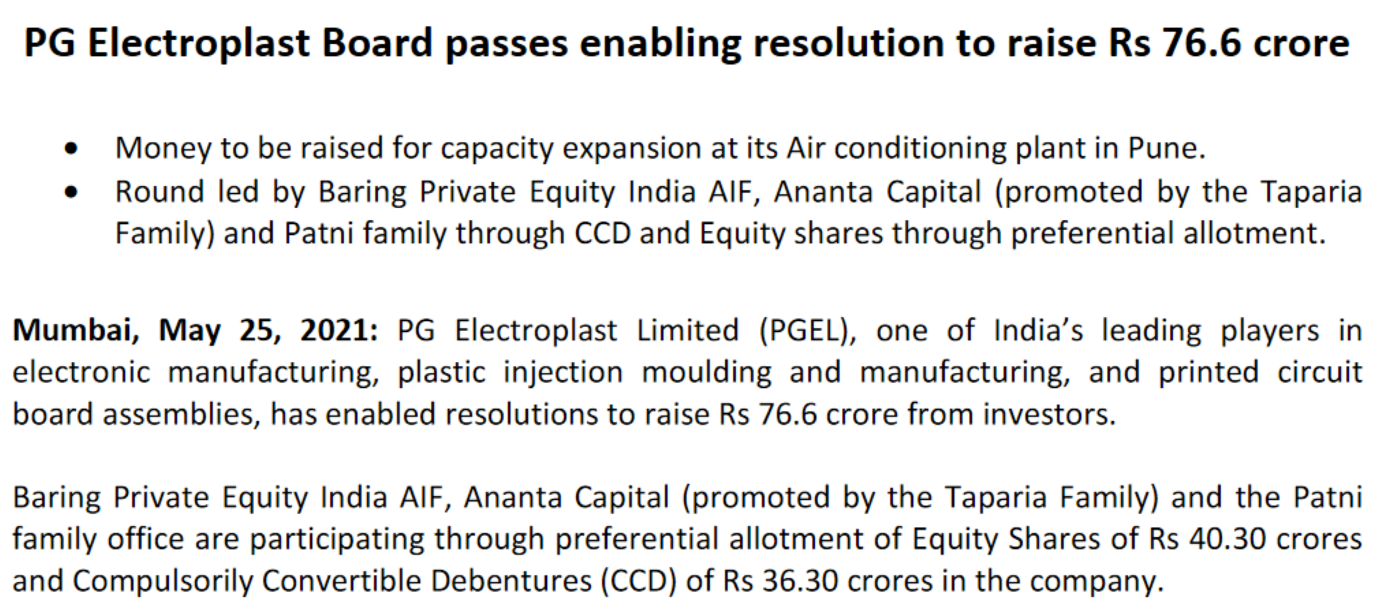
Twitter Thread by Leading Nowhere

Leading Nowhere
@leading_nowhere

The anatomy of Private Equity (PE) funding in a public listed company.

A thread ■ (1/n)

PG Electroplast Limited, a contract manufacturer of various kinds of electrical goods and appliances, recently announced an 80 crore fund-raise through preferential allotment of equity shares and compulsorily convertible debentures (CCD) to Baring PE and family funds. (2/n)



PG Electroplast Board passes enabling resolution to raise Rs 76.6 crore

- Money to be raised for capacity expansion at its Air conditioning plant in Pune.
- Round led by Baring Private Equity India AIF, Ananta Capital (promoted by the Taparia Family) and Patni family through CCD and Equity shares through preferential allotment.

Mumbai, May 25, 2021: PG Electroplast Limited (PGEL), one of India's leading players in electronic manufacturing, plastic injection moulding and manufacturing, and printed circuit board assemblies, has enabled resolutions to raise Rs 76.6 crore from investors.

Baring Private Equity India AIF, Ananta Capital (promoted by the Taparia Family) and the Patni family office are participating through preferential allotment of Equity Shares of Rs 40.30 crores and Compulsorily Convertible Debentures (CCD) of Rs 36.30 crores in the company.

