of the Task Force on Climate-related Financial Disclosures (TCFD) to score a company on disclosure regarding climate governance, strategy, risk management, and metrics and targets with the classifications: Standard Unmet, Partial Alignment, Meets Standard, and Exemplifies Standard.

The ISS Climate Awareness Scorecard reflects publicly disclosed data and reporting on the company's climate change-related disclosures and performance. The Scorecard uses a range of climate-related factors to indicate a company's disclosure practices and performance record including its carbon risk classification. Companies are evaluated on overall disclosure (Governance, Strategy, Risk Management, Metrics & Targets) and performance factors (Norms Violations, GHG Emissions, Performance Ratings). For more information or questions regarding ISS Climate Awareness Scorecard, please contact: [ISS Help Center](#).

*Reported **Estimated

INCIDENT-BASED RISK EXPOSURE

| | |
|------------------------|----------------------|
| Norms Violation | No Allegation |
|------------------------|----------------------|

The Paris Agreement and other universally accepted climate norms set "do no harm" standards for a corporate climate practice. Certain companies, however, might be violating such norms. ISS Norm-Based Research differentiates between the level of failure to respect norms. The Norms violations categories are assigned according to the degree of verification, severity and remediation, if any.

FORWARD-LOOKING CLIMATE PERFORMANCE

| Carbon Risk Rating | Total |
|--------------------|------------------------|
| Category | Climate Laggard |
| Rating (0-100) | 23 |

SDG Impact Rating

Key Impact Drivers



**Significant
Negative
Impact**

The company has a positive impact on some Sustainable Development Goals. However, it also has a negative impact on others.

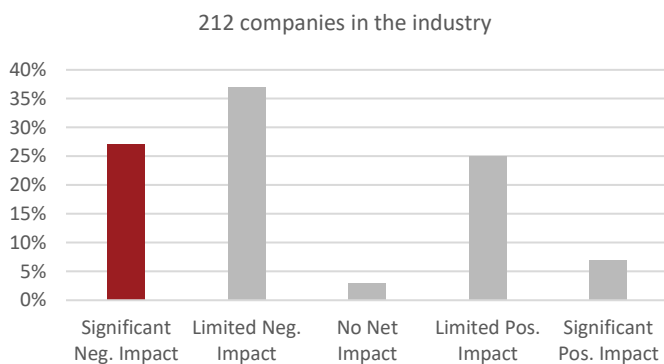
Its main negative impact is regarding SDG 6 - Clean Water & Sanitation.

The company is not involved in controversies with a relevant impact on the Sustainable Development Goals.

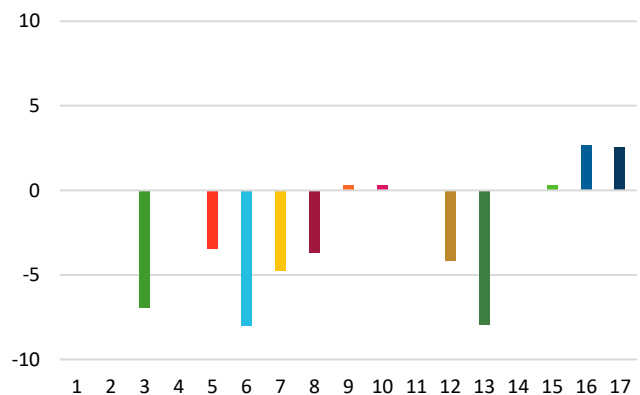
Scores range from -10 (significant negative impact) to +10 (significant positive impact) and indicate a company's overall impact on the Sustainable Development Goals (SDGs).

The ISS ESG SDG Impact Rating provides a metric of impact using the United Nations Sustainable Development Goals (SDGs) as a reference framework. The rating measures the extent to which companies are managing negative externalities in their operations across the entire value chain to minimize negative impacts while at the same time making use of existing and emerging opportunities in their products and services to contribute to the achievement of the Sustainable Development Goals. For each of the 17 SDGs, a company's impact is determined by three pillars: (1) the company's products and services; (2) the company's operational management; (3) the involvement in and responsiveness to controversies.

