

## Azad Engineering Limited

## Extraordinary General Meeting (EGM)

Report Date: 16 January 2025  
 BSE: 544061 | NSE: AZAD  
 Index: S&P BSE SmallCap  
 Face Value: Rs. 2.0 per share  
 Fiscal Year End: March  
 Annual Report: [FY24](#)

<b>Meeting Date:</b>	<b>28 January 2025, 4:00 PM</b>
<b>Proxy Deadline:</b>	<b>Facility not available <sup>1</sup></b>
<b>E-voting Period:</b>	<b>22 January 2025, 9:00 AM to 27 January 2025, 5:00 PM</b>
E-Voting Site:	<a href="http://www.evotingindia.com">www.evotingindia.com</a>
Meeting Venue:	90/C,90/D, Phase-I, I.D.A, Jeedimetla Hyderabad, Telangana-500055
Notice:	<a href="#">EGM notice dated 6 January 2025</a>

<sup>1</sup>The Ministry of Corporate Affairs has vide its circular dated 25 September 2023 permitted the holding of the Annual General Meeting through VC / OAVM, without the physical presence of the members at a common venue till 30 September 2024. In compliance with the provisions of the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and MCA Circulars, the AGM of the Company is being held through VC / OAVM

### Agenda Items

#	Type <sup>1</sup>	Description of resolution	IiAS Recommendation <a href="#">See Legend</a>
1	S	<p><b>Approve issuance of equity or equity-linked securities upto Rs. 10.0 bn</b></p> <p>The resolution allows the company to raise Rs. 10.0 bn through equity or equity-linked securities. Assuming the issue price is the current market price (Rs. 1,595.8 closing price as on 15 January 2025), the company will have to issue ~6.3 mn shares resulting in a dilution of ~9.6% on the expanded capital base as on 30 September 2024. The company should have disclosed a detailed rationale regarding the usage of funds raised, which is higher than the amount of Rs. 7.4 bn (fresh issue of Rs. 2.4 bn and offer for sale of Rs. 5.0 bn) raised during the IPO in 2023. Notwithstanding, given that the dilution is reasonable, we support the resolution.</p>	<p><b>FOR</b></p> <p><b>G I F V T R</b></p>
2	S	<p><b>Appoint Murali Krishna Bhupatiraju (DIN: 10883843) as Managing Director for five years from 3 January 2025 and fix his remuneration for three years</b></p> <p>Murali Krishna Bhupatiraju, 55, has over 25 years of industry experience in operations management, corporate finance, and metal forming. He held techno-commercial leadership roles at Bharat Forge America (President &amp; CFO), Dyson Corporation (CFO), and Gerdau Macsteel (General Manager). He holds advanced degrees in Industrial Engineering (Ohio State), Management (Michigan State), and Computer Science (Georgia Tech). The company is seeking shareholder approval to appoint him as Managing Director for five years from 3 January 2025 and fix his remuneration for three years. His appointment as Managing Director is in line with all statutory requirements.</p> <p>We estimate Murali Krishna Bhupatiraju's maximum annual remuneration at Rs. 102.5 mn, which is high for the company's size at ~12.7% of FY24 PBT and higher than peers. There is no clarity on the exercise price of the stock options, nor any disclosure on the performance metrics on the basis of which the options will vest. The company must also clarify if he may receive additional stock options over his term. Given the lack of clarity and the high overall remuneration, we do not support the resolution.</p>	<p><b>AGAINST</b></p> <p><b>G I F V T R</b></p>
3	S	<p><b>Appoint Deepak Kabra (DIN: 10878892) as an Independent Director for five years from 3 January 2025</b></p> <p>Deepak Kabra, 46, is a banking and finance professional with over two decades of experience in small and mid-corporate banking, project finance, and business development. He has served as the Country Head for Small and Medium Enterprises and Executive Vice President at IndusInd Bank. His previous role includes senior leadership positions at YES Bank and ICICI Bank predominantly in small and mid-corporate space. He is a fellow member of ICAI. His appointment as an Independent Director is in line with all statutory requirements.</p>	<p><b>FOR</b></p>
4	S	<p><b>Approve borrowing limits upto Rs. 50.0 bn</b></p> <p>On 31 March 2024, the aggregate borrowings of the company stood at Rs. 0.4 bn and the debt-EBIDTA ratio was 0.3x with the debt-equity ratio at 0.1x. The company should have provided granular details regarding its capex and working capital needs. The company's credit rating is CARE A-/Stable/CARE A2+, which denotes an adequate degree of safety</p>	<p><b>AGAINST</b></p> <p><b>G I F V T R</b></p>