Such transactions are a great way to understand Private Equity deals in a public setting. Because of disclosure norms for listed companies, everything related to a fund infusion in a listed company is made available to the public. (3/n)

From a retail investor's perspective, it is easy to focus only on WHO is investing. In this thread, I will try to look at such a transaction from the perspective of all stakeholders – the company, the PE investors, and the public shareholders. (4/n)

PG Electroplast sees an opportunity in the Productivity-Linked Incentives (PLI) by GoI. Under this scheme, companies making incremental investments into manufacturing facilities receive up to 6% of the incremental sales generated from such investment as an "incentive". (5/n)

Vikas Gupta, Managing Director of PGEL said, "Through this growth focused funding, we plan to expand our production capacity in manufacturing of ACs and coolers. We want to triple the production capacity of AC manufacturing and other products too. The capacity expansion is in line with the growth envisaged in the segment and will also allow use to comfortably meet the PLI scheme criteria of the Government of India."

The PLI scheme is direct transfer to companies as a reward for expanding manufacturing operations in India. You do not get the incentive just for buying machinery and equipment though, the incentive is linked to the incremental sales generated from the investment. (6/n)

4. QUANTUM OF INCENTIVE

4.1 The PLI Scheme shall extend an incentive of 4% to 6% on incremental sales (net of taxes) over the base year of goods manufactured in India and covered under target segments, to eligible companies, for a period of five (5) years subsequent to the base year and one year of gestation period.

4.2 The applicant will have to fulfill both criteria of cumulative incremental investment in plant and machinery as well as incremental sales over the base year in that respective year to be eligible for PLI. The first year of investment will be FY 2021-22 and the first year of incremental sale will be FY 2022-23. Actual disbursement of PLI for a respective year will be subsequent to that year.

4.3 The Scheme is Fund Limited and even in case of over achievement the total pay-out of incentives would be capped at the amount approved by Cabinet.

4.4 All relevant details of the Scheme, for example, base year, eligibility criteria, target segments, quantum of incentive, pre-qualification criteria for different target segments, application period, etc. will be detailed in Scheme Guidelines.

So, you must tell the government exactly how much you will be investing over 5 years, execute the capex plan and start selling the manufactured goods. Once you have achieved sales, you claim the eligible incentive from the government. This is a back-ended subsidy. (7/n)

3. Section II – Proposal

3.1. Eligible Product and Target Segment

3.2. Projections (self-certified):

a) Forecasted Revenue –Total and Target Segment –Manufacturing split by Exports, Domestic Sale (next 5 years)

b) Proposed Plan for Domestic Value Addition (next 5 years)

c) Proposed Plan for Employment Generation in India (next 5 years)

3.3. Size of Investment (INR Cr)

Size of the investment must include the capital expenditure expected to be incurred in next 4 years. The following details should be furnished:

a) Details of Investment – Existing and Proposed

b) Sources of Funding (internal accruals, equity, government assistance, term debt and working capital loans etc.)

3.4. Regulatory Treatment

a) Provide information on Licenses, permits and third-party approvals necessary to execute the project.

b) Proposed process and timelines for obtaining clearances.

PG Electroplast likely lies in the highlighted category of 'normal investment' in the White Goods PLI scheme. If the company invests as per the schedule in the scheme and also achieve the incremental sales targets, it can claim INR 180-200 crore as incentives over 5 years. (8/n)