Distribution of Ratings



Goal Level Impact



1 No Poverty 2 Zero Hunger 3 Good Health & Well-Being 4 Quality Education 5 Gender Equality 6 Clean Water & Sanitation 7 Affordable & Clean Energy
8 Decent Work & Economic Growth 9 Industry, Innovation & Infrastructure 10 Reduced Inequalities 11 Sustainable Cities & Communities
12 Responsible Consumption & Production 13 Climate Action 14 Life Below Water 15 Life on Land 16 Peace, Justice & Strong Institutions 17 Partnerships For The Goals

The distribution of ratings positions the assessed issuer in relation to its peers, indicating the total number of companies in the industry, as well as the relative distribution based on the overall SDG Impact Rating. The industry classification follows the ISS ESG Corporate Ratings industry assignment methodology, which is described in detail in the Methodology documents.

The Goal Level Impact graph is a visual representation of the assessed issuer's ratings for each of the 17 SDGs, indicated by the length and direction of each bar. The absence of a bar indicates "no net impact."

For more information please visit [ISS ESG SDG Impact Ratings](#). Norms Based Research (NBR) controversy content displayed in the SDG Impact Rating section of this report may differ from NBR controversy content displayed in other sections of the report. For more information on how Norms Based Research content is generated for inclusion in SDG Impact Ratings please refer to the [SDG Impact Rating Methodology](#). If you have additional questions on the methodology, please visit [ISS Help Center](#).

Meeting Agenda & Proposals

Item 1-2. Accept Standalone & Consolidated Financial Statements and Statutory Reports

FOR

VOTE RECOMMENDATION

A vote FOR this resolution is warranted given the absence of any known issues surrounding the company's financial statements.

BACKGROUND INFORMATION

Policies: [Financial Statements](#)

Discussion

The board seeks shareholder approval for the financial statements for CY2023 as well as the director and auditor reports, as included in the annual report.

The auditors' report contained in the annual report is unqualified, meaning that in the opinion of the auditors, the company's financial statements are fairly presented in accordance with generally accepted accounting principles.

Analysis

This resolution merits shareholder approval. This recommendation is based on the unqualified independent audit report of the auditors contained in the annual report.

Item 3. Approve Interim Dividend

FOR

VOTE RECOMMENDATION

A vote FOR this resolution is warranted because this is a routine dividend proposal.

Discussion

The board asks shareholders to confirm the interim dividend of INR 1 per share, resulting in a full-year dividend of INR 1 per share.

The following table outlines previous dividend payouts:

| | 31 December 2023 | 31 December 2022 | 31 December 2021 |
|---------------------------|------------------|------------------|------------------|
| Earnings per share (INR) | -27.89 | 42.77 | 17.25 |
| Dividend per share (INR) | 1 | 1 | 1 |
| Dividend Payout Ratio (%) | NA | 2.34 | 5.80 |

Analysis

In this case, the company is distributing dividends although it has reported losses on a consolidated basis. The payout could result in depleting the company's resources which it may need to fund its operations and finance its investments. However, the payouts could provide the opportunity for shareholders to realize their investments through cash distribution.

Given the company has sufficient resources to distribute the proposed dividends without adversely impacting its operations, this resolution merits shareholder support.

Item 4. Reelect Jagan Mohan Reddy Nellore as Director

FOR

VOTE RECOMMENDATION

A vote FOR nominee is warranted given the absence of any known issues concerning the nominee and the company's board and committee dynamics.

BACKGROUND INFORMATION

Policies: [Director Elections](#)

Discussion

The board seeks shareholder approval for the election of one directors. Please see the [Board Profile](#) section above for more information on director nominees.

ELECTION SUMMARY

The company proposes the following re-elections:

| Type of election | Nominees |
|--|---------------------------------|
| Incumbent board member to be reelected | Jagan Mohan Nellore Reddy |
| New board nominees to be elected by shareholders | No new board nominees on ballot |
| Terms of candidates | Nominees |
| Retire by Rotation | Jagan Mohan Nellore Reddy |

COMPLIANCE WITH RELEVANT REGULATIONS/LOCAL BEST PRACTICE

| | Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR) |
|---|---|
| <i>Board Independence:</i> | Yes The SEBI LODR requires that, where the chairman is non-executive, at least one-third of the board should be independent; where the chairman is executive or promoter, at least one-half of the board should be independent. |
| <i>Audit Committee Composition:</i> | Yes The SEBI LODR requires that at least two-thirds of the members should be independent including the chairman. |
| <i>Nomination and Remuneration Committee Composition:</i> | Yes The SEBI LODR requires that all of the members should be non-executive, and at least two-thirds should be independent including the chairman. However, the executive chairman of the board can serve as member of the nomination and remuneration committee. |

Analysis

There are no known issues concerning the nominee and the company's board and committee dynamics.

