August 07, 2026

To,
BSE Limited,
Corporate Relations Department,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001
Scrip code: 544723

To,
National Stock Exchange of India Limited,
Listing Department,
Exchange Plaza, 5th Floor, Plot No. C/1,
G block, Bandra Kurla Complex,
Bandra (East), Mumbai – 400051
NSE Symbol: SEDEMAC

Dear Sir/Madam,

Sub: Postal Ballot Notice - Communication to Proxy Advisor

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is in reference to our letter dated July 18, 2026 relating the Postal Ballot Notice seeking approval of shareholders for the Special Resolutions as set out in the said Notice.

We wish to inform you that subsequent to the issuance of the said Notice, the Company has received feedback from Institutional Investor Advisory Services India Limited ('IiAS'), Proxy Advisor. Based on the feedback received from Proxy Advisor, we have provided clarification to Proxy Advisor and also wish to give additional information to all the Shareholders to bring more clarity on the following Special Resolutions of the said Notice:

1. Ratification of the SEDEMAC Employee Stock Option Plan 2014

2. Ratification of the SEDEMAC Mechatronics Employee Stock Option Scheme - 2025

The said clarification is enclosed in **Annexure - A**.

You are requested to kindly take note of the same.

Thanking you,

For SEDEMAC Mechatronics Limited
(Formerly SEDEMAC Mechatronics Private Limited)

Prasad Rajendra Chavan
Digitally signed by Prasad Rajendra Chavan
Date: 2026.08.07 19:36:18 +05'30'

Prasad Rajendra Chavan
Company Secretary and Compliance Officer
Membership No.: A49921

Encl: As above

Annexure – A

Date: 07th August, 2026

To,
Institutional Investor Advisory Services

Dear Sir / Madam,

SEDEMAC Mechatronics Limited (“**Company**” or “**we**”) are in receipt of the proxy advisory report from Institutional Investor Advisory Services (“**IiAS**”) dated August 05, 2026 (“**Report**”) setting out your voting recommendations in relation to the resolutions proposed to be passed through postal ballot notice dated July 16, 2026 (“**Notice**”).

We note that you have recommended voting ‘AGAINST’ the following resolutions:

1. Ratification of SEDEMAC Employee Stock Option Plan 2014 (“**ESOP 2014**”) of the Company; and

2. Ratification of SEDEMAC Mechatronics Employee Stock Option Scheme - 2025 (“**ESOS 2025”**) of the Company.

In relation to the same, we would like to submit the following clarifications / comments:

I. <u>Resolution No. 1 relating to ratification of ESOP 2014</u>

1. We note that you have recommended voting ‘AGAINST’ this resolution on the ground that employee stock options (“**Options**”) under the ESOP 2014 may be granted with an exercise price at a deep discount (greater than 20%) to the prevailing market price, and IiAS does not favour schemes where the exercise price exceeds a 20% discount to market price at the time of grant, as such structures reduce the ‘pay at risk’ nature of employee stock options and misalign employee and investor interests.

2. In relation to your concern on the grounds of possibility of grant of Options at a deeply discounted rate to the prevailing market price, we would like to submit that as per the applicable law relating to Options (i.e., Section 62(1)(b) of the Companies Act, 2013 (“**Act**”) read with Rule 12(3) of the Companies (Share Capital and Debentures) Rules, 2014 (“**Share Capital Rules**”) (applicable to unlisted companies) and Regulation 6(2) of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (“**SEBI SBEB & SE Regulations**”) read with Regulation 17 of the SEBI SBEB & SE Regulations (applicable to listed companies)), the Company was previously authorized / continues to be authorized to determine the exercise price for Options under the ESOP 2014 (subject to conforming to the accounting policies). Relevant extracts of Rule 12(3) of the Share Capital Rules (applicable to unlisted companies) and Regulation 17 of the SEBI SBEB & SE Regulations (applicable to listed companies) are set out below.

