RESPONSES TO THE RECOMMENDATIONS OF THE PROXY FIRMS

Resolution 01: Issuance of Securities of the Company through Permissible Modes of Fund Raising

Company Response: The law provides various options to companies for raising capital to fund its requirements such as rights issue, private placement, preferential allotment etc. It is prerogative of the Company to decide on the mode of raising capital keeping in view the requirements of the funds. The Company currently has planned expansion strategies which requires substantial cash inflow which in the opinion of the Company, a QIB will be more suitable to provide given their ability to invest large amounts in a single tranche. The Company proposes to raise upto INR 1,000 crores which is a substantial amount to raise via internal funding. The QIB route provides a faster, more efficient method for raising capital, allowing the Company to meet the funding needs promptly without the delays typically associated with a rights issue.

The investment by Qualified Institutional Buyers (QIBs) is a clear endorsement of the company’s growth trajectory and future potential. QIBs are known for their meticulous evaluation of businesses, and their participation reflects strong confidence in our strategy, financial stability, and ability to deliver long-term value. Their backing not only provides the necessary capital to fuel growth but also enhances the company’s credibility and market position. This validation from seasoned institutional investors underscores that we are well-positioned to seize emerging opportunities and achieve sustainable success.

Resolution 02: Appoint Murali Krishna Bhupatiraju (DIN: 10883843) as Managing Director for five years from 03 January 2025 and fix his remuneration for three years

Company Response: Mr. Murali has been appointed as the Managing Director of the Company under the category “Executive and Professional” with effect from 03 January 2025 to hold office for a period of five years. As indicated Mr. Murali brings over 25 years of experience in the field of Operations Management, Corporate Finance, and Metal Forming to the Company. Before being appointed as the Managing Director of the Company, Mr. Murali was holding a position of President and CFO at Bharat Forge America. It is not common to find talent of seasoned business leaders with experience in this industry.

In the analysis shared by the proxy advisory firm, the compensation for Managing Directors/Whole Time Directors in peer companies includes only the **gross salary component** and the comparatives are drawn majorly from companies wherein the managing director/whole time director positions are being held by the promoters. The promoters are also holding certain percentage of shareholding in the companies making them eligible to receive dividends, which serves as an additional benefit to them. In contrast, in addition to the basic salary, Mr. Murali's compensation incorporates variable components such as ESOPs, retirals, car reimbursements, and one-time joining fees. Excluding these components, the proposed remuneration for Mr. Murali stands at INR 20 million which is at par with other companies engaging professionals of Mr. Murali’s pedigree. In relation to the proposed ESOP compensation, the allocation of 173,410 options is not a guaranteed benefit—it is linked directly to measurable outcomes. These options will only vest if Mr. Murali achieves well-defined targets set by Nomination and Remuneration Committee (which is a committee comprising of independent directors) in Revenue, EBITDA, PAT, and other performance benchmarks, which will be rigorously evaluated by it. This ensures that his interests are tightly aligned with those of our shareholders, tying his incentives directly to the company’s financial and operational objectives. We would like to clarify that the pricing of any ESOPs under the proposed ESOP scheme will be as per market practise / industry standards and will be the price as determined by the nomination and remuneration committee. For further details, please see our response on Resolutions 5 and 6.

Further, the Company has demonstrated remarkable growth, with a 512% increase in Profit Before Tax (PBT) and a turnover growth of 35.40% from 2022-23 to 2023-24. This is substantially higher compared to other companies mentioned in the comparative, particularly given the Company has only recently listed in December 2023.

Given the juncture at which the Company is standing and its expansion plans, Mr. Murali's extensive experience and strategic insights are surely going to translate into measurable business outcomes, including improved productivity, cost optimization, and sustainable growth in his previous employments.

Resolution 03: Approve borrowing limits upto Rs. 50.0 bn (INR 5,000 crores)
Resolution 04: Approve hypothecation/ mortgage or charge on the assets for borrowings upto Rs. 50.0 bn

Company Response:

As indicated by the proxy advisory firm, the company's credit rating is CARE A-/Stable/CARE A2+, which denotes an adequate degree of safety regarding timely servicing of debt. The Company has shown remarkable growth in its PBT showcasing its standing in the market and the capacity to repay its debt. The Company's proposal to create an additional headroom for borrowing is only to provide it flexibility. There is no intention of the Company to borrow the entire amount in one tranche or borrow the entire amount at all. The Company will always strive to maintain a net debt to EBITDA ratio under 2 which is healthy financial parameter as per industry standards.

The Company proposes to create a hypothecation/mortgage/charge on all the immovable and movable assets of the Company in favour of the Banks, Financial Institutions etc to secure the above mentioned borrowings. This is a statutory requirement and does not raise any governance/transparency concerns.

Resolution 05: Approve Azad ESOP Scheme 2024 under which 1.2 mn ESOPs can be granted
Resolution 06: Approve grant of employee stock options to the eligible employees of group companies, associate companies, subsidiary companies or Azad Prime Private Limited and Azad VTC Private Limited or holding company under Azad ESOP Scheme 2024

CompanyResponse: The Company has made adequate disclosures in relation to the proposed ESOP plan as required under the Companies (Share Capital and Debentures) Rules, 2014. There has been a mention that the ESOPs are being issued as 'pay at risk', however, the granting of the ESOPs are tied to the designation and performance subject to an appraisal process rather than the performance of the Company which is a standard practice for companies at similar position as ours. Further, the terms as mentioned in the explanatory statement governing the ESOP policy such as exercise price, vesting criteria etc are at par with industry practices with several companies following similar practice of ESOPs being tied to performance appraisal of the employees. Since, the performance appraisal process contains confidential components, the Company did not make disclosure of the criteria in its EGM notice. The Company has also displayed its ESOP scheme on the website which provides adequate transparency regarding ESOP grant and vesting to the employees. While we understand that pay at risk introduces variability in compensation, they also serve as a powerful tool to reward high performance and retain top talent in the Company which at the current juncture is essential for the Company's growth.

Further, as per the Companies (Share Capital and Debentures) Rules, 2014, ESOPs can be granted to the employees of the subsidiary and the holding company. Given that the Company is planning its expansion strategies with its subsidiaries being at the centre of it, the Company is of the opinion that rewarding the employees of its subsidiary is essential to sustain that growth. The Company will not be granting any ESOPs to the employees of the associate companies until the ESOP regulations permit such grant. Should this be allowed, this will be evaluated by the NRC before being implemented.