Item 5-6. Approve Borrowing Powers & Pledging of Assets for Debt

FOR

VOTE RECOMMENDATION

A vote FOR this resolution is warranted given that the potential debt limit is within a reasonable range.

BACKGROUND INFORMATION

Policies: [Increase Borrowing Powers](#)

Discussion

The board seeks shareholder approval to increase the ceiling on the company's borrowing powers and pledging of assets for debt. These authorities would allow the company to raise funds by way of loans/borrowings and mortgage its movable and immovable properties in excess of the company's aggregate paid-up capital and its free reserves, provided that total borrowings shall not exceed INR 25 billion.

At present, the company is authorized to borrow up to INR 20 billion. According to the circular, the company for its day-to-day operations and also for long term projects, proposes to avail loan from banks, financial institutions and other entities from time to time, the amount of borrowing may exceed the existing borrowing limit.

REGULATORY SNIPPET

As per Section 180 (1) (a) of the Companies Act, 2013, the sale of a company's business undertaking requires shareholder approval by means of a special resolution when the company's investment in the business undertaking exceeds 20 percent of its net worth as per the audited balance sheet of the preceding financial year or when the undertaking generates 20 percent or more of the total income of the company during the previous financial year. The sale of a company's business undertaking includes pledging of assets for debt.

Analysis

As on Jan 27, 2023, the company's credit rating was [IND A/Positive](#) which denotes adequate degree of safety regarding timely servicing of financial obligations.

As on December 31, 2023, the company's standalone borrowings stood at INR 2,200 million, while the standalone debt-equity stood at 0.24x.

These authorities have the potential of raising the company's net debt-to-equity ratio (gearing) to 271 percent. The potential increase in debt is more than twice the company's total debt, however it would not result in the company's gearing exceeding 300 percent or more than three times the industry average.

Although the company has sufficient headroom with the existing borrowing limits, the potential debt limit is considered reasonable, and these proposals warrant shareholder approval.

Item 7. Approve Loans, Guarantees, Securities and/or Investments in Other Body Corporate

AGAINST

VOTE RECOMMENDATION

A vote AGAINST this resolution is warranted due to lack of information.

Discussion

The board seeks shareholder approval to make loans, give guarantees, provide securities in connection with loans, and/or make investments of up to INR 25 billion to subsidiaries, joint ventures, associate companies, and/or other bodies corporate.

The notice states, "The company has acquired or formed various subsidiaries/ joint ventures/ step down subsidiaries in India and outside India wherein, the company is holding investment. Such subsidiaries/ joint ventures require support from the company from time to time in the form of investment, providing security and guarantee for their expansion activities as well as for their operations."

The company has not disclosed any further information regarding the proposed financial assistance (i.e. recipient of such financial assistance and deployment schedule of funds).

REGULATORY SNIPPET

The proposal is guided by the provisions of Section 186 of the Companies Act, 2013. As per this section, shareholder approval is required to give any loans, guarantees, provide any security or make any investment in any other entity, exceeding the higher of:

- 60% of the company's Paid-up Share Capital + Free reserves + Securities Premium Account; or
- 100% of the company's Free reserves + Securities Premium Account.

Analysis

Provision of financial assistance by the company could be beneficial to the entity but could also expose the company and its shareholders to unnecessary risks. Provision of a guarantee would enable the entity receiving the guarantee to obtain more favorable terms from lenders, reducing the cost of borrowing. Therefore, if a guarantee is provided to a subsidiary, it could ultimately reduce the borrowing cost for the overall group. Similarly, providing loans and making investments in group entities will help them expand and carry out their business operations. That said, the provision of financial assistance increases the risks for the company on account of the higher liabilities at the group level, which may not be under its director control or supervision. Therefore, where the company's board cannot exercise proper oversight and control over the entities being guaranteed or where the company is taking a disproportionate financial risk relative to its ownership stake, the risks may outweigh the potential benefits.

