



Stakeholders Empowerment Services

Analyze >>> Educate >>> Empower

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.

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) Indinfravit Trust

TRUST INFORMATION

BSE CODE: 541300

NSE SYMBOL: INDINFR

ISIN: INE790Z23019

Industry: Road Assets- Toll, Annuity, Hybrid-Annuity

Email: comply@indinfravit.com

Phone: +91 44 4398 6000

Registered Office: 5th Floor, SKCL Tech Square, Lazer St, South Phase, SIDCO Industrial Estate, Guindy, Chennai -Tamil Nadu 600 032

MEETING DETAILS

Meeting Type: PB

Voting Deadline: 21st May, 2023

Notice Date: 25th April, 2023

Notice: [Click here](#)

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

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

E-VOTING DETAILS

e-Voting Platform: [CDSL](#)

Cut-off Date: 21st April, 2023

Remote E-voting:

- **Start:** 1st May, 2023
- **Ends:** 21st May, 2023

ADDENDUM RELEASE DATE: 13th May, 2023

Research Analyst: Ashita Jobanputra

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

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION



ADDENDUM

This Addendum is issued based on an email dated 10th May, 2023 received by SES from Indinfravit Trust ('the Trust') w.r.t to Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the ongoing Postal Ballot (PB) having E-voting deadline dated 21st May, 2023.

There is no change in any of SES recommendations.

BACKGROUND

SES, as per its policy, had emailed its PA Report to the Trust on 9th May, 2023 in respect of the PB of the Trust.

Post release of PA Report, SES received an email from the Trust on 10th May, 2023. The Trust, through the email, provided its view point, which is reproduced at the last in [blue text](#).

This Addendum provides appropriate responses of SES, wherever required.

SES COMMENTS TO TRUST'S RESPONSE

Trust Response:

Resolution No. 1 - Approval of the proposed acquisition of the target assets:

While we appreciate that SES has duly admitted that there are [no compliance concerns](#) and that the resolution is legally compliant, we understand that the Advisory Report indicates that SES appears to have certain governance and transparency related observations in respect of said resolution. In this regard, we wish to submit as follows:

- No Disclosure of Valuation Report in Public Domain: As set out in the explanatory statement to the relevant resolution PB Notice, the Trust has already obtained a valuation report dated March 14, 2023, in respect of valuation of the target assets as on March 5, 2023, as prepared by D and P India Advisory Services LLP (Registered Valuer No. IBBI/RV-E/05/2020/131). A copy of the aforesaid valuation report remains available for inspection by any unitholder of the Trust at the registered office of the investment manager of the Trust ("**Investment Manager**") in the manner set out in the PB Notice. Without prejudice to the foregoing and for the convenience of its unitholders, the Trust had attached a summary of the aforesaid valuation report, which succinctly describes the methodology as well as the key matters that were considered by the independent valuer in arriving at the valuation of the target assets, along with the PB Notice itself. Accordingly, all such information as is relevant for the unitholders to make an informed decision in respect of the target assets has already been included as part of the PB Notice;*

SES Comments: In light of the above clarification, SES would like to reiterate that even though the summary of the valuation report provides that Discounted Cash Flow (DCF) method under Income Approach is used for the purpose of valuation, SES is of the view that it is not sufficient and there has been no clarity with respect to how the valuation of INR 8,576 Crores has been arrived at. Furthermore, SES reiterates that it would not be viable for every unitholder to visit the registered office of the Investment Manager of the Trust i.e., Chennai to merely inspect the valuation report. Thus, in absence of clarity regarding the details surrounding the valuation report and the above-mentioned consideration, SES is of the view that unitholders may not be able to make an informed decision in this regard.

However, Unitholders may take note of the above clarification and make an informed decision.

