

Proxy Advisory Report (Addendum)

Greenlam Industries 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

E-BRSR Tool: Online web-based platform to create BRSR Report by the Company and generate XBRL in seamless, cost and time effective manner

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Contact for Demo –

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SES AIMS:

Designed primarily for Institutional investors to carry out their stewardship activities in an efficient manner.

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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.

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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](#)

COMPANY INFORMATION

BSE CODE: 538979

NSE SYMBOL: GREENLAM

ISIN: INE544R01021

Industry: Plywood Boards/ Laminates

Email: investor.relations@greenlam.com

Phone: +91 11 4279 1399

Registered Office: 203, 2nd Floor, West Wing, Worldmark 1, Aerocity, IGI Airport, Hospitality District, New Delhi – 110 037

MEETING DETAILS

Meeting Type: PB

Voting Deadline: 21st May, 2023

Notice Date: 20th April, 2023

Notice: [Click here](#)

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

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

E-VOTING DETAILS

e-Voting Platform: [LINKINTIME](#)

Cut-off Date: 14th April, 2023

Remote E-voting:

- **Start:** 22nd April, 2023
- **Ends:** 21st May, 2023

REPORT RELEASE DATE: 11th 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 9th May, 2023 received by SES from Greenlam Industries 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 21st 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 9th May, 2023 in respect of the ongoing PB of the Company having e-voting deadline 21st 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**).

SES COMMENTS ON COMPANY'S RESPONSE

Response by Greenlam Industries Ltd. ("Company"):

We would like to apprise you with the fact that currently, considering the current positioning of the Company, it is imperative to ensure that interests of all the critical resources are aligned in the same direction. So, one of the primary objectives of company behind introducing ESOS 2023 is to foster entrepreneurial spirit amongst employees and to link a part of their compensation to both company's and employees' performance. Accordingly, to ensure this alignment, currently proposed ESOS 2023 provides for the performance linked criteria for vesting of options and consequential allotment of shares. Performance milestones of both the company as well as individual employee should be met for the actual vesting of options under ESOS 2023 which would be a win-win scenario for both the Company and its employees.

In relation to Vesting conditions, our response is as follows:

From regulatory perspective, as per regulation 6(2) of Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, any company proposing to adopt any ESOP scheme shall disclose certain particulars of information in the explanatory statement to the shareholders' notice. Such particulars, includes the requirements of vesting and period of vesting of options. In this regard, as per Clause 10 of ESOS 2023, the Company has mentioned the vesting conditions as follows:

"The Vesting conditions in respect of the Options granted under the scheme shall be as follows:

- Criteria 1 - Achieved minimum rating requirement for the financial year, and*
- Criteria 2 - Fulfillment of revenue milestone and EBITDA milestone as may be determined by the Committee"*

Document of ESOS 2023, is available at the website of the Company for inspection of the shareholders which can be accessed at the following link.

<https://www.greenlamindustries.com/investor/company-announcements/documents-for-inspection.html>

In relation to exercise price, our response is as follows:

Typically, companies give ESOPs to employees at discount to the market price prevailing on the exercise date. This is to ensure that employee should have sense that the company has rewarded for their meritocratic performance by way of giving discount (on market price) on the shares. However, there is no express provision under Companies Act, 2013 and SEBI regulations which provides for minimum exercise price. Hence, a company is free to decide the exercise price (which is above the face value). It is common practice for many listed companies to keep the exercise price for ESOPs at Face value of the shares.

There can be possibly two ways of determining the quantum of options to be given. One is to keep the exercise price of options as face value, the benefit to be given to the employees can be achieved by issuing lesser no. of shares, thus resulting in lesser dilution. Secondly,



Meeting Type: Postal Ballot

Voting Deadline: 21st May, 2023

if the exercise price is kept higher than face value (say 50% of Market price on the exercise date), the company will be required to issue more shares to give same quantum of benefit to the employees, thus resulting in more dilution.

In view of the above we are strongly of the view that there is neither any lacking in adequate disclosure nor any shortcoming in devising ESOS 2023 by the Company.

Precedents of listed companies which are into Interior Décor industry, which have issued ESOPs with face value as exercise price are Berger Paints Ltd, Pidilite Industries Ltd., etc. In other industries, companies like SRF Ltd, DCM Shriram Ltd, Jubilant Foodworks Ltd., etc, have also kept exercise price as face value.

SES Comments: SES, in its PA Report to the Postal Ballot, has raised concern regarding non-disclosure of exercise price/formula & Exercise Period under the Greelam Employees Stock Option Scheme, 2023 ("ESOS 2023").

Exercise Period: The Company has disclosed the Exercise Period in the document of ESOS 2023, which is uploaded on the [website](#) of the Company. Hence, the concern raised with regard to non-disclosure of Exercise period stands addressed.

However, SES is of the opinion that the Company should have disclose this relevant information in the Postal Ballot notice itself for the information of shareholders.

Exercise Price: Although the Company has freedom to determine the exercise price for the options to be granted under the scheme, however, SES would like to re-iterate that, the price so determined must be disclosed in the explanatory statement to the notice. That is the reason the regulations also allow an option for 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.

COMPANY'S EMAIL

Dear Sir/Madam,

Please find attached our response to your Proxy Advisory Report. ([Link](#))

Thanks & 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

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