



Stakeholders Empowerment Services

Analyze >>> Educate >>> Empower

Proxy Advisory Report (Addendum) Tracxn Technologies 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 decisions and engage 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 with respect to global benchmarks developed by researching Corporate Governance regulations. [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: 543638

NSE SYMBOL: TRACXN

ISIN: INE0HMF01019

Industry: Data Processing Services

Email: investor.relations@tracxn.com

Phone: 9036090116

Registered Office: L-248, 2nd Floor, 17th Cross, Sector 6, H.S.R. Layout, Bengaluru, Karnataka, 560102

MEETING DETAILS

Meeting Type: PB

Voting Deadline: 21st January, 2023

Notice Date: 20th December, 2022

Notice: [Click here](#)

PA (PB) Report: [Link](#)

E-VOTING DETAILS

e-Voting Platform: [LINKINTIME](#)

Cut-off Date: 16th December, 2022

Remote E-voting:

- **Start:** 23rd December, 2022
- **Ends:** 21st January, 2023

ADDENDUM REPORT RELEASE DATE: 18th January, 2023

Research Analyst: Ashita Jobanputra | Krupa Hegde

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



ADDENDUM

This Addendum is being issued based on an e-mail dated 15th January, 2023 sent by Tracxn Technologies Ltd ('the Company') w.r.t. Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the ongoing Postal Ballot of the Company with e-voting deadline of 21st January, 2023.

There is no change in any of the SES recommendations.

BACKGROUND

SES, as per its policy, had e-mailed its PA Report to the Company on 11th January, 2023 in respect of its ongoing PB of the Company with e-voting deadline 21st January, 2023.

Post release of the PA Report, SES received an email from the Company providing its view point, which is reproduced at the last 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 17th January, 2022.

This Addendum provides appropriate responses of SES, wherever required.

SES COMMENTS ON COMPANY'S RESPONSE

Resolution No. 1. *Separate resolutions for extension of scheme to subsidiaries & associate companies not sought, Exercise price not disclosed*

Reply: *We hereby state that as on date, the Company does not have any subsidiary or associate companies, accordingly no separate resolution is passed by the Company.*

SES Comments: SES, in its PA Report, had raised concern regarding the separate approvals not being obtained for extension of ESOP scheme to subsidiary, associate and holding companies. The Company, in its response, has stated, "*the Company does not have any subsidiary or associate companies, accordingly no separate resolution is passed by the Company*", which indicates that the Company will seek separate approval in future in case the Company will seek to grant options to its future group company(ies) employees.

Hence, the concern raised with regard to above stands addressed.

Reply: *With regard to Exercise Price not disclosed, we would like to state that Company has complied with the minimum requirement as required under various regulations of the SEBI (SBEBSE) Regulations, 2021.*

... as per Regulation 17 the company granting options to its employees pursuant to an ESOS shall be free to determine the exercise price subject to conforming to the accounting policies specified in regulation 15 of these regulations. Since, the Company may grant stock options to employees in various tranches from time to time, accordingly the price will be determined by the nomination and remuneration committee considering various pricing factors including the applicable accounting standards.

Also as per Part C of Schedule I of the said Regulation which provides the explanatory statement to the notice and resolution for shareholders meeting shall contain inter alia the information's such as exercise price, SAR price, purchase price or pricing formula.

SES Comments: SES, in its PA Report to the Postal Ballot, has raised concern regarding non-disclosure of exercise price as well as the excessive benefit that can be passed on to a single employee pursuant to the proposed ESOP scheme.

Although the Company has freedom to determine the exercise price for the options to be granted under the scheme, however, the price so determined must be disclosed in the explanatory statement to the notice. That is the reason the regulations also allow the option of disclosure of pricing formula for the exercise price. As a result, there is no change in SES recommendation.



However, shareholders may take note of the clarification given by the Company and take an informed decision in this regard.

Resolution No. 2. *Article makes provision for appointment of alternate directors.*

Reply: *Although the meetings of the Board of Directors can be attended by the Directors through video conferencing, the appointment of alternate director **will empower the said director to ensure physical participation in such meetings.** It will ensure smooth communication and clarity in the board meeting process. Further, the original nominee director **may not always be able to attend the meetings through video conferencing considering the international travel and contrasting time zones of the director.** As a result, the investor proposes to appoint an alternate director in place of nominee director.*

SES Comments: SES is of the opinion that directors have a fiduciary duty to devote sufficient time for Company's affairs. Generally, companies appoint alternate directors for foreign directors because of time constraints and travel involved in attending the meetings. However, since the regulations now allow attendance at board meetings through videoconferencing, SES is of the view that from a governance standpoint, this is no longer a valid reason.

