



Proxy Advisory Report Premier Explosives Ltd.

BSE Code: 526247 | NSE Code: PREMEXPLN | ISIN: INE863B01011

Sector: Chemicals | Meeting Type: Extraordinary General Meeting

e-Voting Platform: [Karvy](#)

e-Voting Period: From 09th May, 2017 to 11th May, 2017

Meeting Date: 12th May, 2017 at 10:45 AM

Cut-Off date to be eligible for voting: 05th May, 2017

Meeting Venue: Surana Udyog Auditorium, Federation of Telangana And Andhra Pradesh Chambers of Commerce & Industry, 11- 6-841, Red Hills, Hyderabad-500004

Notice: [Click here](#) | Annual Report: [FY 2015-16](#)

Company Email: investors@pelgel.com

Company Phone: +91 40 6614 6801 | Company Fax: +91 40 2784 3431

Company Registered Office: Premier House, 11, Ishaq Colony, Near AOC Centre, Secunderabad, Telangana ,500 015.

REPORT SNAPSHOT

TABLE 1 - AGENDA ITEMS AND RECOMMENDATIONS

S. No.	Resolution	Type	Recommendation	Concern [#]
1	Appointment of Lt. Gen. P. R. Kumar (DIN:07352541) as an Independent Director for a tenure of Five Years.	O	<u>FOR</u>	-
2	Approval to the Increase in Authorized Share Capital of the Company and consequent amendment of Clause V (a) of the Memorandum of Association of the Company.	S	<u>FOR</u>	-
3	Approval to the issue of Equity Shares of Rs.10/- each for an amount not exceeding Rupees Eighty Crores through Qualified Institutions Placement (QIP).	S	<u>AGAINST</u>	G

O - Ordinary Resolution; S - Special Resolution

RESEARCH ANALYST: MUKESH SOLANKI

#Concern Terminology

C - Compliance F - Fairness G - Governance T - Disclosures & Transparency

RESOLUTION ANALYSIS

1. Appointment of Lt. Gen. P. R. Kumar (DIN:07352541) as an Independent Director for a tenure of Five Years.

Rationale: Compliant with Law, no governance concern identified.

Recommendation: Lt. Gen. P. R. Kumar was appointed as additional (Independent) director on 02nd November, 2016. The Company is seeking shareholders' approval to appoint him as Independent director for a period of 5 years with effect from 02nd November, 2016. He does not have any other listed directorship. No concern is identified with respect to profile and time commitments of Lt. Gen. P. R. Kumar. Therefore, SES recommends shareholders to vote **FOR** the resolution.

Details as stated by the Company

Brief Profile: Lt Gen P. R. Kumar (Retd) is a Graduate from Staff College, Wellington and Alumnus of National Defence Academy, Khadakwasla. He retired as Lieutenant General from the services of the Indian Army in 2015. He was commissioned into the regiment of artillery in 1976. He has attended prestigious Higher Command & National Defence College Courses.

2. Approval to the Increase in Authorized Share Capital of the Company from Rupees Ten Crores to Rupees Fifteen Crores and consequent amendment of Clause V (a) of the Memorandum of Association of the Company.

Rationale: Enabling resolution. No Concern identified.

Recommendation: The Company has proposed to increase its authorised share capital from Rs. 10 crores divided into 1 crores equity shares to Rs. 15 crores divided into 1.5 crores equity shares. Consequently, the Company is required to alter its existing Clause V (a) of the Memorandum of Association by substituting with the following new Clause V (a):

"V (a). The Authorized Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crore only) divided into 1,50,00,000 (One Crore Fifty Lakhs Only) equity shares of Rs.10/- each (Rupees Ten only)."

The Company has made adequate disclosures regarding the proposed resolution. SES is of the view that having adequate authorized share capital is important for a Company. This is an enabling resolution. Therefore, SES recommends the shareholders to vote **FOR** the resolution.

3. Approval to the issue of Equity Shares of Rs.10/- each for an amount not exceeding Rupees Eighty Crores through Qualified Institutions Placement (QIP).

Rationale: Governance concern regarding dilution of shareholding of existing shareholders and QIP issue includes issue with a discount up to 5%.

Recommendation: The Company is seeking approval to raise Rs. 80 crores for meeting its working capital requirement of the Company, to fund the capital expenditure of the Company and such general corporate requirement through QIP's by issuing equity shares and/or Global Depository Receipts ("GDRs") and/or American Depository Receipts ("ADRs") and/or convertible preference shares and/or convertible debentures (compulsorily and/or optionally, fully and/ or partly) and/or non-convertible debentures (or other securities) with warrants and/or warrants with a right exercisable by the warrant holder to exchange or convert such warrants with equity shares of the Company at a later date simultaneously with the issue of Foreign Currency Convertible Bonds ("FCCBs") and/or any other permitted fully and/or partly paid securities/instruments/ warrants, convertible into or exchangeable for equity shares at the option of the Company and/or holder(s) of the security(ies) and/or securities linked to equity shares.

SES is of the opinion that existing shareholders should have first right to participate in any capital issue. Any other mode of capital issue should only be undertaken if the Company is in urgent need of funds. Although, the Company has disclosed need for funds, it has proposed that it may issue warrants which indicates that the requirement may not be urgent. Further, considering the following issues:



- (1) Considering the market price as on 08th May 2017, proposed issue may have a negative dilution effect of 18% on existing shareholding of the shareholders.
- (2) The Company has included the option of raising funds through QIP at a discount of up to 5% on price calculated in accordance with the pricing formula provided under SEBI (ICDR) Regulations, without any Lock-in period provision.
- (3) In case of Warrants, funds may be received by the company after a gap of up-to 18 months.

SES recommends that shareholders vote **AGAINST** the resolution.

DISCLAIMER**Sources**

Only publicly available data has been used while making the report. Our data sources include: BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

Analyst Certification

The analysts involved in development of this report certify that no part of any 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.

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. SES understands the different investment needs of our clients. 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

C - Compliance: The Company has not met statutory compliance requirements

F - Fairness: 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

G - Governance: 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.

T - Disclosures & Transparency: 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

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**

A 202, Muktangan,
Upper Govind Nagar,
Malad East,
Mumbai – 400097
Tel +91 22 4022 0322

research@sesgovernance.com

info@sesgovernance.com

www.sesgovernance.com.

