

Proxy Advisory Report (Addendum)

Aditya Birla Fashion & Retail Ltd

ABOUT SES

Stakeholders Empowerment Services (SES) is a Corporate Governance research and advisory firm. SES assists investors to analyze governance practices including matters relating to sustainability, prevalent at listed entities and empower Investors to undertake meaningful engagement with Investee entities.

SES SERVICES

E-BRSR Tool: Online web-based platform to create BRSR Report by the Company and generate XBRL in seamless, cost and time effective manner

Already Subscribed by HDFC, Hero, M&M, L&T, UPL, Wipro, Reliance group and many others. [Read More](#)

Contact for Demo –

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SES AIMS:

Designed primarily for Institutional investors to carry out their stewardship activities in an efficient manner.

[Read More](#)

Proxy Advisory:

Advises investors on the matters that require shareholder approval at listed entities and identify Governance issues. [Read More](#)

ESG Scores:

Analyze sustainability initiatives of Companies based on various environmental, social and governance factors.

[Read More](#)

Corporate Governance Score (CGS):

CGS model measures the Company's compliance and also evaluates the governance practices with respect to global benchmarks. [Read More](#)

E-Ballot:

One stop solution for investors – Online Vote Management System to cater to requirements of Institutional Investors. [Read More](#)

COMPANY INFORMATION

BSE CODE: 535755

NSE SYMBOL: ABFRL

ISIN: INE647O01011

Industry: Speciality Retail

Email: secretarial@abfrl.adityabirla.com

Phone: +91 86 5290 5000

Registered Office: Piramal Agastya Corporate Park, Building 'A', 4th & 5th Floor, Unit No. 401, 403, 501, 502, L.B.S. Road, Kurla, Mumbai - 400 070, Maharashtra.

MEETING DETAILS

Meeting Type: PB

Voting Deadline: 8th June, 2023

Notice Date: 5th May, 2023

Notice: [Click here](#)

Annual Report: [FY 2021-22](#)

SES PA Report (Last AGM): [Report](#)

E-VOTING DETAILS

e-Voting Platform: [LINKINTIME](#)

Cut-off Date: 5th May, 2023

Remote E-voting:

- **Start:** 10th May, 2023
- **Ends:** 8th June, 2023

ADDENDUM REPORT RELEASE DATE: 6TH June, 2023

Research Analyst: Karishma Yadav

Conflict Disclosure: SES - No Conflict | Analyst - No Conflict



ADDENDUM

This addendum is being issued based on e-mail dated 6th June 2023, sent by Aditya Birla Fashion and Retail Ltd ('the Company') with respect to Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the Postal Ballot of the Company having e-voting deadline 8th June, 2023.

SES is changing its recommendations from AGAINST to FOR in case of resolution no. 1 (Enhancement of limits of investments/ loans/ guarantees/ securities), based on additional disclosure made by the Company via email.

EXISTING RECOMMENDATION					
S. No.	Resolution	Type	SES Observation [#]	Rec.	Rationale
1	Enhancement of limits of investments/ loans/ guarantees/ securities in excess of the limits prescribed in Section 186 of the Companies Act 2013.	S	LC GC	AGAINST	Omnibus approval; Inadequate disclosure.
REVISED RECOMMENDATION					
1	Enhancement of limits of investments/ loans/ guarantees/ securities in excess of the limits prescribed in Section 186 of the Companies Act 2013.	S	LC	FOR	<i>No concern identified.</i>

S - Special Resolution, Rec. - Recommendation

LC - Legally Compliant, NC - Legally Non-Compliant, TC - Disclosures & Transparency Concern, GC - Governance Concern

BACKGROUND

SES, as per its policy, had e-mailed its Proxy Advisory Report to the Company on 29th May, 2023 in respect of Postal Ballot of the Company.

Post release of the PA Report, the Company sent an email to SES on 6th June 2023. The text of the email has been reproduced at the end of this addendum. SES has also analysed the information provided by the Company and has provided appropriate response wherever required.

SES has reproduced the Company's response (*in blue italics*) and SES comments thereon (in black text).

SES' COMMENTS TO COMPANY RESPONSE

Basis the above provision the Investment limit for the Company is ~ ₹ 2,400 Cr [being 60% of Paid-up share capital + Free Reserves + Securities Premium]

Out of the above, the Company has already invested ₹ 1400 crore by way of investments to our subsidiaries and JV companies. All these companies are our new growth drivers including ethnic businesses and direct to consumer (D2C) brands.

Furthermore, in line with its strategy to build a comprehensive portfolio of brands across segments, categories and price points in ethnic business, the Company has also announced to acquire up to 51% equity stake in TCNS Clothing Co. Limited ("TCNS"). In its announcement dated May 5, 2023, the Company proposes to acquire:

- *from the Promoters of TCNS between 22% - 30.81% stake and*
- *conditional open offer from the public shareholders of TCNS between 20.19% - 29.00% stake.*
- *Total acquisition of 51% stake amounting to ~ ₹ 1655 Cr.*

We are seeking shareholders' approval for additional limit of Rs. 1500 crores over and above the permissible limits. That will allow company to invest further up to Rs. 2500 Crore, which will be used primarily for investments into TCNS Rs. 1655 Crore, post receipt of



Meeting Type: Postal Ballot

Voting Deadline: 8th June, 2023

necessary regulatory approvals and remaining balance of Rs. 850 Crore will be invested in subsidiary companies which house our new growth businesses in ethnic, direct to consumer (D2C) space and luxury business viz. Indivinity (TASVA), Jaypore, Finesse (Shantanu & Nikhil), Masaba, Sabyasachi and Aditya Birla Digital Ventures Limited (TMRW).