#	Type <sup>1</sup>	Description of resolution	IiAS Recommendation <a href="#">See Legend</a>
		regarding timely servicing of debt. Assuming the company raised Rs. 50.0 bn in debt, its debt ratios will deteriorate significantly (debt-equity ratio will be 7.8x and debt-EBIDTA will be 33.7x). Owing to the lack of clarity and possible deterioration of debt ratios, we do not support the resolution.	
5	S	<b>Approve hypothecation/ mortgage or charge on the assets for borrowings upto Rs. 50.0 bn</b> Secured debt has easier repayment terms, less restrictive covenants, and marginally lower interest rates. We support the resolution.	FOR
6	S	<b>Approve Azad ESOP Scheme 2024 under which 1.2 mn ESOPs can be granted</b> As per Azad ESOP Scheme 2024, the company proposes to issue 1.2 mn stock options. The Nomination and Remuneration Committee (NRC) will determine the exercise price and the exercise period. ESOPs are 'pay at risk' options that employees accept at the time of grant, which is protected if the ESOPs are issued at significant discount to the market price. Such practices do not align the interests of investors and employees. The company has neither provided clarity regarding the vesting criteria nor the performance metrics on the basis of which the options will vest. Given the lack of clarity, we do not support the resolution.	AGAINST <b>G I F V T R</b>
7	S	<b>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</b> Through a separate resolution, the company proposes to extend the Azad ESOP Scheme 2024 to the eligible employees of group companies, associate companies, subsidiary companies or Azad Prime Private Limited and Azad VTC Private Limited or holding company. We do not support the grant of ESOPs to be extended to employees of group companies, associates or listed holding companies. Further, our view on this resolution is linked to resolution #6. We do not support the resolution.	AGAINST <b>G I F V T R</b>

[1] O/S: Ordinary/Special

## Company Overview

Incorporated in 1983, **Azad Engineering Limited** is a manufacturer of aerospace components and turbines and supplies its products to original equipment manufacturers (OEMs) in the aerospace, defense, energy, and oil and gas industries. Company manufactures highly engineered, complex, mission and life-critical high precision forged and machined components like 3D rotating airfoil and blade portions of turbine engines and other critical components for gas, nuclear, and thermal turbines. The equity shares of the company listed on the stock exchanges on 28 December 2023.

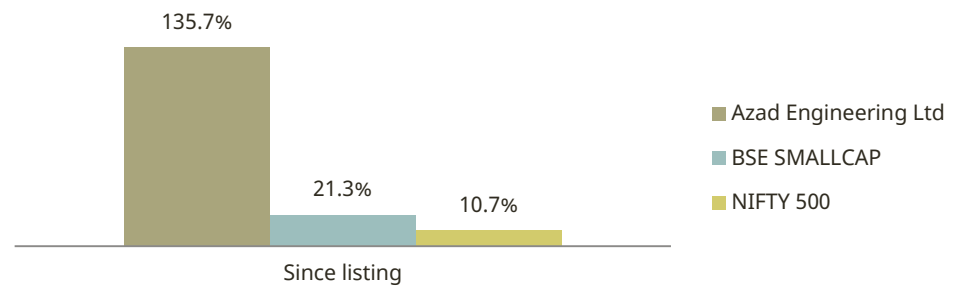
### Promoters:

Rakesh Chopdar, Kartik Chopdar

### Market snapshot

Market Price (Rs): 1,595.8  
 Market Cap (Rs bn): 94.3  
 Net-worth (Rs bn): 6.4  
 52-week H-L: 2,080.0 - 642.0  
 Current P/E (x): 135.3  
 Current P/B (x): 13.8

### Price Performance on 14 January 2025



Source: Capitaline database

### Financial performance

Year ending 31-Mar	(Rs.mn)		
	2022	2023	2024
Total Income	1,992.6	2,615.2	3,727.6
EBITDA	670.6	821.2	1,485.8
EBITDA Margin (%)	33.7	31.4	39.9
PBT	401.3	131.6	807.9
PBT Margin (%)	20.1	5.0	21.7
PAT	294.6	84.7	585.8
PAT Margin (%)	14.8	3.2	15.7
EPS (Rs.)	194.7	51.3	9.9
ROANW (%)	27.4	5.2	13.8
ROACE (%)	21.7	16.0	21.6
Debt/EBITDA (x)	2.9	3.7	0.3