   <u>Rule 12(3) of the Share Capital Rules</u>:

   “<u>The companies granting option to its employees pursuant to Employees Stock Option Scheme will have the freedom to determine the exercise price</u> in conformity with the applicable accounting policies, if any.”

Regulation 17 of the SEBI SBEB & SE Regulations:

"*The company granting options to its employees pursuant to an ESOS shall be free to determine the exercise price subject to conforming to the accounting policies specified in regulation 15 of these regulations.*"

3. As per the ESOP 2014, the exercise price of Options can be determined by the NRC to be as follows:

""Exercise Price" means the price set out in the Letter of Grant that shall be paid by a Grantee to exercise the Options vested in him/her by such Letter of Grant. The Exercise Price for each Option shall be a price between 30% to 60% of the applicable Last Round Securities Price, unless otherwise determined by the Administrator. Subject to Applicable Laws, the Administrator may determine the Exercise Price to be the Fair Market Value on the date of grant or an amount higher or lower than such Fair Market Value, provided that if the Administrator specifically decides to provide for a lower price, such lower price shall not be lower than the face value of the Shares. Post Listing, the Exercise Price shall be in compliance with the SBEB Regulations as applicable from time to time."

4. We request you to note that:

(i) Regulation 17 of the SEBI SBEB & SE Regulations, which is applicable to the Company does not mandate a specific exercise price or a specific percentage of discount on the prevailing market price in terms of determining the exercise price of Options, but only requires that the exercise price or pricing formula (as determined by the Company) to be in accordance with the applicable accounting policies. There is no restriction on granting the nomination and remuneration committee ("**NRC**") the authority to determine such exercise price.

(ii) The NRC of the Company has been constituted by its board of directors ("**Board**") in accordance with regulations issued by the Securities and Exchange Board of India and has the discretion to determine the exercise price for Options under the ESOP 2014.

(iii) Further, ESOP 2014 provides that the exercise price cannot be lower than the face value of the shares of the Company as on the date of grant, but can range between the face value of the equity shares of the Company and an amount higher than the 'Fair Market Value' (as defined in the ESOP 2014), and the NRC may determine it to be at a discount of 30% (thirty percent) to 60% (sixty percent) on the applicable 'Last Round Securities Price' (as defined in the ESOP 2014) / the 'Market Price' of the equity shares of the Company (as defined in the SEBI SBEB & SE Regulations), as on the date of grant.

(iv) The NRC, comprising of independent and non-executive directors, is subject to rigorous governance standards and while exercising its discretionary powers under the ESOP 2014, the NRC considers various factors including impact (if any) on the employees, the financials of the Company, and alignment with interests of the shareholders. A fixed exercise price under the ESOP 2014 would be counterintuitive to the objectives behind introduction of the ESOP 2014, as the Company operates in a research and development intensive industry where retention of skilled employees possessing specialized technical expertise is critical to the Company's business continuity, innovation capabilities and long-term growth. ESOP 2014 is intended to function as a long-term retention and value-creation tool to incentivize and retain employees who contribute significantly to the Company's business objectives, including the development of proprietary intellectual property and patented innovations.

(v) The ability to determine the exercise price of Options has been provided to the NRC to tailor the Options (and the terms governing it) based on individual performance/contributions, and other market factors with a view to ensure that select high performing employees are adequately remunerated (as opposed to devising a single 'one-size-fits-all' formula for the exercise price of Options to be granted under the ESOP 2014 to all employees). Such flexibility/customisation remains crucial to the Company's success and business, resulting in lower attrition among high performing individuals.

(vi) The exercise price at which Options are granted does not, by itself, have any impact on the level of dilution to shareholders, since the maximum dilution that may result from the exercise of all Options under the ESOP 2014 was approved by the shareholders at the time of adoption of the ESOP 2014, and the actual dilution will be determined by the number of Options under the ESOP 2014 that are exercised by the grantees under ESOP 2014.