1. Eligibility Threshold Criteria: Air Conditioners

Rs. Crore

Sl.	Segment	Year	PLI @	MINM. Cum. Incr. Investment	MINM. Incr. Sale	MINM. PLI	MINM. Cum. Incr. Investment	MINM. Incr. Sale	MINM. PLI
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				LARGE INVESTMENT			NORMAL INVESTMENT		
1	ACs (Components@)	2021-22		150			50		
		2022-23	6%	300	750		100	250	
		2023-24	6%	400	1500	45	150	500	15
		2024-25	5%	500	2000	90	225	750	30
		2025-26	5%	600	2500	100	300	1125	38
		2026-27	4%		3000	125		1500	50
		2027-28				120			60
		Total		**600**	**9750**	**480**	**300**	**4125**	**199**
2	High Value intermediates of ACs*	2021-22		50			50		
		2022-23	6%	125	250		100	250	
		2023-24	6%	200	625	15	150	500	15
		2024-25	5%	300	1000	38	200	750	30
		2025-26	5%	400	1500	50	250	1000	38
		2026-27	4%		2000	75		1250	50
		2027-28				80			50
		Total		**400**	**5375**	**258**	**250**	**3750**	**183**
3	Lower value intermediates of ACs#	2021-22		20			10		
		2022-23	6%	40	100		20	50	
		2023-24	6%	60	200	6	30	100	3
		2024-25	5%	80	300	12	40	150	6
		2025-26	5%	100	400	15	50	200	8
		2026-27	4%		500	20		250	10
		2027-28				20			10
		Total		**100**	**1500**	**73**	**50**	**750**	**37**

Total investment to be made over 5 years

Total incremental sales to be achieved over 5 years

Total Incentive for 5 years

Total investment to be made over 5 years

Total incremental sales to be achieved over 5 years

Total Incentive for 5 years

It is interesting to note that PGE will need to invest INR 250-300 crore and achieve cumulative incremental sales of INR 3750-4125 crore over 5 years to achieve the full incentives. Every 1 Rupee invested will need to generate 5 Rupees of sales. (9/n)

Full incentives will not be easy and will require substantially higher productivity than exhibited currently. Further, manufacturing of electrical goods has not been a terribly profitable activity for PGE (10-year financials attached) with op margin hovering between 5-8%. (10/n)

Profit & Loss

Standalone Figures in Rs. Crores / View Consolidated

	Mar 2009	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	TTM
Sales +	126	354	424	222	303	218	239	260	366	399	508	639	556
Expenses +	121	337	396	219	297	221	227	242	346	375	478	600	517
Operating Profit	**5**	**17**	**28**	**2**	**5**	**-2**	**12**	**18**	**21**	**25**	**31**	**40**	**38**
OPM %	4%	5%	7%	1%	2%	-1%	5%	7%	6%	6%	6%	6%	7%
Other Income	-0	2	3	4	6	5	3	3	3	5	3	1	2
Interest	2	4	6	11	11	12	10	10	10	11	10	15	18
Depreciation	1	1	2	5	9	11	9	10	11	12	13	16	18
Profit before tax	**2**	**13**	**23**	**-9**	**-9**	**-20**	**-5**	**2**	**3**	**7**	**10**	**9**	**4**
Tax %	31%	21%	23%	-0%	43%	0%	0%	0%	0%	0%	2%	72%	
Net Profit	**1**	**10**	**18**	**-9**	**-5**	**-20**	**-5**	**2**	**3**	**7**	**10**	**3**	**-2**
EPS in Rs				-5.25	-3.05	-12.36	-2.77	1.16	2.05	4.56	5.33	1.34	-0.89
Dividend Payout %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	

Assuming it can be meet the targets under the PLI scheme, the company will see a significant boost to the bottomline with the incentives and likely benefit from economies of scale seen in other contract manufacturing companies. (11/n)

To make money you need to deploy money in the first place, though. PG Electroplast does not have leeway on operating metrics to take on much debt. The operations are barely breaking even, at best, after overheads and tax. . (12/n)

	Mar 2009	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	TTM
Sales +	126	354	424	222	303	218	239	260	366	399	508	639	556
Expenses +	121	337	396	219	297	221	227	242	346	375	478	600	517
Operating Profit	**5**	**17**	**28**	**2**	**5**	**-2**	**12**	**18**	**21**	**25**	**31**	**40**	**38**
OPM %	4%	5%	7%	1%	2%	-1%	5%	7%	6%	6%	6%	6%	7%
Other Income	-0	2	3	4	6	5	3	3	3	5	3	1	2
Interest	2	4	6	11	11	12	10	10	10	11	10	15	18
Depreciation	1	1	2	5	9	11	9	10	11	12	13	16	18
Profit before tax	**2**	**13**	**23**	**-9**	**-9**	**-20**	**-5**	**2**	**3**	**7**	**10**	**9**	**4**
Tax %	31%	21%	23%	-0%	43%	0%	0%	0%	0%	0%	2%	72%	
Net Profit	**1**	**10**	**18**	**-9**	**-5**	**-20**	**-5**	**2**	**3**	**7**	**10**	**3**	**-2**

INR 130 crore paid out to creditors over 10 years.