Source: Capitaline Database

### Trend in Shareholding Pattern (%)

Date	Promoter <sup>1</sup>	FII	DII	Others
30-Sep-24	65.9	9.7	5.7	18.6
30-Jun-24	65.9	9.7	3.4	21.0
31-Mar-24	65.9	7.0	5.0	22.1
31-Dec-23	65.9	4.7	5.7	23.7

<sup>1</sup> 0.76% of 65.9% held by promoters is pledged as on 30-09-2024

Source: Capitaline Database, BSE

### Top Public Shareholders on 30 September 2024

No.	Name of the Shareholder	Shares held in (million)	Shareholding as % of total
1	ICICI Prudential Flexicap Fund	1.71	2.91
2	Abu Dhabi Investment Authority	1.26	2.14
3	Nomura Funds Ireland Public Limited Company	0.95	1.61
4	The Nomura Trust and Banking Co., Ltd	0.77	1.32
5	Vivek Mundra	0.67	1.14
	<b>Total</b>	<b>5.36</b>	<b>9.12</b>

Source: BSE

## Category: Issue of Securities

#	Type	Description of resolution	IiAS Recommendation	Indicators <a href="#">See Legend</a>
1	S	Approve issuance of equity or equity-linked securities upto Rs. 10.0 bn	FOR	G I F V <b>T</b> R

### Discussion

The company proposes to raise funds through the issuance of securities for an aggregate consideration of up to Rs. 10.0 bn. The board may also undertake a QIP with QIBs. This is an enabling resolution.

The company proposes to utilize the proceeds for one or more, or any combination of the following:

- (i) investment in various organic or inorganic growth opportunities, including expansion/acquisitions in its area of operations and adjacencies or for new business opportunities or other strategic initiatives
- (ii) infusion of funds into its subsidiaries to fund the business or growth of such subsidiaries
- (iii) prepayment / repayment of outstanding borrowing of the company and / or its subsidiaries
- (iv) to fund the working capital requirements of the company and / or its subsidiaries
- (v) capital expenditure (including but not limited to purchase of machines) for the company and / or its subsidiaries
- (vi) to fund the capital expenditure to be incurred for any manufacturing facilities being set up or to be set up by the company and / or its subsidiaries and
- (vii) any other general corporate purposes

The proceeds shall be deposited in appropriate money market instruments pending the utilization of proceeds. Depending upon future circumstances, there may be a deviation of +/- 10% of the amount specified for repayment or prepayment of debt availed by the company and/ or its subsidiaries, as the objects are based on management estimates and other commercial and technical factors. The net proceeds are expected to be deployed by or before 31 March 2027.

### Legal provisions

If issuance of securities is undertaken by way of a QIP, the allotment of securities shall be completed within 365 days from passing the resolution. The securities proposed to be issued shall be subject to the provisions of the MoA and AoA of the company, the Companies Act and other applicable laws.

### Pricing

The QIP shall be made at such price not less than the price determined in accordance with the pricing formula provided under the SEBI ICDR Regulations (QIP Floor Price), and the price determined for a QIP shall be subject to appropriate adjustments and the Board, in consultation with the lead managers may offer a discount of up to 5% or such other discount.

### Relevant date

The 'relevant date' for determination of the floor price of the equity shares to be issued shall be:

- a) in case of allotment of equity shares in a QIP, the date of meeting in which the board decides to open the proposed issue, and/ or
- b) in case of allotment of eligible convertible securities in a QIP, either the date of the meeting in which the board decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares, as may be determined by the board.

