



Stakeholders Empowerment Services

Analyze >>> Educate >>> Empower

# Proxy Advisory Report (Addendum) Welspun Enterprises 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

### 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](#)

## COMPANY INFORMATION

**BSE CODE:** 532553

**NSE SYMBOL:** WELENT

**ISIN:** INE625G01013

**Industry:** Construction & Engineering

**Email:** [companysecretary\\_wel@welspun.com](mailto:companysecretary_wel@welspun.com)

**Phone:** + 91 2836 662222

**Registered Office:** Welspun City, Village Versamedi, Taluka Anjar, District Kutch, Gujarat - 370 110

## MEETING DETAILS

**Meeting Type:** PB

**Voting Deadline:** 27<sup>th</sup> July, 2022

**Notice Date:** 8<sup>th</sup> June, 2022

**Notice:** [Click here](#)

**Annual Report:** [FY 2020-21](#)

**PA Report (PB):** [Click here](#)

## E-VOTING DETAILS

**e-Voting Platform:** [NSDL](#)

**Cut-off Date:** 17<sup>th</sup> June, 2022

**Remote E-voting:**

**Start:** 28<sup>th</sup> June, 2022

**Ends:** 27<sup>th</sup> July, 2022

**ADDENDUM RELEASE DATE:** 19<sup>th</sup> JULY, 2022

**RESEARCH ANALYST:** JOHNSON DSOUZA

**CONFLICT DISCLOSURE:** SES - NO CONFLICT | ANALYST - NO CONFLICT

**INTERACTION WITH THE COMPANY - NO INTERACTION**

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION



## ADDENDUM

This Addendum is issued based on e-mail dated 18<sup>th</sup> July, 2022 sent by Welspun Enterprises Ltd ('the Company') w.r.t. Proxy Advisory Report ('PA Report') issued by SES in relation to the ongoing Postal Ballot ('PB') of the Company with e-voting deadline 27<sup>th</sup> July, 2022.

**There is no change in SES' recommendation.**

### BACKGROUND

SES, as per its policy, had e-mailed its Proxy Advisory Report (PA Report) to the Company on 14<sup>th</sup> July, 2022 in respect of PB of the Company.

Post release of PA Report, SES received an email from the Company. The Company sent an email providing its view point, which is reproduced at the last in [blue text](#) here in this Addendum.

It may be noted that the email of the Company (as per SES policy framed to comply with SEBI Circular dated 3<sup>rd</sup> 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 19<sup>th</sup> July, 2022. This Addendum provides appropriate observation of SES, wherever required.

### SES COMMENTS TO COMPANY RESPONSE

Response of the Company is depicted in [blue](#) hereinbelow. SES is giving its response point by point.

#### Company Response:

- The Company aims to monetize its completed road assets in line with its strategy to have an asset-light model with focus on Developer and EPC business. The exit from completed road asset portfolio through the proposed divestment transaction referenced in the Notice will thus reflect the full value chain of successfully winning, constructing, stabilizing, and ultimately monetizing road assets.*
- The valuation report is not available in public domain. The exit of the portfolio of the Company's operating road concessions to Actis Highway Infra Limited is proposed to be at an aggregate Enterprise Value (EV) of approximately Rs. 6,000 crore. The total debt of this portfolio is expected to be Rs 3,627 crore on date of first closing, as shared in the public disclosure made on 9th June 2022. Adjusting for this debt, the equity investment of the Company in the concerned SPVs is getting valued at approximately Rs 2,400 crore. Therefore, given that the total equity investment in these SPVs was Rs. 1,613 crore, the consideration implies a multiple of about 1.5 times the equity investment in the concerned SPVs. This compares favourably with industry benchmarks.*

**SES Comment:** The concern raised by SES was purely based on governance parameters, and not with respect to compliance.

In present case, the Company is seeking approval for sale, transfer or disposal of investments in its 6 subsidiaries/ associates. SES has stated in the PA report that the Company has not disclosed the Valuation report of the investment being sold for the information of the shareholders. Although the disclosure of valuation report is not required in terms of law, however, SES as a policy opines that the Company must disclose the same for the information of the shareholders.

SES reiterates that without a proper independent valuation report, shareholders may not be able to judge the fairness of such transaction and cannot take an informed decision based on the limited information.

**However, shareholders may take note of the Company's clarifications with respect to the proposed sale/dispose and take an informed decision in this regard.**



**COMPANY'S E-MAIL DATED 18<sup>TH</sup> JULY 2022 TO SES**

From: \*\*

Date: Mon, Jul 18, 2022 at 7:09 PM

Subject: RE: SES - Proxy Advisory Report - Welspun Enterprises Limited

Hi \*\*\*\*

This is further to our telephone discussion. As requested, here are some perspectives we wish to bring to your attention:

- The Company aims to monetize its completed road assets in line with its strategy to have an asset-light model with focus on Developer and EPC business. The exit from completed road asset portfolio through the proposed divestment transaction referenced in the Notice will thus reflect the full value chain of successfully winning, constructing, stabilizing, and ultimately monetizing road assets.
- The valuation report is not available in public domain. The exit of the portfolio of the Company's operating road concessions to Actis Highway Infra Limited is proposed to be at an aggregate Enterprise Value (EV) of approximately Rs. 6,000 crore. The total debt of this portfolio is expected to be Rs 3,627 crore on date of first closing, as shared in the public disclosure made on 9th June 2022. Adjusting for this debt, the equity investment of the Company in the concerned SPVs is getting valued at approximately Rs 2,400 crore. Therefore, given that the total equity investment in these SPVs was Rs. 1,613 crore, the consideration implies a multiple of about 1.5 times the equity investment in the concerned SPVs. This compares favourably with industry benchmarks.
- The latest financials of the SPVs are available on the website of the Company and are attached herewith.
- The Disclosure submitted to the stock exchanges on 9th June 2022, also appended with this email for ready reference, has substantial details and is self-explanatory. There has not been any further/incremental disclosure beyond what is contained therein.

Thank you for your time. Please feel free to reach out for any further clarification or information.  
regards,

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Kindly find the following attachments:

- WEL exit from operational Highway Projects portfolio to Actis\_9 Jun2022 ([Weblink](#))
- Welspun Infracapital Pvt Ltd. ([Weblink](#))
- Welspun Road Infra Private Limited ([Weblink](#))
- Chikhali-Tarsod Highways Private Limited ([Weblink](#))
- MBL (CGRG) Road Limited ([Weblink](#))
- MBL (GSY) Road Limited ([Weblink](#))
- Welspun Delhi Meerut Expressway Private Limited ([Weblink](#))



Meeting Type: Postal Ballot

Voting Deadline: 27<sup>th</sup> July, 2022

## 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

While SES has made every effort, and has exercised due skill, care and diligence in compiling this report based on publicly available information, it neither guarantees its accuracy, completeness or usefulness, nor assumes any liability whatsoever for any consequence from its use. This report does not have any approval, express or implied, from any authority, nor is it required to have such approval. The users are strongly advised to exercise due diligence while using this report.

This report in no manner constitutes an offer, solicitation or advice to buy or sell securities, nor solicits votes or proxies on behalf of any party. SES, which is a not-for-profit Initiative or its staff, has no financial interest in the companies covered in this report except what is disclosed on its website. The report is released in India and SES has ensured that it is in accordance with Indian laws. Person resident outside India shall ensure that laws in their country are not violated while using this report; SES shall not be responsible for any such violation.

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

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