Additionally, concern has also been raised on account of the articles seeking to nominate a director on the board on non-retiring basis which would lead to appointment on perpetual basis. Hence, there is no change in the recommendation.

However, shareholders may take note of the clarification given by the Company and take an informed decision in this regard.

Resolution No.3. *Nominee Director – Non-Retiring Director*

Reply: *The Company had entered into a shareholders' agreement with Elevation Capital, one or the investors in the Company. According to one of its clauses, the investor shall have the right to appoint a nominee director whose term shall not be liable by rotation. We would like to state that the Company has an optimum combination of independent and non-independent directors and the Company ensures ethical governance practice in the decision-making. The proposed resolution, if approved, shall not affect the rights of public shareholders or any other investors.*

SES Comments: SES has raised concern regarding appointment of Mr. Vivek Kumar Mathur as his appointment is proposed without a specific term and on non-retiring basis which would lead to appointment on perpetual basis.

While SES recognizes that certain shareholders may seek nomination rights in order to protect their interest in a Company, it is of the view that such rights should be of "safeguarding" nature and any nominee director ought to be liable to retire by rotation in order to provide shareholders with an opportunity to evaluate his/her performance and consider their re-appointment basis such evaluation. Thus, there is no change in the recommendation.

However, shareholders may take note of the clarification given by the Company and take an informed decision in this regard.

COMPANY'S EMAIL

— /
Please see our response below to your observations:

Resolution No. 1. *Separate resolutions for extension of scheme to subsidiaries & associate companies not sought, Exercise price not disclosed*

Reply: *We hereby state that as on date, the Company does not have any subsidiary or associate companies, accordingly no separate resolution is passed by the Company.*

With regard to Exercise Price not disclosed, we would like to state that Company has complied with the minimum requirement as required under various regulations of the SEBI (SBEBSE) Regulations, 2021.

Pursuant to Regulation 15 of the said Regulations, any company implementing any of the share based schemes shall follow the requirements including the disclosure requirements of the Accounting Standards prescribed by the Central Government in terms of section 133 of the Companies Act, 2013 (18 of 2013) including any 'Guidance Note on Accounting for employee share-based Payments' issued in that regard from time to time and as per Regulation 17 the company granting options to its employees pursuant to an ESOS shall be free to determine the exercise price subject to conforming to the accounting policies specified in regulation 15 of these regulations. Since, the Company may grant stock options to employees in various tranches from time to time, accordingly the price will be determined by the nomination and remuneration committee considering various pricing factors including the applicable accounting standards.

Also as per Part C of Schedule I of the said Regulation which provides the explanatory statement to the notice and resolution for shareholders meeting shall contain inter alia the information's such as exercise price, SAR price, purchase price or pricing formula.

Considering the above and to comply with this requirement, we have mentioned the details in Point No. 6 of the explanatory statement which states:

"The Exercise Price shall be at such price as determined by the Nomination & Remuneration Committee which shall be subject to conforming to the accounting policies specified in Regulation 15 of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021."

Further, ESOPs are provided as part of the compensation package, as a standard industry practice, and the type of candidates we hire also expect the same. Accordingly, the Company offers ESOPs as a compensation to hire and retain talent. The Nomination and Remuneration Committee will determine the exercise price by assessing the required compensation amounts.

Resolution No. 2. *Article makes provision for appointment of alternate directors.*

Reply: *Although the meetings of the Board of Directors can be attended by the Directors through video conferencing, the appointment of alternate director will empower the said director to ensure physical participation in such meetings. It will ensure smooth communication and clarity in the board meeting process. Further, the original nominee director may not always be able to attend the meetings through video conferencing considering the international travel and contrasting time zones of the director. As a result, the investor proposes to appoint an alternate director in place of nominee director.*

Resolution No.3. *Nominee Director – Non-Retiring Director*

Reply: *The Company had entered into a shareholders' agreement with Elevation Capital, one or the investors in the Company. According to one of its clauses, the investor shall have the right to appoint a nominee director whose term shall not be liable by rotation. We would like to state that the Company has an optimum combination of independent and non-independent directors and the Company ensures ethical governance practice in the decision-making. The proposed resolution, if approved, shall not affect the rights of public shareholders or any other investors.*

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

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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