**Other terms**

- In case of QIP, a minimum of 10% of the securities shall be allotted to mutual funds and if mutual funds do not subscribe to the minimum percentage or part thereof, such minimum portion may be allotted to other QIBs in accordance with the SEBI ICDR Regulations
- No single allottee shall be allotted more than 50% of the issue size and the minimum number of allottees shall be in accordance with the SEBI ICDR Regulations
- The equity shares proposed to be issued/allotted by the company through the QIP shall rank pari passu with the existing equity shares of the company
- The securities shall not be eligible to be sold for a period of one year from the date of allotment, except on the recognized stock exchanges, or except as may be permitted under the SEBI ICDR Regulations
- The tenure of convertible or exchangeable securities issued shall not exceed sixty months from the date of allotment

The resolution allows the company to raise Rs. 10.0 bn through equity or equity-linked securities. Assuming the issue price is the current market price (Rs. 1,595.8 closing price as on 15 January 2025), the company will have to issue ~6.3 mn shares resulting in a dilution of ~9.6% on the expanded capital base as on 30 September 2024.

The company should have disclosed a detailed rationale regarding the usage of funds which is higher than the amount of Rs. 7.4 bn (fresh issue of Rs. 2.4 bn and OFS of Rs. 5.0 bn) raised during the IPO in 2023. Notwithstanding, given that the dilution is reasonable, we support the resolution.

IiAS recommends voting **FOR** the resolution.

## Category: Remuneration

#	Type	Description of resolution	IiAS Recommendation	Indicators <a href="#">See Legend</a>
2	S	Appoint Murali Krishna Bhupatiraju (DIN: 10883843) as Managing Director for five years from 3 January 2025 and fix his remuneration for three years	AGAINST	G I F V T R

### IiAS Assessment of Managerial Remunerations and NRC disclosures

Assessment Parameter	Particulars	Comments, if any
Name	Murali Krishna Bhupatiraju	
Promoter/Professional	Professional	
Is there a significant hike in remuneration from previous term/year/ previous incumbent?	NA	New appointment
Is the remuneration/ increase commensurate with the growth in profits/operations?	NA	
Is it commensurate with increase in dividends paid?	NA	
Has the company disclosed performance metrics for variable pay?	No	
How does the increase in remuneration compare with that of median employee remuneration?	NA	
Multiple to median employee remuneration	NA	
Is the proposed resolution open-ended?	No	
Are ESG/ sustainability targets part of performance metrics for variable pay?	No	
Are there claw-back provisions in the remuneration structure?	No	
Does the Director receive remuneration from other group companies?	No	
Is the director a member of the NRC?	No	
Does the NRC comprise of executive directors / promoters?	No	

### Discussion

Murali Krishna Bhupatiraju, 55, has over 25 years of industry experience in operations management, corporate finance, and metal forming. He held techno-commercial leadership roles at Bharat Forge America (President & CFO), Dyson Corporation (CFO), and Gerdau Macsteel (General Manager). He holds advanced degrees in Industrial Engineering (Ohio State), Management (Michigan State), and Computer Science (Georgia Tech). The company is seeking shareholder approval to appoint Murali Krishna Bhupatiraju as Managing Director for five years from 3 January 2025 and fix his remuneration for three years.

### Exhibit 1: Proposed Remuneration terms (Rs. mn)

Particulars	Proposed terms	Estimated Pay	Details
Salary	Rs. 20,000,073	Rs. 20.0 mn	Inclusive of all allowances/ benefits/ perquisites and exclusive of any form of reimbursement of expenses incurred on behalf of company
ESOPs		Rs. 69.1 mn*	173,430 ESOPs. The ESOPs shall vest over 4 years: 25% on the completion of each year from the date of grant over four years
Car	Rs. 6,000,000	Rs. 6.0 mn	1 new car with driver, including fuel, car insurance, repair and maintenance charges.
One Time joining fee	Rs. 4,995,518	Rs. 5.0 mn	
Retirals		Rs. 2.4 mn	Assumed at 12% of salary
<b>Total</b>		<b>Rs. 102.5 mn</b>	

\* Exercise price assumed to be face value of Rs. 2 per ESOP. Total cost spread over vesting period of 4 years, assuming this is the only grant over the term

His terms of remuneration may exceed the statutory limits prescribed under Section 197 read with Schedule V of the Companies Act, 2013.