- No Disclosure of Securities Purchase Agreements (SPAs) in Public Domain: As one would duly appreciate, definitive agreements in respect of transactions of this nature are subject to stringent confidentiality obligations. Any unauthorized disclosure of such definitive agreements may result in adverse implications upon the disclosing party, including risks of legal proceedings and loss of competitive advantages. Considering the following, neither is it legally required for listed entities to disclose/upload copies of confidential definitive agreements in the public domain nor is such disclosure/uploading in the ordinary course of business. As set out in the explanatory statement to the relevant resolution PB Notice, [copies of the securities purchase agreements](#) entered into by and on behalf of the Trust by its Trustee and Investment Manager dated June 10, 2022, as amended,*



supplemented or otherwise modified from time to time, remain available for inspection by any unitholder of the Trust at the registered office of the Investment Manager of the Trust in the manner set out in the PB Notice;

SES Comments: In light of the above clarification, SES would like to state that while the trust has raised valid issues regarding contractual commitments and obligations of confidentiality, it is an equally valid argument that it would not be viable for every unitholder to visit the registered office of the Investment Manager of the Trust i.e., Chennai to merely inspect the Agreements. Furthermore, SES is of the opinion that the material clauses of the Agreements ought to be disclosed in order to give clarity to the unitholders. In the absence of clarity regarding the details surrounding these agreements, SES is of the view that unitholders may not be able to make an informed decision in this regard.

- *No Justification Behind Waiver of Certain Eligibility Criteria: As is typical in transactions of this nature in the road infrastructure space, please note that the target assets were offered by the seller parties (who are affiliated to one another), and considered by the Trust, as a portfolio (and not on an individual basis). The rationale for the proposed acquisition of the portfolio has already been detailed as part of the explanatory statement attached to the PB Notice under the sub-section titled "Rationale for Proposed Acquisition". For instance, even though DVR Shares may be issued to the seller parties, such DVR Shares will not carry any voting rights or rights to dividends or distributions. Based on the foregoing, there is sufficient justification behind the request for waiver of the prescribed eligibility criteria in respect of the proposed acquisition, and such rationale has been duly disclosed under the PB Notice;*

SES Comments: In light of the above clarification, SES acknowledges the reasoning behind seeking waiver from the requirement for the residual concession period to be not less than 7 years from the proposed date of acquisition. However, there is still no clarity as to the reasoning behind the issuance of DVR shares in the future post the proposed acquisition. Furthermore, SES reiterates that due to the **unavailability of the Agreements**, the manner in which the Trust will purchase them in future is not clear.

Based on the above, we submit that all such information as is relevant for unitholders to make an informed decision in respect of the target assets has already been included as part of the PB Notice. Accordingly, we respectfully state that the governance and transparency related observations made in respect of said resolution under the SES Report are unfounded, and ought to be duly reconsidered.

SES Comments: SES is still of the view that there are transparency and governance concerns with respect to the proposed resolution.

Unitholders may however take note of the response of the Trust and take an informed decision.

Resolution No. 2 - Approval of the proposed appointment of IndInfravit Project Managers Private Limited as the Project Manager for the target assets:

While we appreciate that SES has duly admitted that there are no compliance concerns and that the resolution is legally compliant, we understand that the Advisory Report indicates that SES appears to have certain governance and transparency related observations in respect of said resolution since it is linked with Resolution No. 1 above.

Accordingly, we draw reference to our clarification/response in respect of the observations made by SES in relation to Resolution No. 1 above, and reiterate that all such information as is relevant for unitholders to make an informed decision in respect of the target assets has already been included as part of the PB Notice. Based on the foregoing, we respectfully state that the governance and transparency related observations made in respect of Resolution No. 2 under the SES Report are unfounded, and ought to be duly reconsidered.

SES Comments: SES reiterates that no concern has been identified with Resolution 2. However, since Resolution 2 is linked with Resolution 1 and there has been no change of recommendation with respect to Resolution 1, SES is still raising concern with respect to Resolution 2.

Resolution No. 3 - Issuance of units on a preferential basis to: (a) CPP Investment Board Private Holdings (4) inc., and (b) 2726247 Ontario Inc.:

While we appreciate that SES has duly admitted that there are no compliance concerns and that the resolution is legally compliant, we understand that the Advisory Report indicates that SES appears to have certain governance and transparency related observations in respect of said resolution. In this regard, we wish to submit as follows:



