



Stakeholders Empowerment Services

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Proxy Advisory Report (Addendum) ACC Limited

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

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](#)

Governance Research:

In-depth and robust analysis on various topic to identify governance issues relating to companies, transactions, sectors and even the broader markets. [Read More](#)

E-Ballot:

Online Vote Management System to cater to requirements of Institutional Investors. One stop solution for investors – from accessing proxy reports and voting advice to recording votes and generating customized MIS reports. [Read More](#)

SES AIMS:

Designed primarily for Institutional investors to carry out their stewardship activities in an efficient manner. [Read More](#)

BRSR: SES has developed an Online web-based platform where in the Company can fill all its BRSR related data and generate its BRSR Report seamlessly online. [Read More](#)

BRSR Guide on relevant sector: [Read more](#)

COMPANY INFORMATION

BSE CODE: 500410

NSE SYMBOL: ACC

ISIN: INE012A01025

Industry: Cement & Cement Products

Email: acc-investorsupport@adani.com

Phone: +91 22 3302 4321

Registered Office: Cement House, 121, Maharshi Karve Road, Mumbai - 400 020, Maharashtra

MEETING DETAILS

Meeting Type: PB

Voting Deadline: 21st February, 2023

Notice Date: 17th January, 2023

Notice: [Click here](#)

Corrigendum to Notice: [Click Here](#)

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

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

E-VOTING DETAILS

e-Voting Platform: [KFintech](#)

Cut-off Date: 13th January, 2023

Remote E-voting:

- **Start:** 23rd January, 2023
- **Ends:** 21st February, 2023

ADDENDUM REPORT RELEASE DATE: 16th February, 2023

RESEARCH ANALYST: Shambhavi Jha

CONFLICT DISCLOSURE: SES - No Conflict | Analyst - No Conflict



RESOLUTION ANALYSIS

This Addendum is being issued based on additional information provided in the [Corrigendum](#) to PB notice and clarificatory e-mails dated 14th & 16th February, 2023 sent by ACC Ltd ('the Company') w.r.t. Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the ongoing PB of the Company.

There are changes in the SES recommendations on Resolution No. 4 & 5 from 'AGAINST' to 'FOR'.

#	Resolution	Type	SES Observation #	Rec.	Rationale
Existing Recommendations					
4	Approval of Material Related Party Transactions (revised limits) with Ambuja Cements Limited	O	LC+GC+TC	AGAINST	Inadequate disclosure; Significant hike in RPT value
5	Approval of Material Related Party Transactions with Ambuja Cements Limited for Financial Year 2023-2024	O	LC+GC+TC	AGAINST	Inadequate disclosure; Significant hike in RPT value
Revised Recommendations					
4	Approval of Material Related Party Transactions (revised limits) with Ambuja Cements Limited	O	LC	FOR	No major concern identified
5	Approval of Material Related Party Transactions with Ambuja Cements Limited for Financial Year 2023-2024	O	LC	FOR	No major concern identified

S - Special Resolution, Rec. - Recommendation

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

BACKGROUND

SES, as per its policy, had e-mailed its [PA Report](#) to the Company on 11th February, 2023 in respect of the ongoing PB of the Company dated 21st February, 2023.

Post release of the PA Report, SES received clarificatory emails from the Company providing its view point as well as a corrigendum to PB Notice, which is reproduced at the end of this addendum in **blue text** along with the SES Response (in black).

It may be noted that the email of the Company (as per SES policy framed to comply with SEBI Circular dated 3rd August, 2020 [SEBI/HO/IMD/DF1/CIR/P/2020/147](#)) has already been forwarded to SES clients 'as it is', without any inputs from SES on 15th February, 2023. This Addendum provides appropriate responses of SES, wherever required.

SES COMMENTS ON COMPANY'S RESPONSE

Company's Email Dated 14th February, 2023 (Excerpt)

Item No. 4: Approval of Material Related Party Transactions (revised limits) with Ambuja Cements Limited

Item No. 5: Approval of Material Related Party Transactions with Ambuja Cements Limited for Financial Year 2023-2024

On page 10 of the postal ballot, item nos ii and ix highlight the type of transactions, and the material benefits of these transaction for the company.