**Exhibit 2: FY24 Peer comparison**

Company Name	Name of Director	Designation	Category	Total income (Rs bn)	PBT (Rs bn)	Pay (Rs mn)
Data Patterns (India) Limited	Srinivasagopalan Rangarajan	CMD	Promoter	5.7	2.4	9.7
	Ms. Rekha Murthy Rangarajan	WTD	Promoter			7.8
	K. Vijay Ananth	WTD	Professional			7.8
MTAR Technologies	P Srinivas Reddy	MD	Promoter	5.9	0.7	30.0
	Anushman Reddy	WTD	Promoter			9.9
	A. Praveen Kumar Reddy	WTD	Promoter			7.5
Skipper Ltd	Sajan Kumar Bansal	MD	Promoter	32.9	1.3	30.8
Apollo Micro Systems	Venkata Siva Prasad Chandrapati	WTD	Professional	3.7	0.4	2.4
Centum Electronics Ltd	Nikhil Malavarappu	ED	Promoter			
Paras Defence and Technologies Ltd	Munjal Shah	MD	Promoter	2.3	0.5	8.4
	Shilpa Mahajan	ED	Professional			3.8
Azad Engineering Ltd	Murali Krishna Bhupatiraju	MD	Professional	3.7	0.8	102.5

Source: Company filings, IiAS ComPAYre

We estimate Murali Krishna Bhupatiraju's maximum annual remuneration at Rs. 102.5 mn, which is high for the company's size at ~12.7% of FY24 PBT and higher than peers. There is no clarity on the exercise price of the stock options, nor any disclosure on the performance metrics on the basis of which the options will vest. The company must also clarify if he may receive additional stock options over his term. Given the lack of clarity and the high overall remuneration, we do not support the resolution.

IiAS recommends voting **AGAINST** the resolution.

## Category: Board Appointments

#	Type	Description of resolution	IiAS Recommendation	Indicators <a href="#">See Legend</a>
3	S	Appoint Deepak Kabra (DIN: 10878892) as an Independent Director for five years from 3 January 2025	FOR	

### IiAS Assessment Parameters for Board Appointments <sup>[1]</sup>

Assessment Parameter	Comment	Regulatory Requirement/Benchmark
<b>Chairperson of the board</b>		
Is the Chairperson of the board an independent director?	No	Advocated by IiAS
Is there a separation in the roles between the Chairperson and CEO?	Yes	Advocated by IiAS
<b>Board Remuneration</b>		
Proportion of non-executive directors on the board	50.0%	
Total board remuneration (Rs. mn)	63.3	
Remuneration of executive directors as a share of board pay	99.1%	
<b>Board Skills</b>		
Does the board have sufficient breadth of skills?	No	Advocated by IiAS
Does the board have at least one non-executive director with domain knowledge?	Yes	Advocated by IiAS
Does at least one director have IT skills?	No	Advocated by IiAS

[1] As per IiAS classification

Note: IiAS considers Independent Directors with a tenure in excess of 10 years as non-independent non-executive directors. For more details, please refer to [IiAS Voting Guidelines](#).

Source: IiAS Research, Annual report, BSE

### Board Metrics

Board Size <sup>1</sup>	Independence <sup>4</sup>	Board Tenure (avg) <sup>2</sup>	Board age (avg) <sup>3</sup>	No. of Women IDs
8	50%	4.5 yrs	54.1 yrs	1
<b>Regulatory Benchmarks</b>				
(5-15)	(50%)	(10 yrs)	-	Mandated - 1

1 - NIFTY 500 Median: 10 Directors on 31 Mar 2024.

2 - NIFTY 500 Average: 7.7 years on 31 Mar 2024.