However, as of the date of this analysis, no details have been disclosed as to the specific relation of the party involved with the company, intended usage of the funds and other pertinent details of this proposal. Due to the lack of sufficient information, it is difficult to assess and justify the potential impact of the proposed financial assistance on the company's financial position, whether the company will take on disproportionate risk, as well as determine the merits to the company and its shareholders. Until sufficient information is made available, this resolution does not warrant shareholder approval.

Item 8. Approve Charitable Donations

AGAINST

VOTE RECOMMENDATION

A vote AGAINST this resolution is warranted given the lack of further information on the proposed donation.

Discussion

The board seeks shareholder approval for charitable contributions of not exceeding INR 100 million in any financial year. The company did not provide further information regarding the proposal.

Analysis

Charitable donations could increase the company's goodwill in the market and further their corporate social responsibility ideals. Public companies are increasingly being asked to be responsible members of the society in which they operate, and returning a portion of the earnings to communities and those in need could be an appropriate way to facilitate the company's sustainability efforts and community engagement. Furthermore, these activities could help improve the company's brand image as well as to gain the community's trust, which in turn may improve financial performance in the long term. Moreover, these activities and charitable giving could improve the company's sustainability ranking and scores as measured by various institutions, potentially providing greater access to funds.

There are, however, concerns about the potential for abuse and lack of accountability. Many corporations give funds to individuals or entities associated with their directors or major shareholders in the name of charitable giving. While these funds may be used for charitable purposes, there is a risk of expropriating shareholders' wealth for the benefit of an affiliate. Additionally, many companies do not disclose the use of the donated funds or the impact the donations have made, and as such the effectiveness of the use of the company's capital is often difficult to ascertain. Hence, there should a reasonable mechanism for monitoring and transparency.

In this case, further details on the proposed donation (i.e. how the funds would be used, potential benefits to the company and its shareholders, and exact term of the authority) were not provided.

In view of the abovementioned concern, a vote AGAINST this proposal is warranted without further disclosure.

Detailed Ownership Profile

[back to Ownership and Control Overview](#)

Percentages rounded down to 1 decimal. "▶" identifies shareholders considered strategic under ISS' definition.

| Type | Votes per Share | Issued |
|--|-------------------------|-------------------|
| Common Equity | 1 | 336,345,679 |
| Ownership - Common Equity | Number of Shares | % of Class |
| ▶Sujala Investments Pvt Ltd. | 37,766,675 | 11.2 |
| ▶Dalal Street LLC | 29,680,000 | 8.8 |
| ▶REDDY N ANUPAMA | 27,300,669 | 8.1 |
| ▶Rain Enterprises Pvt Ltd. | 25,316,465 | 7.5 |
| ▶NELLORE RADHAKRISHNA REDDY | 10,383,730 | 3.0 |
| ▶NELLORE SUJITH KUMAR REDDY | 10,028,770 | 2.9 |
| Meghamala Enterprises Pvt Ltd. | 9,616,075 | 2.8 |
| ▶Nivee Holdings Ltd. | 8,143,250 | 2.4 |
| The Vanguard Group, Inc. | 8,048,923 | 2.3 |
| ▶REDDY N INDIRA | 7,513,100 | 2.2 |
| ▶Arunachala Holdings Pvt Ltd. | 5,272,500 | 1.5 |
| Dimensional Fund Advisors LP | 4,347,943 | 1.2 |
| ▶PCL Financial Services Ltd. | 3,780,750 | 1.1 |
| ▶Government of India | 3,745,711 | 1.1 |
| ICICI Prudential Asset Management Co. Ltd. | 3,576,439 | 1.0 |
| BlackRock Fund Advisors | 3,095,520 | 0.9 |
| Mellon Investments Corp. | 1,977,569 | 0.5 |
| ▶REDDY N AKHILA | 1,869,315 | 0.5 |
| ▶Norges Bank Investment Management | 1,501,458 | 0.4 |
| quant Money Managers Ltd. | 1,200,000 | 0.3 |

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Additional Information

| | |
|------------------|--|
| Meeting Location | AGM will be held through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") at the Registered Office of the Company |
| Meeting Time | 11:00 |
| Security IDs | Y7178Y117(CINS) |

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