

September 26, 2020

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001  <b>Scrip Code: 542760</b>	<b>National Stock Exchange of India Limited</b> Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051  <b>Symbol: SWSOLAR</b>
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**Sub: Clarification on recommendations issued by various proxy advisory agencies on Agenda Items of 3<sup>rd</sup> Annual General Meeting of Sterling and Wilson Solar Limited ("the Company")**

The 3<sup>rd</sup> Annual General Meeting of the Company is scheduled on 30 September 2020 at 11:30 a.m. IST through Video Conferencing (VC)/ Other Audio - Visual Means (OAVM) and the Company has sent Notice of the AGM along with the Annual Report. In the notice, the Company has proposed 6 ordinary resolutions and 1 special resolution. The Company has reviewed reports from various proxy advisory firms recommending their clients to vote "Against" on few resolutions.

Following is the summary of resolutions proposed by the Company and recommendations by various proxy advisory firms:

Sr No	Resolution Proposed by the Company	Recommendations by Proxy Firms			
		Ingovern	Institutional Investor Advisory Services ('IIAS')	Institutional Shareholder Services ('ISS')	Stakeholders Empowerment Services ('SES')
1	Adoption of Accounts	Against	No Comments	Against	Unclear
2	Confirmation of Interim Dividend	For	For	For	For
3	Re-appointment of Mr. Pallon Mistry as a director	Against	Against	For	For
4	Continuation of term of Mr. Keki Elavia as an Independent Director	Against	For	Against	Against
5	Appointment and Remuneration of Mr. Chandra Kishore Thakur as the Manager of the Company	For	For	Against	For
6	Material Related party transactions	Against	Against	Against	For
7	Fees to be paid by the members of the Company for service of documents through	For	For	For	Against

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**An Associate of Shapoorji Pallonji Group**

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Recommendations by Proxy Firms					
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	particular mode of Services				

In this regard, the Company would like to put forward the following responses in case of resolution 1, 3,4 ,5 and 6

### 1. Agenda: Adoption of Financial Statements and Statutory Reports

- Reason by Proxy Firm: The auditors' qualified opinion that raises concern over the accuracy of the Company's financial statements

**Company's Response:** The Auditors in their Audit Report have mentioned "The Company has received queries from SEBI, Registrar of Companies, Mumbai (ROC) and certain shareholders regarding matters connected with delay in facilitating repayment of inter-corporate deposits by the Selling Shareholders on which the Company has submitted its replies. The Company has represented to us that, based on independent legal opinions obtained by it, it is of the view that there is no non-compliance with any laws and regulations by the Company in respect of this matter. We are unable to evaluate the impact of adjustments, if any, that may arise from this matter, on the standalone financial statements of the Company."

The Company has obtained independent opinions from two counsels that there is no non-compliance with any laws and regulations, in so far as the Company is concerned. The Company has also filed Annexure 1 – Statement on impact of audit qualifications (for audit report with modified opinion) submitted along with Annual Audited Financial Results wherein it has given its estimate of NIL impact of the audit qualification.

The financial statements are hence completely accurate as well as give a true and fair view, since in the view of the management, there is no impact on account of this modified opinion, which has also been vetted by the legal counsels. Hence, the Company strongly recommends the passing of this resolution.

### 3. Agenda: Reappointment of Pallon Mistry as Director

- Reason by Proxy Firm:** Pallon Mistry, 28, holds a master's degree in strategic management from Imperial College, London and is among the promoters of the Company. Although academically well qualified, he does not have enough experience to be on the board of the Company.
- Company's Response:** Pallon Mistry brings his experience and strategic vision being on the board of several companies of the Shapoorji Pallonji group. He fits into the skill category of Industry Knowledge and Experience as well as Planning and Strategic expertise. Mr. Pallon in his several interactions at the Board has shown keen insight

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and his knowledge of the global markets and opportunities has been important while creating our international strategy.

**4. Agenda: Continuation of the term of Mr. Keki Elavia as an Independent Director**

- **Reason by Proxy Firm:** He serves on a total of more than six public company boards, which could potentially compromise his ability to commit sufficient time to his role in the Company. He serves on the audit committee and there are significant concerns regarding the Company's financial statements
- **Company's Response:** Keki Elavia, 74, was appointed to the board on 27 March 2019. He is a practising Chartered Accountant and has served as a partner of Kalyaniwalla & Mistry, Chartered Accountants and S.R. Batliboi & Co. He attended 89% of the board meetings in FY20. Recent changes in SEBI's LODR require directors having attained the age of 75 to be re-approved by shareholders through a special resolution. In line with this regulatory change, Keki Elavia's continuation as an Independent Director requires shareholder approval: he will turn 75 years on 9 April 2021. Keki Elavia's rich experience both as Chartered Accountant and member of the Board of several prestigious companies has been of a great assistance in Audit Committee and Board Meetings. He is always available for all critical discussion from time to time. The Company considers him a great asset and hence strongly recommend the passage of this resolution.