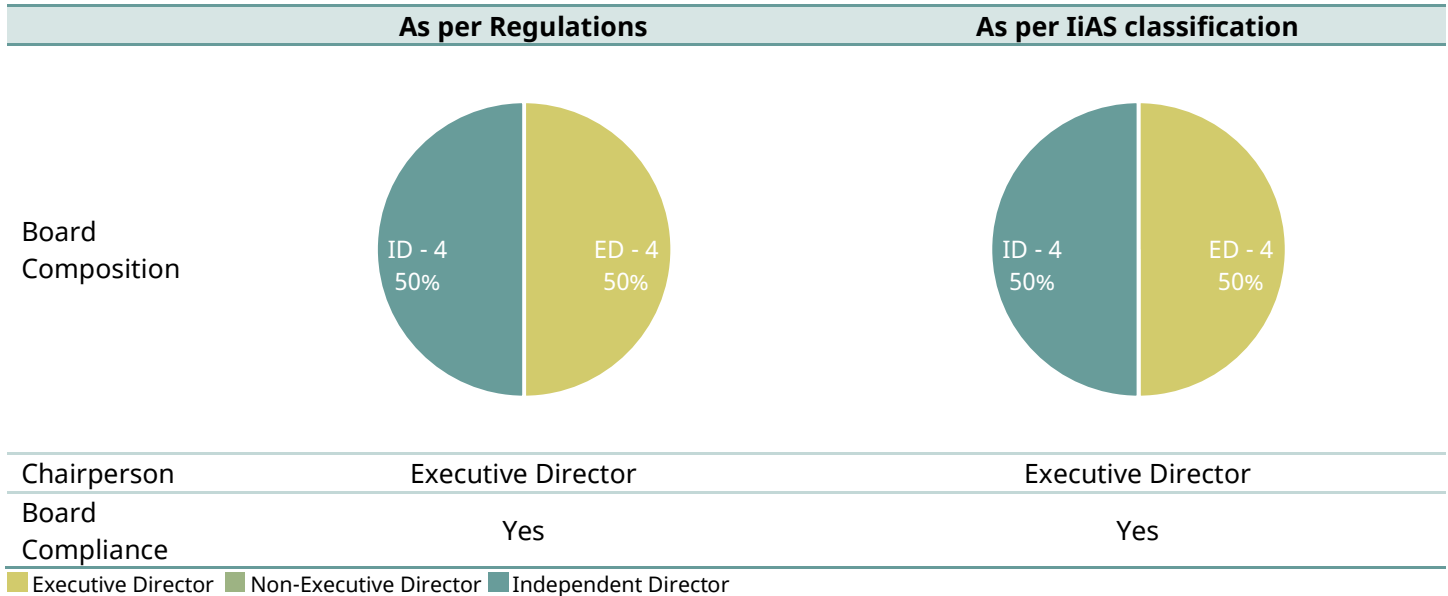
3 - NIFTY 500 Average: 61.3 years on 31 Mar 2024.

4 - As per IiAS classification



**Discussion**

**Exhibit 3: Director classification**



Note: IiAS considers Independent Directors with a tenure in excess of 10 years as non-independent non-executive directors. For more details, please refer to [IiAS Voting Guidelines](#).

**Exhibit 4: Regulation snapshot – minimum number of independent directors.**

Chapter IV, Regulation 17(1) of the SEBI Listing Obligations and Disclosure Requirements (LODR), states that for a company with an executive Chairperson, at least 50% of the board should comprise independent directors. In the case of a company with a non-executive Chairperson, at least one-third of the board should be independent. However, if non-executive Chairperson is a promoter or where the company does not have a designated chairperson, 50% of the directors have to be independent.

Deepak Kabra, 46, is a banking and finance professional with over two decades of experience in small and mid-corporate banking, project finance, and business development. He has served as the Country Head for Small and Medium Enterprises and Executive Vice President at IndusInd Bank. His previous role includes senior leadership positions at YES Bank and ICICI Bank predominantly in small and mid-corporate space. He also gained experience in marketing and sales during his tenure at Tata Chemicals Ltd. He is a fellow member of ICAI. His appointment as an Independent Director is in line with all statutory requirements.

IiAS recommends voting **FOR** the resolution.

**Director profile**

<b>Deepak Kabra (DIN: 10878892)</b>	
Qualification	<ul style="list-style-type: none"> <li>Fellow member of ICAI</li> </ul>
Work experience	<ul style="list-style-type: none"> <li>Country Head for Small and Medium Enterprises and Executive Vice President at IndusInd Bank</li> <li>His previous role includes senior leadership positions at YES Bank and ICICI Bank predominantly in small and mid-corporate space</li> <li>He gained experience in marketing and sales during his tenure at Tata Chemicals Ltd</li> </ul>
Other directorships	<ul style="list-style-type: none"> <li>Nil</li> </ul>