Cumulative PAT of 13 crore over 10 years

Taking advantage of a small window of opportunity requires agile capital. PE funds decide quickly and bring with them other capital like family funds. Preferential allotments to specific investors require a special resolution of the shareholders (>75%), an EGM beckons. (13/n)

The EGM process is underway at PG Electroplast. The terms of the allotment including price, quantity and the conditions attached to the securities are required to be disclosed. In this instance, the investors are being issued a mix of equity shares and CCDs. (14/n)

S. No.	Name of the Proposed CCD Allottee	Maximum No. of CCDs to be issued
1.	Baring Private Equity India AIF	7,92,286
2.	Famy Care Pvt. Ltd.	1,92,310
3.	Ashok Kumar Sobhamal Patni	61,537
4.	Rajnikanta Gajendrakumar Patni	30,771

S. No.	Name of the Proposed CCD Allottee	Maximum No. of Equity Shares to be issued on Conversion of CCDs (including the Coupon on the said CCDs)
1.	Baring Private Equity India AIF	10,05,741
2.	Famy Care Pvt. Ltd.	2,44,121
3.	Ashok Kumar Sobhamal Patni	78,116
4.	Rajnikanta Gajendrakumar Patni	39,061

Sr. No	Name of Proposed allottee	No. of Equity Shares
1.	Baring Private Equity India AIF	01
2.	Urmila Devi Taparia	1,83,320
3.	Ashutosh Taparia	1,83,106
4.	Sanjeev Kumar Taparia	1,83,106
5.	Ashok Kumar Sobhamal Patni	1,75,851
6.	Rajnikanta Gajendrakumar Patni	87,924
7.	Sharad Rathi	2,00,000
8.	Naresh Saraaf	1,50,000
9.	Jitendra Panjabi	23,739
10.	Esha Kapoor	8,903

Maximum 25,62,989 equity shares to be issued

Total existing equity shares = 1,96,93,916

Expanded equity capital = 19,95,02,149

Stake to investors = 25,62,989 / 19693916 = 12.8%

Equity shares is simple enough, but what are CCDs? CCDs are hybrid instruments that start as debt and get converted into equity shares. At the time of issuance, the terms including price, the point of conversion and the interest rate are decided upfront. (15/n)

> Compulsorily Convertible Debentures (**CCDs**) are considered to be hybrid instruments / and equity linked instrument, i.e. they are treated as debt till the time they are converted into equity. When they are issued it is a debt, after a period of time / milestone, it shall be compulsorily converted into shares. On the other hand, the Optionally Convertible Debentures are debt securities and interest is paid to the investors till maturity and repayment.
>
> Under FDI guidelines, CCDs are treated as equity for the purposes of reporting to Reserve Bank of India.
>
> The Companies Act, 2013 and the rules issued thereunder (the **Act**) provide the legal framework for the issue of Debentures[1] by Indian companies. The various kinds of Debentures are (i) Compulsorily Convertible Debentures; (ii) Optionally Convertible Debentures; and (iii) Redeemable Debentures. Section 71 of the Act states that a company could issue debentures with an option to convert into shares either wholly or partly at the time of redemption.
>
> CCDs are considered to be convenient as it allows the investor to tap into the Company's potential without diluting the founders shareholding percentage until the CCDs are converted into shares.