- *As set out in the explanatory statement to the relevant resolution PB Notice, the proposed preferential issue is being undertaken, inter alia, for the purposes of consummation of the proposed acquisition. The rationale for the proposed acquisition of the portfolio has already been detailed as part of the explanatory statement under the sub-section titled “Rationale for Proposed Acquisition”. As one would duly appreciate, large portfolio transaction as these which were finalised under a stringent competitive bid process by the sellers, the consummation is subject to closing negotiations within stringent timelines and simultaneous obligations. Any failure to meet such timelines or fulfil obligations as and when triggered may result in adverse implications, including the risk of transaction failure; and*
- *With a view to further the interests of the investors, it becomes relevant to identify and select funding routes that are efficient from a perspective of both time and financial resources. Transactions such as rights issues are customarily subject to a multitude of regulatory requirements that necessitate engagement of a multitude of intermediaries and involve expenditure of significant time and financial resources without offering sufficient transaction certainty. Moreover, unlike rights issues where significant flexibility exists to determine the issue price of units, the pricing in a preferential issue is driven by SEBI described formulae. These formulae help establish floor prices, which are intended to protect the interests of existing investors. Additionally, unlike rights issues, subscribers in a preferential issue are subject to lock-in requirements that help ensure that the interests of such subscribers continue to remain aligned with those of the listed entity as well as the other investors for an extended period of time. Thus, preferential issues are often considered an efficient alternative to rights issues, especially where transaction certainty is of critical importance.*

Further, we understand that the Advisory Report indicates that SES appears to have certain governance and transparency related observations in respect of Resolution No. 3 since it is linked with Resolution No. 1 above. In this regard, we draw reference to our clarification/response in respect of the observations made by SES in relation to Resolution No. 1 above, and reiterate that all such information as is relevant for unitholders to make an informed decision in respect of the target assets has already been included as part of the PB Notice. Based on the foregoing, we respectfully state that the governance and transparency related observations made in respect of Resolution No. 3 under the SES Report are unfounded, and ought to be duly reconsidered.

SES Comments: SES reiterates since the object of Resolution 3 is linked with Resolution 1 and there has been no change of recommendation with respect to Resolution 1, SES is still raising concern with respect to Resolution 3.



TRUST'S EMAIL

Dear Ma'am/Sir,

We are writing to you in connection with the attached proxy advisory report dated May 9, 2023, as released by Stakeholders Empowerment Services ("SES", and such report, the "**Advisory Report**"), in connection with the resolutions proposed for the consideration of the unitholders of the IndInfravit Trust ("**Trust**") by way of the postal ballot notice dated April 25, 2023 ("**PB Notice**").

In the context of the certain matters set out in the Advisory Report, please see our responses below:

Resolution No. 1 - Approval of the proposed acquisition of the target assets:

While we appreciate that SES has duly admitted that there are no compliance concerns and that the resolution is legally compliant, we understand that the Advisory Report indicates that SES appears to have certain governance and transparency related observations in respect of said resolution. In this regard, we wish to submit as follows:

- **No Disclosure of Valuation Report in Public Domain:** As set out in the explanatory statement to the relevant resolution PB Notice, the Trust has already obtained a valuation report dated March 14, 2023, in respect of valuation of the target assets as on March 5, 2023, as prepared by D and P India Advisory Services LLP (Registered Valuer No. IBBI/RV-E/05/2020/131). A copy of the aforesaid valuation report remains available for inspection by any unitholder of the Trust at the registered office of the investment manager of the Trust ("**Investment Manager**") in the manner set out in the PB Notice. Without prejudice to the foregoing and for the convenience of its unitholders, the Trust had attached a summary of the aforesaid valuation report, which succinctly describes the methodology as well as the key matters that were considered by the independent valuer in arriving at the valuation of the target assets, along with the PB Notice itself. Accordingly, all such information as is relevant for the unitholders to make an informed decision in respect of the target assets has already been included as part of the PB Notice;
- **No Disclosure of Securities Purchase Agreements (SPAs) in Public Domain:** As one would duly appreciate, definitive agreements in respect of transactions of this nature are subject to stringent confidentiality obligations. Any unauthorized disclosure of such definitive agreements may result in adverse implications upon the disclosing party, including risks of legal proceedings and loss of competitive advantages. Considering the following, neither is it legally required for listed entities to disclose/upload copies of confidential definitive agreements in the public domain nor is such disclosure/uploading in the ordinary course of business. As set out in the explanatory statement to the relevant resolution PB Notice, copies of the securities purchase agreements entered into by and on behalf of the Trust by its Trustee and Investment Manager dated June 10, 2022, as amended, supplemented or otherwise modified from time to time, remain available for inspection by any unitholder of the Trust at the registered office of the Investment Manager of the Trust in the manner set out in the PB Notice;
- **No Justification Behind Waiver of Certain Eligibility Criteria:** As is typical in transactions of this nature in the road infrastructure space, please note that the target assets were offered by the seller parties (who are affiliated to one another), and considered by the Trust, as a portfolio (and not on an individual basis). The rationale for the proposed acquisition of the portfolio has already been detailed as part of the explanatory statement attached to the PB Notice under the sub-section titled "Rationale for Proposed Acquisition". For instance, even though DVR Shares may be issued to the seller parties, such DVR Shares will not carry any voting rights or rights to dividends or distributions. Based on the foregoing, there is sufficient justification behind the request for waiver of the prescribed eligibility criteria in respect of the proposed acquisition, and such rationale has been duly disclosed under the PB Notice;