Source: PB Notice, MCA

**Exhibit 5: Board Composition**

S No	Name	Occupation	Category	iiAS Classification	Age (yrs)	Tenure (yrs)	AC	NRC	SRC	CSR	RMC	FY24 Attendance	Other Directorships	FY24 Pay (Rs.mn)
1	Murali Krishna Bhupatiraju	Managing Director	ED	ED	55	<1						-	-	-
2	Rakesh Chopdar (P) (C)	WTD, CEO	ED	ED	46	21			M	C		23/23	6	43.5
3	Ms. Jyoti Chopdar (P)	WTD	ED	ED	48	10						20/23	5	12.0
4	Vishnu Malpani	WTD	ED	ED	36	1	M		M	M	M	18/19	-	7.2
5	Subba Rao Ambati	Former General Manager - Mars Therapeutics & Chemicals Limited	ID	ID	71	1		M	C			13/15	1	0.2
6	Micheal Joseph Booth	Former Repair Team Leader - GE Caledonian Limited	ID	ID	73	1	M	C		M	M	8/19	-	0.2
7	Ms. Madhusree Vemuru	Former General Manager - Andhra Paper Limited	ID	ID	58	1	C	M			C	10/19	-	0.2
8	Deepak Kabra	Former Country Head for Small and Medium Enterprises and Executive Vice President at IndusInd Bank	ID	ID	46	<1						-	-	-

ED: Executive Director, ID: Independent Director, NED: Non-executive Non-independent director, (P): Promoter, (PR): Promoter Representative (C): Chairperson  
Committees: AC-Audit, NRC-Nomination & Remuneration, SRC-Stakeholders Relationship, CSR-Corporate Social Responsibility, RMC-Risk Management

■ Seeking reappointment
■ Seeking appointment

[Committee composition](#)

iiAS classifies independent directors with a tenure in excess of 10 years as non-independent non-executive directors. For more details, please refer to [iiAS Voting Guidelines](#).

**Cessations since 31 March 2024: Nil**

**Exhibit 6: Committee Composition**

Name of Committee	No of directors	Chairperson as per IiAS	% of independence		Compliance		Remarks
			Company	IiAS	Company	IiAS	
Audit	3	Independent	67%	67%	Yes	Yes	Chairperson and 2/3 <sup>rd</sup> of the committee should be independent
Nomination and Remuneration	3	Independent	100%	100%	Yes	Yes	Chairperson and 2/3 <sup>rd</sup> of the committee should be independent
Stakeholders Relationship	3	Independent	33%	33%	Yes	Yes	Chairperson should be non-executive and include at least one independent director
Corporate Social Responsibility	3	Non-Independent	33%	33%	Yes	Yes	Must include at least one independent director
Risk Management	3	Independent	67%	67%	Yes	Yes	Chairperson and majority of members must be directors and include at least one independent director

*Note: IiAS considers Independent Directors with a tenure in excess of 10 years as non-independent non-executive directors. For more details, please refer to [IiAS Voting Guidelines](#).*

## Category: Borrowings

#	Type	Description of resolution	IIAS Recommendation	Indicators <a href="#">See Legend</a>
4	S	Approve borrowing limits upto Rs. 50.0 bn	AGAINST	G I F V T R
5	S	Approve hypothecation/ mortgage or charge on the assets for borrowings upto Rs. 50.0 bn	FOR	

### Discussion

The company is seeking shareholder approval for borrowing limits upto Rs. 50.0 bn in view of the expansion and in order to augment the future growth of the company and to meet its various requirements.

### Exhibit 7: Debt Profile

(Consolidated)

Period ended 31 March	2022	2023	2024
Debt (Rs. mn)	1,972.0	3,006.0	372.0
EBITDA (Rs. mn)	670.6	821.2	1,485.8
Equity (Rs. mn)	1,200.2	2,039.9	6,450.6
Debt to Equity (x)	1.6	1.5	0.1
Debt to EBITDA (x)	2.9	3.7	0.3

Source: Annual Report

On 31 March 2024, the aggregate borrowings of the company stood at Rs. 0.4 bn and the debt-EBITDA ratio was 0.3x with the debt-equity ratio at 0.1x. The company should have provided granular details regarding its capex and working capital needs. The company's credit rating is [CARE A-/Stable/CARE A2+](#), which denotes an adequate degree of safety regarding timely servicing of debt. Assuming the company raised Rs. 50.0 bn in debt, its debt ratios will deteriorate significantly (debt-equity ratio will be 7.8x and debt-EBITDA will be 33.7x). Given the lack of clarity around the need for a significantly higher borrowing limit, we do not support the resolution.

IiAS recommends voting **AGAINST** resolution #4.

Further, through a separate resolution the company seeks to create a charge on the assets of the company upto the proposed borrowing limit of Rs. 50.0 bn. Secured debt has easier repayment terms, less restrictive covenants, and marginally lower interest rates.