We can see this in the disclosure on 27 May 2021. CCDs are being allotted at a price of INR 337. Convertible within 18 months (at the end or earlier if the holder chooses) at a price of INR 337 per CCD. Till then, the holder gets 17.96% p.a. interest on the CCDs. (16/n) consent of the members of the Company be and is hereby accorded to the Board to create, offer, issue and allot up to **10,76,904 Compulsorily Convertible Debentures ("CCDs")** having face value of Rs. 337/- each, for an aggregate amount of up to Rs. 46,06,92,143.00 /- with such CCDs (i.e. face value and unpaid coupon on such CCDs) being convertible into equity shares ("**Conversion Shares**") of the Company at a conversion price of Rs. 337/- each, as determined in accordance with the SEBI ICDR Regulations, by way of preferential allotment to the persons specified herein below (hereinafter as "Proposed CCD Allottees"), which shall belong to the 'Public Category':

S. No.	Name of the Proposed CCD Allottee	Maximum No. of CCDs to be issued
1.	Baring Private Equity India AIF	7,92,286
2.	Famy Care Pvt. Ltd.	1,92,310
3.	Ashok Kumar Sobhamal Patni	61,537
4.	Rajnikanta Gajendrakumar Patni	30,771

"**RESOLVED FURTHER THAT** the CCDs shall inter-alia include the following key terms:

(i) The CCDs shall be unsecured;

(ii) The CCDs shall be allotted in dematerialized form and the Equity Shares arising at the time of conversion shall also be allotted in dematerialized form. Upon conversion, the Equity Shares to be issued, will rank pari-passu to all issued and outstanding equity shares of the Company;

(iii) The CCDs shall carry a coupon of 17.96% p.a., compounded annually, which shall be calculated on the basis of a 365 days per year and the actual number of days elapsed, and payable on the conversion date. The coupon will be grossed up for applicable taxes / withholding taxes that are payable in India under applicable law, to the extent agreed between the relevant Investor and the Company in writing, provided that the Company will not bear in excess of 50% of such taxes/ withholding taxes;

(iv) The CCDs will automatically convert into the Conversion Shares of the Company within a period of 18 months from their date of allotment, or earlier upon an exercise of conversion right by the holder of such CCDs in writing; and

(v) The CCDs (i.e., the face value and accrued coupon) shall be converted into Conversion Shares of the Company at the conversion price of Rs. 337/- each (appropriately adjusted for corporate actions such as bonus issue, stock split, merger, demerger, or any such capital or corporate restructuring), as determined as per the SEBI ICDR Regulations, and accordingly, a maximum of up-to 13,67,039 Equity Shares of face value Rs. 10/- may be issued to the Proposed CCD Allotees on conversion of the CCDS in the manner as follows:

It is interesting to note that while the interest is 18%, it may not be paid out at all. The cumulative value of the CCDs is the face value of debentures PLUS the accrued interest. Accordingly, the quantity of shares to be issued is the cumulative value divided by INR 337. (17/n)

Essentially, the investors invest into 10,76,904 CCDs at INR 337 each totaling INR 36.29 crore. However, the maximum consideration is stated to be INR 46.06 crore. The differential of INR 9.77 crore is the 17.96% p.a. interest for 18 months. (18/n)

Assuming conversion at 18 months, INR 9.77 crore interest translates into approximately 290,000 extra equity shares for investors. Instead of 10,76,904 equity shares for INR 36.29 crore invested, investors get 13,67,039 equity shares worth INR 46.06 crore (27% increase). (19/n)

The 'interest' part here is just a mechanism for the PE Investor to get 27% more shares than it would get converting at market price at the time of investment. If you see the price chart, PG Electroplast was also trading around INR 340 at the time of the announcement. (20/n)

This is essentially the premium a PE investor demands for putting in the money before the magic is underway. Said another way, if the market price is still 337 per share in 18 months, the PE investor can book 27% returns if it sells immediately upon conversion. (21/n)

If the market price is higher than INR 337, the PE investor makes a killing with the 27% extra shares and fixed conversion price. It is relevant to highlight that the PE investor can always take 18% interest in cash if there is a material change in the circumstances. (22/n)

To visualize, see the attached Excel calculation on the broad range of outcomes for the CCDs. Essentially, the CCD holders can break even on conversion at market prices as low as INR 245 if they take out interest in cash, or INR 265 without taking out interest! CMP = 408. (23/n)

Investment (INR)	CCD issued	Conversion Shares	CMP at Conversion (INR)	Value at Conversion (INR)	Interest Payment (INR)	Gain
36,29,16,648	10,76,904	1367039	337	46,06,92,143.00	0	27%
36,29,16,648	10,76,904	1367039	400	54,68,15,600.00	0	51%
36,29,16,648	10,76,904	1367039	265	36,22,65,335.00	0	0%
36,29,16,648	10,76,904	1076904	245	26,38,41,480.00	9,77,75,495	0%