5. That said, it is submitted that previously, only 52,500 (Fifty Two Thousand Five Hundred) Options (representing 2.24% (Two point Two Four percent) of the maximum number of Options available for grant under the ESOP 2014 i.e., 23,44,500 (Twenty Three Lakh Forty Four Thousand Five Hundred) Options) have been granted by the Company with an exercise price equivalent to the face value of shares of the Company (as on the date of grant). Such grants were made during the COVID-19 pandemic, in cases where certain employees of the Company had agreed to forgo a portion of their salary and were compensated through grant of Options under the ESOP 2014, in lieu of the same. In all other cases, the exercise price of Options granted until February 28, 2024 has been at a reasonable discount to the 'Fair Market Value' (as defined in ESOP 2014) / at the 'Fair Market Value' (as defined in ESOP 2014).

6. For the Options to be granted under the ESOP 2014, it is intended that the NRC will continue to evaluate the exercise price based on the circumstances relating to the grants to be made, with an approach to align employee's interest with the Company's strategic goals and shareholder's interests. The NRC will continue to exercise such discretion in a calibrated and responsible manner. Further, the terms of the grant will continue to be within the parameters as set out under the ESOP 2014 and shall be customized to ensure that an employee is adequately incentivized and rewarded based on their individual contributions and long-term value creation potential.

II. <u>Resolution No. 2 relating to ratification of ESOS 2025</u>

1. We note that you have recommended voting 'AGAINST' this resolution on the following grounds:

(i) The possibility for the exercise period of Options under the ESOS 2025 being fixed as fifteen years from the date of vesting of the Options;

(ii) The possibility that Options may be granted with an exercise price at a deep discount (greater than 20%) to the prevailing market price; and

(iii) Non-disclosure of performance-linked vesting framework for vesting of Options to be granted under the ESOS 2025.

2. In relation to your concern relating to paragraph 1(i) above, we note that you have currently raised concerns on the ground that the exercise period of Options may be fixed as a period of 15 (fifteen) years from the date of vesting of the Options. In this regard, we would like to submit that as per the applicable law relating to Options (i.e., Section 62(1)(b) of the Act read

with Rule 12(2)(g) of the Share Capital Rules (applicable to unlisted companies) and Regulation 6(2) read with Part B of Schedule I of the SEBI SBEB & SE Regulations (applicable to listed companies)), the Company was previously authorized / continues to be authorized to determine the exercise period for Options under the ESOS 2025.

3. Further, we would like to reiterate that NRC, comprising of independent and non-executive directors, is subject to rigorous governance standards and while exercising its discretionary powers under the ESOS 2025, the NRC considers various factors including impact (if any) on the employees, the financials of the Company, and alignment with interests of the shareholders. Accordingly, the NRC will determine the exercise period based on certain criteria which may include performance of the Company and the individual and/or nature of the individual's engagement with the Company.

4. The ability to determine the exercise period of Options has been provided to the NRC to tailor the Options (and the terms governing it) based on individual performance/contributions, and other market factors with a view to ensure that select employees are given adequate time to exercise their vested Options (as opposed to devising a single 'one-size-fits-all' exercise period for vested Options under the ESOS 2025, which is applicable to all employees).

5. In relation to your concern relating to paragraph 1(ii) and 1(iii) above, we note that you have currently raised concerns on the grounds that Options may be granted with an exercise price fixed at a deep discount (greater than 20%) to the prevailing market price and non-disclosure of the performance metrics for vesting of Options to be granted under ESOS 2025.

6. As per the ESOS 2025, the exercise price of Options can be determined by the NRC to be as follows:

""Exercise Price" <u>means the amount determined by the Administrator at the time of the Grant and set out in the Grant Letter as payable by the Option Holder</u> for exercising each of the Vested Options provided that the price is in conformity with applicable accounting standards. Subject to Applicable Laws, <u>the Administrator may determine the Exercise Price to be the Fair Market Value (defined below) on the date of Grant or an amount higher or lower than such Fair Market Value, provided that if the Administrator specifically decides to provide for a lower price, such lower price shall not be lower than the face value of the Shares</u>. Further, post Listing, the Exercise Price shall be in compliance with the SEBI SBEB & SE Regulations as applicable from time to time."