IiAS recommends voting **FOR** resolution #5.

## Category: Stock Options

#	Type	Description of resolution	IiAS Recommendation	Indicators <a href="#">See Legend</a>
6	S	Approve Azad ESOP Scheme 2024 under which 1.2 mn ESOPs can be granted	AGAINST	<b>G</b> <b>I</b> <b>F</b> <b>V</b> <b>T</b> <b>R</b>
7	S	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	AGAINST	<b>G</b> <b>I</b> <b>F</b> <b>V</b> <b>T</b> <b>R</b>

### Discussion

The company intends to implement the Azad ESOP Scheme 2024 (Scheme) to reward eligible employees for their performance and to incentivize the employees to contribute to the overall growth and profitability of the company.

### Exhibit 8: Azad ESOP Scheme 2024

Parameter	Details
Maximum no. of Stock options to be granted	Up to 1,182,259
Vesting period	The NRC is entitled to determine the vesting conditions and vesting period subject to (i) there shall be a minimum period of one year between the date of grant of an option and the date on which such option vests (No Vesting Period), and (ii) options granted shall vest over a period of 4 years such that 25% of the options granted shall vest on the expiry of the No Vesting Period and the remaining options granted shall vest over the immediately following 3 years in equal annual instalments
Employees entitled to participate in scheme	Employee means (i) an employee as designated by the company, who is exclusively working in India or outside India (ii) a director of the company, whether a whole-time director or not, including a non-executive director who is not a Promoter or member of the Promoter Group, but excluding an Independent Director; or (iii) an employee defined in (i) and (ii) above of a subsidiary company, associate company or holding company in or outside India but does not include: a) an employee who is a promoter or a person belonging to the promoter group; or b) a director who, either himself or through his relative or through any body corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the company
Appraisal process/Vesting criteria	The appraisal process for determining employee eligibility will be determined by the NRC. It may consider various factors including tenure of employment, seniority, performance metrics etc.
Exercise Price	The NRC is entitled to determine the exercise price
Exercise period	The NRC is entitled to determine the exercise period. Vested options may be exercised in one or more tranches on 1st September and 1st April of each year or on such date as the NRC may permit during the exercise period,
Maximum number of options to be issued per employee and in aggregate	The maximum number of options that may be granted to an eligible employee shall vary depending upon the designation and the appraisal process but shall not exceed 20% of the option pool per eligible employee
Implementation Method	The company shall directly implement and administer the scheme through the NRC
Type of Issue	Company shall issue new shares
Accounting Policy	Regulation 15 of the SEBI SBEB Regulations
Dilution	2.0%
Lock-in	No lock-in applicable
Valuation Method	Fair Value Method

Source: Meeting Notice

As per Azad ESOP Scheme 2024, the company proposes to issue 1.2 mn stock options. The NRC will determine the exercise price and the exercise period. ESOPs are 'pay at risk' options that employees accept at the time of grant, which is protected if the ESOPs are issued at significant discount to the market price. Such practices do not align the interests of investors and employees. The company has neither provided clarity regarding the vesting criteria nor the performance metrics on the basis of which the options will vest. Given the lack of clarity, we do not support the resolution. IiAS recommends voting **AGAINST** resolution #6.

Through a separate resolution, the company proposes to extend the Azad ESOP Scheme 2024 to the eligible employees of group companies, associate companies, subsidiary companies or Azad Prime Private Limited and Azad VTC Private Limited or holding company. We do not support the grant of ESOPs to be extended to employees of group companies, associates or listed holding companies. Further, our view on this resolution is linked to resolution #6. IiAS recommends voting **AGAINST** resolution #7.






## Legend



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Risk Indicator	Coverage	Description
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	Financial Impact	This symbol is used for resolutions which, as per IiAS, will have a negative impact on the company's financials.
	Valuation Divergence	This symbol is generally used for resolutions associated with corporate restructurings, which include schemes of arrangement, and slump sales, where a fair valuation cannot be ascertained or where IiAS believes the valuation is prejudicial to the interests of public shareholders.
	Other Risks	This symbol is used for operating decisions taken by the company management and IiAS will usually recommend voting FOR such resolutions. However, they carry an element of risk which may subsequently have a negative impact on the financials. Investors are therefore advised to review the risk factors highlighted by IiAS in its analysis before voting.

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Indicator	Quality of Disclosure	Description
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