The CCD route has benefits for both parties – company gets cash upfront and can deduct the accrued interest from its P&L statement and capitalize it without cash outflow. The CCD holders hedge their risk and get a discount while the funds are being deployed by the company. (24/n)

It is telling that while all investors are taking a mix of CCDs and equity shares in the beginning, only Baring Private Equity is putting its entire investment as CCDs, w/ only 1 equity share alloted. Baring PE hedged its risk upfront, in line with its customary PE model. (25/n)

ITEM NO. 2:

ISSUE OF EQUITY SHARES ON PREFERENTIAL BASIS

To consider and if thought fit, to pass the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Sections 42, 62(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 (hereinafter referred to as the "**Act**") read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended and the Companies (Share Capital and Debentures) Rules, 2014, as amended and other relevant rules made there under {including any statutory modification(s) thereto or re-enactment thereof for the time being in force}, the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (the "**SEBI ICDR Regulations**"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "**Listing Regulations**"), the Foreign Exchange Management Act, 1999 each as amended, any other applicable laws, rules and regulations and enabling provisions in the Memorandum and Articles of Association of the Company and the equity listing agreements entered into by the Company with BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**") and subject to necessary approvals / sanctions / permissions of appropriate statutory / regulatory authorities, if applicable, and subject to such conditions as may be prescribed by any of them while granting such approvals / sanctions, and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "**Board**" which term shall be deemed to include any Committee(s), which the Board may have constituted or may constitute to exercise the powers conferred on the Board by this resolution), consent of the members of the Company be and is hereby accorded to the Board to create, issue, offer and allot, on a preferential basis, **up-to 11,95,950 Equity Shares** of face value of Rs. 10/- each fully paid up, **for cash**, to be issued **at a price of Rs. 337/- per Equity Share** determined in accordance with the provisions of Chapter V of SEBI ICDR Regulations, for an aggregate amount of up-to Rs. **40,30,35,150/-**, on such further terms and conditions as may be finalized by the Board of Directors, to the persons belonging to Public Category ("**Proposed Equity Allottee(s)**"), in the manner as follows:

Sr. No	Name of Proposed allottee	No. of Equity Shares
1.	Baring Private Equity India AIF	01
2.	Urmila Devi Taparia	1,83,320
3.	Ashutosh Taparia	1,83,106
4.	Sanjeev Kumar Taparia	1,83,106
5.	Ashok Kumar Sobhamal Patni	1,75,851
6.	Rajnikanta Gajendrakumar Patni	87,924
7.	Sharad Rathi	2,00,000
8.	Naresh Saraaf	1,50,000
9.	Jitendra Panjabi	23,739
10.	Esha Kapoor	8,903

Only 1 share!

Normally such deals in the private space will result in the investors taking preferential rights to recoup their investment, even with only 10% stake in the company. However, in the listed space, this would be difficult to carry out. (26/n)

So, the PE investor agrees to a discounted issuance (accrued interest mechanism) and gets assured liquidity to exit the investment through the stock exchanges. It is essentially a hedged bet that the market will ascribe a much higher value to the company in the future. (27/n)

From the above it may seem like the PE investor is getting a great deal, especially the CCD holders. However, there is many a slip between the cup and the lip. As stated before, the incentives will flow after a while and will need pinpoint execution and actual sales. (28/n)

Contract manufacturing is nascent in India and very few companies (especially listed ones) have achieved the scale to make stable returns on investment. However, this is the entire theme of the PLI schemes and anyone who can execute will establish themselves for years. (29/n)

Ministry of Commerce & Industry

Status of Production-Linked Incentive Schemes;

Minimum production in India as a result of PLI Schemes is expected to be over US$ 500 billion in 5 years;

Nine PLI schemes have been approved by the cabinet so far

Posted On: 07 APR 2021 4:39PM by PIB Delhi

In the **Union Budget 2021-22,** presented on 1st February 2021, the Finance Minister announced an outlay of **INR 1.97 Lakh Crores for** the **Production-Linked Incentive (PLI) Schemes for 13 key sectors**, to create national manufacturing champions and generate employment opportunities for the country's youth. This means that minimum production in India as a result of PLI Schemes is expected to be over US$ 500 billion in 5 years.