7. In relation to your concern relating to paragraph 1(ii) above, we would like to reiterate that, as in the case of the ESOS 2014, there is no restriction on the NRC having the authority to determine the exercise price of Options to be granted under the ESOS 2025, i.e., which may range, as on the date of grant, between the face value of the equity shares of the Company and the 'Market Price' of the equity shares of the Company (as defined in the SEBI SBEB & SE Regulations). A fixed exercise price under the ESOS 2025 would be counterintuitive to the objectives behind introduction of the ESOS 2025, as the Company operates in a research and development intensive industry where retention of skilled employees possessing specialized technical expertise is critical to the Company's business continuity, innovation capabilities and long-term growth. ESOS 2025 is intended to function as a long-term retention and value-creation tool to incentivize and retain employees who contribute significantly to the Company's business objectives, including the development of proprietary intellectual property and patented innovations. Accordingly, the NRC was previously authorized / continues to be authorized to determine the exercise price for Options under the ESOS 2025.

8. In relation to your concern relating to paragraph 1(iii) above, at the outset, we would like to state that ESOS 2025 is a performance-driven scheme, both at the grant and vesting stages. From an implementation standpoint, the Notice states that the NRC will assess eligibility based on certain criteria which may include performance of the Company and the individual. Further, the Notice states that the vesting criteria for Options granted under ESOS 2025 may be based on achievement of performance conditions, including but not limited to the employee's / employee's team's / office's / Company's performance / group company's performance, determined on the basis of enrolments, ranks, revenue and profitability or any other performance condition (which is to be determined by the NRC). The Company does not propose to adopt a rigid or uniform performance framework applicable to all employees.

9. Additionally, the exercise price at which Options are granted does not, by itself, have any impact on the level of dilution to shareholders, since the maximum dilution that may result from the exercise of all Options under the ESOS 2025 was approved by the shareholders at the time of adoption of the ESOS 2025, and the actual dilution will be determined by the number of Options under the ESOS 2025 that are exercised by the option holders under ESOS 2025.

10. Thus, please note that the ability to determine the vesting terms and exercise price of Options has been given to the NRC to tailor the Options (and the terms governing it) based on individual performance / contributions to ensure that select high-performing employees are adequately remunerated. To ensure that the ESOS 2025 is utilized to motivate and retain employees, it is important for the NRC to have the ability to determine the exercise price and the vesting terms / conditions after taking into consideration various factors.

11. The NRC will continue to oversee all grant decisions and ensure that the parameters are objective, measurable, and aligned with the employee's / employee's team's / office's / Company's performance / group company's performance.

12. It is submitted that the proposed approach to be taken by the Company under ESOS 2025 not only aligns employee incentives with the Company's strategic goals and shareholder's interests but also underscores the Company's commitment to recognizing and rewarding those who drive meaningful results and long-term value creation.

In light of the above, the Company submits that resolution nos. 1 and 2 are compliant with applicable law and that it has made adequate disclosures in respect of the same.

Please note that the matters to be transacted pursuant to the Notice have been approved by the NRC and the Board after thorough deliberation and consideration and are in the best interests of the Company and all its stakeholders.

If you need any clarifications or have any queries in relation to the above, we are available to speak, and you can contact the undersigned.

Further, we request you to share our response with all your subscribers and persons to whom the original Report has been circulated to. We also sincerely urge you to amend your recommendations on these resolutions based on the above and issue a revised report under intimation to us.

The Company will also be disclosing these clarifications on the stock exchanges (BSE Limited and National Stock Exchange of India Limited) for the benefit of all shareholders.

Thanking you.