

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

[Read More](#)

Contact for Demo –

jng@sesgovernance.com

manshi.singh@sesgovernance.com

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](#)

Proxy Advisory Report (Addendum)

Lumax Auto Technologies Ltd

COMPANY INFORMATION

BSE CODE: 532796

NSE SYMBOL: LUMAXTECH

ISIN: INE872H01027

Industry: Auto Components & Equipments

Email: shares@lumaxmail.com

Phone: +91 11 4985 7832

Registered Office: 2nd Floor, Harbans Bhawan-II, Commercial Complex, Nangal Raya, New Delhi – 110 046

MEETING DETAILS

Meeting Type: PB

Voting Deadline: 18th May, 2023

Notice Date: 10th April, 2023

Notice: [Click here](#)

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

SES PA Report (PB 2023): [Report](#)

E-VOTING DETAILS

e-Voting Platform: [NSDL](#)

Cut-off Date: 14th April, 2023

Remote E-voting:

- **Start:** 19th April, 2023
- **Ends:** 18th May, 2023

ADDENDUM RELEASE DATE: 8th May, 2023

RESEARCH ANALYST: Sanika Sawant

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



ADDENDUM

This Addendum is being issued in response to e-mail dated 5th May, 2023 received by SES from Lumax Auto Technologies Ltd ('the Company') w.r.t. Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the ongoing PB of the Company having e-voting deadline dated 18th May, 2023.

There is no change in SES recommendation.

BACKGROUND

SES, as per its policy, had e-mailed its PA Report to the Company on 4th May, 2023 in respect of the ongoing PB of the Company having e-voting deadline 18th May, 2023.

Post release of the PA Report, SES received an email from the Company providing its view point, which is reproduced in the end 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 6th May, 2023. This Addendum provides appropriate responses of SES, wherever required.

SES COMMENTS ON COMPANY'S RESPONSE

#	Resolution	SES Rationale	Lumax Auto Technologies Ltd- Response	SES Reply
1	Approval for Increase in the borrowing limits under Section 180 of the Companies Act, 2013.	Inadequate disclosure. Proposed borrowing limit is more than the Asset size of the Company.	<p><i>Presently the Company has borrowing limits available upto Rs. 200 Crores. As a Going concern, the Company is growing and in past had done several joint ventures and merger/acquisitions on its own/through its Subsidiary(ies).</i></p> <p><i>Recently the Company has acquired majority stake in IAC International Automotive India Private Limited at an approx. consideration of Rs. 435 crores which was partly met through additional borrowing from Banks/NBFC's.</i></p> <p><i>Further the Company intends to continue exploring options for more strategic investments in the automotive and/or other sectors for future inorganic growth. Further the Company also has to support its Joint Ventures/Subsidiaries either by way of infusion of additional capital and/or providing security or guarantee on their behalf. The Company has presently 10 Joint Ventures and Subsidiaries and most of them are in the growing phase and would need more capital expenditure for expansion.</i></p> <p><i>Therefore, in order to expand the business activities of the Company and for meeting the requirements for capital expenditure, the</i></p>	<p>SES, as a policy, recommends against all such resolutions wherein specific and detailed justifications are not provided with respect to increase in borrowing limits, when more than 50% of the existing borrowing limits remains unutilised</p> <p>In the present case, the total assets of the Company amount to ₹ 960.99 Crores.</p> <p>The proposed borrowing limits of up to ₹ 500 crores in excess of the aggregate of paid up share capital and free reserves amounts to ~ ₹ 1,045.10 Cr., i.e. approx. 108.75% of the total assets and utilisation of the entire borrowing will also lead to increasing the debt equity ratio of the Company.</p> <p>SES is of the view that the Company has not provided detailed and specific justifications in its notice over need to increase its borrowing limits, which exceed its total asset size.</p> <p>In view of the above, SES continues to reiterate its transparency concern</p>



			<p><i>Company shall need to have sufficient borrowing limits along with the right for creation of charge on the assets of the Company.</i></p> <p><i>Henceforth the Board of Company has recommended for shareholders' approval the enabling resolution to have sufficient borrowing limits along with the power to create security. Accordingly, it is proposed to avail the borrowing limits along with the security for and upto Rs. 500 crores in excess of the paid-up share capital and free reserves of the Company.</i></p> <p><i>The above is in Compliance with the provisions of the Companies Act, 2013.</i></p>	<p>with respect to the proposed resolution.</p> <p>However, shareholders may refer to the recent upgrade in the Company's credit rating (long term borrowings) issued on 28th February, 2023 post the recent acquisition of IAC International as well as the Company's email clarifications and take an informed decision.</p>
--	--	--	--	---

COMPANY'S EMAIL

Dear ***,

We are in receipt of your below email along with the Research Report on the Special Resolutions proposed to be passed by the Shareholders of Lumax Auto Technologies Limited through Postal Ballot. We have gone thru the observations made by you in your report.

In this regard, we would like to submit our justification note and remarks against your observations. Request to refer the attached file.

You are requested to revisit your report based on the justification and the remarks given by us in our responses and may like to issue an addendum with revised recommendations for the voting on the resolutions.

Regards

Please find the attached file relating to the company's response ([Link](#))



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

CIN No:
U74120MH2012NPL232154



Stakeholders Empowerment Services

SEBI Reg. No. INH000000016

This Report or any portion hereof may not be reprinted, sold, reproduced or redistributed without the written consent of Stakeholders Empowerment Services

Contact Information

Stakeholders Empowerment Services

109, Shyam Baba House,
Upper Govind Nagar,
Malad East,
Mumbai – 400097
Tel +91 22 4022 0322

research@sesgovernance.com
info@sesgovernance.com
www.sesgovernance.com



Warning

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