PLISchemes are a **cornerstone of the Government's push for achieving an Atmanirbhar Bharat.**The objective is to **make domestic manufacturing globally competitive** and to **create global Champions in manufacturing.** Thestrategy behind schemeis to offer **companies incentives on incremental sales from products manufactured in India**, over the base year. They have been specifically designed to **boost domestic manufacturing in sunrise and strategic sectors**, curb cheaper imports and **reduce import bills**, improve **cost competitiveness** of domestically manufactured goods, and enhance domestic capacity and exports.

The first three PLI Schemes were approved earlier in March, 2020 and these were followed by another **10 New PLI Schemes** in November, 2020. Of these, the previous three **Schemes have been notified**, and six **of the ten New Schemes** havealso been approved by the Cabinet as below:

i. Electronic/Technology Products – **MeitY***(notified on 3 March 2021)*
ii. Pharmaceuticals drugs – **D/o Pharmaceuticals***(notified on 3 March 2021)*
iii. Telecom & Networking Products - **D/o Telecommunications***(notified on 24 Feb 2021)*
iv. Food Products -**Ministry of Food Processing Industries**
v. White Goods (ACs & LED) – **DPIIT**
vi. High Efficiency Solar PV Modules -**MNRE**

5% incentive will not transform PGE, it will only make the operations somewhat more profitable. It is only a part of a vision, the company will still be subject to commercial factors such as customer demand, competition and economic conditions. (30/n)

Credit Risks:

- ***Volatile Profit Margins***: The margins are volatile because prices of raw materials are linked to crude oil prices . PAT margins improved to 1.96 % in FY 19 compared to 1.87 % in FY 17 on account of improved Turnover..

- ***Intense competition***: Though the company's portfolio is diversified consumer electronic industry faces severe competition which limit the pricing power .

Many may ask whether this transaction good or bad for shareholders? It is a matter of perspective and is a determination that differs from company to company. Given the risk involved, existing shareholders are typically glad to let someone else put in the money. (31/n)

In this case, Baring PE is that someone else. Though there are other investors too, Baring PE was the lead investor here, amply evident from it having a lion's share of the CCDs and favourable terms, and it possibly syndicated the rest of the investors into the deal too. (32/n)

(v) The CCDs (i.e., the face value and accrued coupon) shall be converted into Conversion Shares of the Company at the conversion price of Rs. 337/- each (appropriately adjusted for corporate actions such as bonus issue, stock split, merger, demerger, or any such capital or corporate restructuring), as determined as per the SEBI ICDR Regulations, and accordingly, a maximum of up-to 13,67,039 Equity Shares of face value Rs. 10/- may be issued to the Proposed CCD Allotees on conversion of the CCDS in the manner as follows:

S. No.	Name of the Proposed CCD Allottee	Maximum No. of Equity Shares to be issued on Conversion of CCDs (including the Coupon on the said CCDs)
1.	Baring Private Equity India AIF	10,05,741
2.	Famy Care Pvt. Ltd.	2,44,121
3.	Ashok Kumar Sobhamal Patni	78,116
4.	Rajnikanta Gajendrakumar Patni	39,061

Public shareholders are generally happy diluting to experienced investors with deep pockets, as it signals the attractiveness of the investment thesis. It attracts a whole flurry of new public shareholders, as evident from the sharp rise in price in the last 2 weeks. (33/n)

It is worthwhile to point out that the promoters issued and converted warrants to themselves at INR 150 per share in March 2021; less half the INR 337 price paid by the new investors and less than half the price prevailing on 31 March 2021. (34/n)

PG

PG ELECTROPLAST LIMITED

CIN-L32109DL2003PLC119416
Corporate Office :
P-4/2, 4/3, 4/4, 4/5, 4/6, Site-B, UPSIDC Industrial Area, Surajpur
Greater Noida-201306, Distt. Gautam Budh Nagar (U.P.) India
Phones # 91-120-2569323, Fax # 91-120-2569131
E-mail # info@pgel.in Website # www.pgel.in