Please appreciate that while we have clear plans for each one of these businesses, they are in early stage of growth and investments phase and exact need for capital in each business will evolve over time, hence seeking an omnibus approval with the overall limit.

Hence, this proposal will help the Company to adequately fund its growth businesses to be able to build scale in each of them in line with our stated growth strategy.

SES Comment:**Details of the recipient:****1. Recipient Company: TCNS Clothing Co. Ltd**

Purposed: The Company has announced acquisition of 51% equity shares in TCNS Clothing Co. Ltd. ([Weblink](#))

Size of the investment: ~ ₹ 1,655 crores

2. Recipient Company: Subsidiary Companies

Purposed: New growth businesses in ethnic, direct to consumer (D2C) space and luxury business viz. Indivinity (TASVA), Jaypore, Finesse (Shantanu & Nikhil), Masaba, Sabyasachi and Aditya Birla Digital Ventures Limited (TMRW).

Size of the investment: ~ ₹ 850 crores

Shareholders may note that:

The Company, in its recent email has stated that, out of the existing Investment limit for the Company, that is (approx.) ₹ 2,400 Cr, investments of ₹ 1,400 crore has already been made in its subsidiaries and JV companies.

The Company has further disclosed that in line with its strategy to build a comprehensive portfolio of brands across segments, categories and price points in ethnic business and direct to consumer (D2C) brands, the Company has sought to increase its investment limit to ₹ 1,500 crores.

The abovementioned information has been disclosed after SES had raised a governance concern on the basis of inadequate disclosure in the Notice of the Postal Ballot. SES is of the opinion that the Company should have disclosed the above information in the notice of postal ballot for the information of the shareholders.

However, since, the Company has given clarity on recipient of proposed investment and has also disclosed on specific plans to utilise the increased limit. Further, the Company also updated same on the Stock Exchange ([weblink](#))

SES is **not** raising any concern in the proposed resolution.

COMPANY'S EMAIL

Dear Sir / Madam,

Please see our responses to our resolution proposed for the shareholders approval through Postal Ballot, in connection with increase in investment limit u/s 186 of the Companies Act.

Pursuant to Section 186 of the Companies Act, 2013, "No Company shall acquire by way of subscription, purchase or otherwise, the securities of any other body corporate exceeding sixty per cent. of its paid-up share capital, free reserves and securities premium account or one hundred per cent of its free reserves and securities premium account, whichever is more.....unless previously authorised by a special resolution"

Basis the above provision the Investment limit for the Company is ~ ₹ 2,400 Cr [being 60% of Paid-up share capital + Free Reserves + Securities Premium]

Out of the above, the Company has already invested ₹ 1400 crore by way of investments to our subsidiaries and JV companies. All these companies are our new growth drivers including ethnic businesses and direct to consumer (D2C) brands.

Furthermore, in line with its strategy to build a comprehensive portfolio of brands across segments, categories and price points in ethnic business, the Company has also announced to acquire up to 51% equity stake in TCNS Clothing Co. Limited ("TCNS"). In its announcement dated May 5, 2023, the Company proposes to acquire:

- i. from the Promoters of TCNS between 22% - 30.81% stake and
- ii. conditional open offer from the public shareholders of TCNS between 20.19% - 29.00% stake.
- iii. Total acquisition of 51% stake amounting to ~ ₹ 1655 Cr.

We are seeking shareholders' approval for additional limit of Rs. 1500 crores over and above the permissible limits. That will allow company to invest further up to Rs. 2500 Crore, which will be used primarily for investments into TCNS Rs. 1655 Crore, post receipt of necessary regulatory approvals and remaining balance of Rs. 850 Crore will be invested in subsidiary companies which house our new growth businesses in ethnic, direct to consumer (D2C) space and luxury business viz. Indivinity (TASVA), Jaypore, Finesse (Shantanu & Nikhil), Masaba, Sabyasachi and Aditya Birla Digital Ventures Limited (TMRW).

Please appreciate that while we have clear plans for each one of these businesses, they are in early stage of growth and investments phase and exact need for capital in each business will evolve over time, hence seeking an omnibus approval with the overall limit.

Hence, this proposal will help the Company to adequately fund its growth businesses to be able to build scale in each of them in line with our stated growth strategy.

Kindly note that this proposed increase in investment limit is in compliance with the Companies Act, 2013 and SEBI LODR. For any increase in limits beyond this, the Company proposes to come back to its shareholders for their necessary approval, at the relevant point in time.



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Sources**

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders' Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

Disclaimer

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All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

NC – Compliance Concern: The Company has not met statutory compliance requirements

FC – Fairness Concern: The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

GC – Governance Concern: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

TC - Disclosures & Transparency Concern: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

Company Information

Stakeholders Empowerment Services

SEBI Reg. No. INH000000016

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