Under the new promoters, there is a single Management team overseeing the cement business end-to-end. As a result, the teams at Ambuja & ACC are working as a single unit - ONE team. This applies to most functions, including manufacturing, techno commercial, logistics, marketing, sales, HR, and Finance. This collaboration will drive material cost reductions and result in significant margin expansion for both companies. The performance improvement of the two companies in October – December 2022 quarter reflects that this journey has already begin. In the coming quarters, the benefits of these synergies will become louder, as the margin expansion continues.



Meeting Type: Postal Ballot

Voting Deadline: 21st February, 2023

The shareholders had earlier approved RPTs of Rs. 3,500 Cr for the 12-month period (January- December 2022). However, the financial year of the two companies is being changed to align with other companies in the group. As a result, the two cement companies will have a longer financial year this time (January 2022 - March 2023).

Given this extended financial year (15 months) and increased number of transactions between the two companies in the last few months (for achieving greater synergies), ACC is seeking shareholders' approval to increase the RPT transaction value by Rs 3,000 Cr.

During FY 2023-24, the management expects more healthy and deepened working between the two companies, alongside volume expansion. Therefore, shareholders' approval is being sought for a higher value of RPTs. A similar approval has also been sought from the Ambuja shareholders.

Company's Email Dated 16th February, 2023 (Excerpt)

Please note that the Intercorporate Loans/deposits/guarantee/securities is no longer proposed for Resolution no.5 i.e RPTs with respect to FY 23-24.

Corrigendum to PB Notice: [Link](#)

SES Response: Taking note of the above clarifications as well as the corrigendum to PB Notice, SES observes that the Company has now decided to put a 5% cap on inter corporate loans/ investments /guarantees w.r.t. Resolution No. 4, i.e. RPTs for FY 22-23 and also decided to entirely do away with inter corporate loans/ investments /guarantees for Resolution No. 5, i.e. RPTs for FY 23-24.

Based on these clarifications, SES concern on whether quantum jump in volume of RPTs is on account of new RPTs like inter corporate loans/ deposits/ Guarantees/ Securities, now stands completely addressed.

With respect to the other concern of lack of justification for the sudden increase in RPT limits, the Company has now clarified that it is essentially proposing the increase in the RPT limits mainly on account of the teams at Ambuja and ACC working as a single unit to synergise their business.

(For more details: Shareholders may refer to the Company's Earnings call Transcript dated 8th February, 2023: [Link](#))

Furthermore, shareholders may note that ACC Ltd and Ambuja Cements Ltd have a continuing Master Supply Agreement (MSA) (rolled out by the previous management) which the Company claims to have now "almost made it like way of life on a day-to-day basis". (Pg. 9 of Concall transcript)

SES is of the view that it cannot stand in judgment of the implications of such a business decision. However, shareholders must be conscious of the same and seek clarifications from the Company regarding how revenue sharing arrangements between both the listed entities in such a scenario would work (especially when the public shareholders for both entities would be different) and how ACC's EBITDA would be protected. SES draws a comfort from the fact that even under previous management, under master supply agreement all such transactions were being undertaken for harnessing synergies. SES is of the view that as the parent Adani, is a consumer of Cement in its various entities scope for synergies gets expanded.

Thus, given the fact that the Company is adhering to the MSA that was originally put in place by the previous management, SES is not raising any concern in this regard at this stage.



Meeting Type: Postal Ballot

Voting Deadline: 21st February, 2023

COMPANY'S EMAIL DATED 14TH FEBRUARY, 2023

Hi ***,

Pl see our comment to your ACC report. We are available for another discussion, if need be.

Best regards,

Attachment Link: [Click here](#)

COMPANY'S EMAIL DATED 16TH FEBRUARY, 2023

Hi ***,

Please note that the Intercorporate Loans/deposits/guarantee/securities is no longer proposed for Resolution no.5 i.e RPTs with respect to FY 23-24.

Best regards,



Disclaimer**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. INH00000016

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