Based on the above, we submit that all such information as is relevant for unitholders to make an informed decision in respect of the target assets has already been included as part of the PB Notice. Accordingly, we respectfully state that the governance and transparency related observations made in respect of said resolution under the SES Report are unfounded, and ought to be duly reconsidered.

Resolution No. 2 - Approval of the proposed appointment of IndInfravit Project Managers Private Limited as the Project Manager for the target assets:

While we appreciate that SES has duly admitted that there are no compliance concerns and that the resolution is legally compliant, we understand that the Advisory Report indicates that SES appears to have certain governance and transparency related observations in respect of said resolution since it is linked with Resolution No. 1 above.



Accordingly, we draw reference to our clarification/response in respect of the observations made by SES in relation to Resolution No. 1 above, and reiterate that all such information as is relevant for unitholders to make an informed decision in respect of the target assets has already been included as part of the PB Notice. Based on the foregoing, we respectfully state that the governance and transparency related observations made in respect of Resolution No. 2 under the SES Report are unfounded, and ought to be duly reconsidered.

Resolution No. 3 - Issuance of units on a preferential basis to: (a) CPP Investment Board Private Holdings (4) inc., and (b) 2726247 Ontario Inc.:

While we appreciate that SES has duly admitted that there are no compliance concerns and that the resolution is legally compliant, we understand that the Advisory Report indicates that SES appears to have certain governance and transparency related observations in respect of said resolution. In this regard, we wish to submit as follows:

- As set out in the explanatory statement to the relevant resolution PB Notice, the proposed preferential issue is being undertaken, inter alia, for the purposes of consummation of the proposed acquisition. The rationale for the proposed acquisition of the portfolio has already been detailed as part of the explanatory statement under the sub-section titled “Rationale for Proposed Acquisition”. As one would duly appreciate, large portfolio transaction as these which were finalised under a stringent competitive bid process by the sellers, the consummation is subject to closing negotiations within stringent timelines and simultaneous obligations. Any failure to meet such timelines or fulfil obligations as and when triggered may result in adverse implications, including the risk of transaction failure; and
- With a view to further the interests of the investors, it becomes relevant to identify and select funding routes that are efficient from a perspective of both time and financial resources. Transactions such as rights issues are customarily subject to a multitude of regulatory requirements that necessitate engagement of a multitude of intermediaries and involve expenditure of significant time and financial resources without offering sufficient transaction certainty. Moreover, unlike rights issues where significant flexibility exists to determine the issue price of units, the pricing in a preferential issue is driven by SEBI described formulae. These formulae help establish floor prices, which are intended to protect the interests of existing investors. Additionally, unlike rights issues, subscribers in a preferential issue are subject to lock-in requirements that help ensure that the interests of such subscribers continue to remain aligned with those of the listed entity as well as the other investors for an extended period of time. Thus, preferential issues are often considered an efficient alternative to rights issues, especially where transaction certainty is of critical importance.

Further, we understand that the Advisory Report indicates that SES appears to have certain governance and transparency related observations in respect of Resolution No. 3 since it is linked with Resolution No. 1 above. In this regard, we draw reference to our clarification/response in respect of the observations made by SES in relation to Resolution No. 1 above, and reiterate that all such information as is relevant for unitholders to make an informed decision in respect of the target assets has already been included as part of the PB Notice. Based on the foregoing, we respectfully state that the governance and transparency related observations made in respect of Resolution No. 3 under the SES Report are unfounded, and ought to be duly reconsidered.

We request you to please take note of the above.

Sincerely,

Authorized Representative



Meeting Type: Postal Ballot

Voting Deadline: 21st May, 2023**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

SEBI Reg. No. INH000000016

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Stakeholders Empowerment Services

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