March 31, 2021

To,
The Manager (Listing)
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

To,
The Manager (Listing)
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex,
Bandra (East),
Mumbai - 400 051

Scrip Code: 533581 **Scrip Symbol: PGEL**

By means of BSE Listing Centre **By means of NEAPS**

Sub: Outcome of Meeting of Board of Directors in accordance with Reg. 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

2. Allotment of 6,00,000 Fully Convertible Warrants ('Warrants') each carrying a right to subscribe to one Equity Share per Warrant, for cash at an issue price of Rs. 150/- per warrant, by way of preferential allotment to following person belonging to 'Promoter' and 'Non-Promoter' category:

S. No.	Name of the allottee	Category	No. of Warrants allotted
1.	Mr. Anurag Gupta	Promoter	1,00,000
2.	Mr. Vishal Gupta	Promoter	1,00,000
3.	Mr. Vikas Gupta	Promoter	1,00,000
4.	Mr. Arvind Yeshwant Pradhan	Non-Promoter	2,00,000
5.	Mr. Nikhil Vishnuprasad Bagla	Non-Promoter	50,000
6.	Mrs. Urmila Nikhil Bagla	Non-Promoter	50,000
	Total		**6,00,000**

3. Allotment of 1,65,000 Equity Shares of face value of Rs. 10/- each pursuant to conversion of 1,65,000 Fully Convertible Warrants ("Warrants"), issued on March 31, 2021 at an issue price of Rs. 150/- each, by way of preferential allotment, to the following persons belonging to 'Promoter' and 'Non-Promoter' category:

S. No.	Name of Shareholders	Category	No. of Equity shares allotted pursuant to conversion of Warrants
1.	Mr. Anurag Gupta	Promoter	35,000
2.	Mr. Vishal Gupta	Promoter	35,000
3.	Mr. Vikas Gupta	Promoter	35,000
4.	Mr. Arvind Yeshwant Pradhan	Non-Promoter	60,000
	Total		**1,65,000**

Consequent to the said allotment, the Paid-up Equity Share Capital of the Company stands increased to Rs. 19,69,39,160/- divided into 1,96,93,916 Equity Shares of face value of Rs. 10/- each.

165,000 warrants allotted were converted on the same day, creating unrealized profit of 170% in a single day. How? Market price on 31 March 2021 was INR 406. So in one day, insiders made 170% notional profit by issuing themselves shares at INR 150. Even today, the market price is around the same. Just for kicks, this comes to a total profit of INR 4.20 crore.

The ethics are debatable. If these talks were already underway in March 2021, the warrant issuance is opportunism. If promoters have cash to invest, perhaps they should join the new investors at similar terms. Issuing warrants at 60% discount, seems like a cash grab. (35/n)

Overall, earning performance will hinge on execution, especially with a capex plan expected to add INR 1500 crore sales over 5 years. Other contract manufacturers like Amber Enterprises and Dixon Technologies have done well on execution and scale of operations. (36/n)

A large part of the reason I wrote this thread is to contextualize. To understand what promoters and PE investors are betting on and how they're hedging their risk. Once you understand this, you can form your own considered view on the investment thesis. (37/n)

As always, this is just a series of explanations and observations. Not intended to be interpreted as a recommendation to buy or sell or take any action. (38/n)

P.S. Many ask how I find these corporate events. I made my own screener (@bsescreener) with @ghanishtnagpal for stock market announcements and these corporate actions show up frequently there. I first caught this 2 weeks ago and then again 4 days ago. (39/n)

Read my last thread on bonus debentures by Britannia here: https://t.co/2taUEn4V2G

> Britannia Industries undertakes an innovative corporate manoeuvre frequently \u2013 issuing bonus debentures. It securitizes part of its reserves as bonds, pays interest at 8% or so for a few years and then gives the securitized amount to shareholders as principal.

A thread \U0001f447 (1/n)

— Leading Nowhere (@leading_nowhere) May 26, 2021