**5. Agenda: Appointment and remuneration of Mr. Chandra Kishore Thakur as the Manager of the Company**

- **Reason by Proxy Firm:** The pay structure is open ended and the Company has not provided details on the variable payout which the executive is entitled to receive as part of his remuneration. This could lead to discretionary payouts.
- **Company's Response:** Mr. Chandra Kishore Thakur, 59, is the Chief Operations Officer – Domestic and International Solar Projects has been associated with the Sterling & Wilson group since 9 January 2018. He is the former President and CEO - Infrastructure and Power of Punj Lloyd Limited, COO of Lanco Infratech Limited and Deputy General Manager of NTPC Ltd. He brings rich experience which will be of definitive assistance to the Company going forward.

Additionally, in case of absence or inadequacy of profits in any financial year during the tenure of the appointment of Mr. Thakur as a Manager, the remuneration payable to him shall be within the limits prescribed under Schedule V and all other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time. The overall remuneration as mentioned in notice shall be within the limits prescribed by the Companies Act, 2013 including any amendment or re-enactment thereof, for the time being in force.

The remuneration of Chandra Kishore Thakur is commensurate with the size and scale of the Company's operation hence the Company recommends the passage of this resolution.

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## 6. Agenda: Approve Material Related Party Transactions

- **Reason by Proxy Firm:** The Company seeks approval to conduct related party transactions with Shapoorji Pallonji and Company Pvt. Ltd (SPCPL), holding company, and its group companies from FY21 onwards. The transactions with SPCPL which include receipt of income from works contracts and purchase of various services amounted to Rs. 1.5 bn in FY20. The transactions will be in the ordinary course of business and at arm's length. However, the proposed limit of Rs. 12.0 bn is high for the size of the Company. Further, the Company has not specified a timeline within which it expects the transactions to be undertaken. We do not support resolutions that seek blanket approvals from shareholders on related party transactions

Another firm also states: The proposal states that as of 31 March 2020, only Rs. 154.39 crore of material RPTs were there. However, the loans to the promoters and the holding company have not been recognised as related party transactions in this proposal. The Annual Report and the auditors clearly state that the loans are related party transactions and have been reported as such under Regulation 34(3) of the SEBI (LODR). Hence, the amounts stated in this proposal are grossly incorrect and incongruous with the recognition of the loans that are recorded as related party transactions in the Annual Report and financial statements.

**Company's Response:** SPCPL Group through its various SPVs/group companies is involved as a developer in several solar parks both inside and outside India as well as an EPC Contractor for several hybrid energy projects. The Company bids for these contracts on arm's length basis and has been successful in winning and executing several of these over the past years. In addition, wherever the Company does not possess the required pre-qualification in terms of tender requirements, SPCPL and/or its group companies become a consortium member to enable the Company to participate in the bids jointly. Such transactions with SPCPL and its group companies ("SPCPL Group") include receipt of income from works contracts and purchase of various services. In order to enable the Company to capitalise on all possible growth opportunities and to avoid the possibility of not being able to participate in a bid on account of the value of such transaction crossing the limit under law, it has been proposed to keep a higher limit so that the Company can capitalise on such business opportunities. The world's largest solar plant which we completed in Abu Dhabi gave our company global recognition. This project, beside many others, could not have been won without SPCPL's support as a consortium member. SPCPL group has also invested a huge amount in creating a very strong energy storage team. With a number of global projects coming with energy storage requirements, we are likely to benefit from having this expertise within the group.

Also, the Company would like to submit that a corrigendum dated 26 September, 2020 to the AGM notice has been issued by the Company wherein the Company has clarified that there was a typographical error under the explanatory statement to item no. 6, and the amount of INR 154.39 crore stated therein should be read as INR 250.74 crore which reflects the related party transactions undertaken with the SPCPL Group during the financial year 2019-2020.

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Furthermore, in order to clarify the question on the inclusion of loans in the related party transactions, please note that the Company is barred from extending any loans to group companies of SPCPL from the date of listing of the equity shares of the Company (i.e. 20 August 2019) ("**Listing Date**") pursuant to provisions of Article 25A of the Articles of Association of the Company. All the loans given by the Company to the SPCPL Group were given prior to the Listing Date and have been accurately disclosed in the annual report of the Company. Accordingly, the sum total of the related party transactions during the financial year ended 31 March 2020, given above for the purpose of the explanatory statement to notice of the AGM would not include the loans given prior to the Listing Date.

We would like to re-iterate that the aggregate amount of related party transactions during the previous financial year should not be taken as a benchmark as going forward, there are several growth opportunities for the Company and the Company would be strongly poised to offer its services at a competitive margin, including for the hybrid projects which is a growth area for the SPCPL Group. Hence the Company strongly recommends the passage of this resolution.

We would like to mention that the voting recommendations by various proxy firms are based on their internal guidelines.

The resolutions put forward for voting at the AGM are approved by the Board of Directors at their meeting dated 23 June 2020 and are in no way of any contravention of any Indian regulations.

We would request our shareholders to consider the above responses while exercising their vote.

This is for your information and record.

Thanking you.

Yours faithfully,

For and on behalf of  
**Sterling and Wilson Solar Limited**

**Jagannadha Rao Ch. V.**  
**Company Secretary**

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