



May 5, 2021

To

The Manager  
BSE Limited  
25<sup>th</sup> Floor  
Phiroze JeeJeebhoy Towers  
Dalal Street  
Mumbai-400001

Dear Sir

**Sub: "Updates" Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015**

**Ref: Scrip Code - BSE: 500267**

This is to inform everyone that the Company has received a notice dated May 5, 2021 from SEBI regarding the "Calling of Extra-Ordinary General Meeting ('EGM') of the Shareholders of Majestic Auto Limited (the "Company") as called by requisitionists" to be held on May 08, 2021.

This is for your kind information. Please take the above intimation on records. Notice is attached for the records.

Thanking you

Yours faithfully

**FOR M/S MAJESTIC AUTO LIMITED**

**JUHI GARG  
COMPANY SECRETARY & COMPLIANCE OFFICER**

**Encl: Notice received from SEBI**



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Securities and Exchange Board of India

Without Prejudice

General Manager  
Compliance and Monitoring Division  
Corporate Finance Department

SEBI/HO/CFD/CMD2/P/OW/2021/9927/1  
May 05, 2021

The Board of Directors  
The Company Secretary,  
Majestic Auto Ltd.  
10, Southern Avenue,  
Maharani Bagh,  
New Delhi 110065

Kind Attn.:

Mr. Mahesh Munjal, Chairman & MD  
Ms. Juhi Garg, Company Secretary

Sir,

**Subject: EGM notice dated April 9, 2021**

1. This is with reference to the disclosure of notice of EGM ("EGM notice") as called by requisitioner shareholders on May 08, 2021 for the appointment of three persons namely Mr Anil Thapar, Mr. Sanjeev Krishna Sharma and Mr. Yogendra Kumar Gupta as Independent Directors (IDs) on the Board of Majestic Auto Ltd. ("**Company/MAL**") and our subsequent communications in the matter.
2. It is observed from the notice that all three persons proposed to be appointed as Independent Directors have submitted declarations that they meet the criteria for independence as per Regulation 16 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations").
3. On the perusal of the minutes of the Nomination & Remuneration Committee ("NRC") and Board meetings in the context of the requirements of LODR Regulations and your letter dated May 03, 2021, the following is observed:



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- a. NRC did not recommend the appointment of Mr. Anil Thapar as an Additional Independent Director since it felt that the board had sufficient directors and expertise. Further, it was noted by the NRC that proper due diligence and detailed discussion on the qualification / expertise of the proposed candidate was required, for making any such recommendation
  - b. The Board considered the matter and did not express any opinion on integrity and possessing relevant expertise and experience in connection with the proposed appointment of Mr. Anil Thapar as an Additional Independent Director of the Company.
  - c. The proposed candidatures of Mr. Sanjeev Krishna Sharma and Mr. Yogendra Kumar Gupta as Independent Directors, have not been placed before the NRC for its recommendations and before the Board for its opinion on integrity and possessing relevant expertise and experience.
4. MAL has submitted that the proposal to appoint the aforesaid three independent directors has been made under section 160 of the Companies Act, 2013, hence the recommendations of NRC and opinion of Board of directors are irrelevant and that the Board of Directors (BoD) can give their opinion in the proposed EGM.
5. In this regard your attention is drawn to the following provisions of LODR and Companies Act:
- a. Regulation 19(1) of the LODR Regulations and Section 178(1) of the Companies Act, stipulates that the BoD of a listed company shall constitute the Nomination and Remuneration Committee (NRC).
  - b. Regulation 19(4) of the LODR Regulations, the role of the nomination and remuneration committee shall be as specified in Part D of Schedule II. Clause A of Part D of the Schedule II reads as under:  
*“ROLE OF NOMINATION AND REMUNERATION COMMITTEE: Role of committee shall, inter-alia, include the following:*  
*(1) formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;*  
*(2) .....*  
*(3) .....*  
*(4) identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid*



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*down, and recommend to the board of directors their appointment and removal.....”*

- c. Similar provisions are contained in Sections 178(2) and 178(3) of the Companies Act, 2013 with regard to role of NRC.
6. Thus, the aforesaid provisions of the Companies Act and LODR Regulations, clearly stipulate that:
  - a. An NRC is mandatorily required to be constituted by the BoD
  - b. The process of appointment of a director of a company is required to be through the said NRC
  - c. The NRC is required to recommend to the BoD that the person is qualified for appointment as the director including an independent director.
7. The term "*independent director*" has been *inter alia* defined under section 149(6) of the Companies Act, 2013 and regulation 16(1)(b) of LODR Regulations as a non-executive director, other than a nominee director of the listed entity, who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience.
8. Further, as per the provision of Section 152 (5) of Companies Act, 2013, in case of appointment of an independent director in the general meeting, an explanatory statement for such appointment, annexed to the notice for the general meeting, shall include a statement that in the opinion of the Board, he fulfils the conditions specified in this Act for such an appointment.
9. A combined reading of sections 149, 152, 160 and 178 of the Companies Act and regulations 16 and 19 of the LODR Regulations, makes it clear that the process for appointment of independent directors mandatorily includes the process of placing such proposals before the NRC and obtaining the opinion of the BoD, before the same is approved by the shareholders of the company in the general meeting.
10. In view of the above provisions, the BoD of MAL is required to give its opinion on whether the person to be appointed as an independent director is a person of integrity and possesses relevant expertise and experience. The said requirement also applies in case of the appointment of the independent director irrespective of the fact whether the appointment is initiated by the BoD or the shareholders.
11. Further, in the present matter, even though MAL has placed the name of Mr. Anil Thapar before NRC for appointment as an independent director, NRC has



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specifically not recommended his name for appointment to the BoD. The said proposal was also placed for consideration of the BoD. But the BoD did not pass the resolution for the appointment nor expressed any opinion about his integrity and relevant expertise or experience.

12. In the extant matter, the shareholders of MAL have proposed certain names for being appointed as independent directors by invoking section 160 of the Companies Act, 2013. The invocation of section 160 of the Companies Act does not however imply dispensation from compliance of the relevant requirements laid down under the Companies Act, 2013 and the LODR Regulations by the virtue of company being a listed company.
13. Thus, the contention of MAL that the shareholders have the right to appoint any person as a director in terms of section 160 of the Companies Act and that it is not necessary for MAL under these circumstances to obtain the recommendations of the NRC and the opinion of the BoD before the EGM is not tenable as section 160 of the Companies Act neither specially exempts the applicability of the requirement of obtaining the recommendations of the NRC under section 178 of the Companies Act and regulation 19 of LODR Regulations nor does it exempt the requirement of obtaining the opinion of the BoD under section 149 and 152 of the Companies Act and regulation 16 of LODR Regulations.
14. MAL by directly placing the proposals for appointment of independent directors in the EGM without placing it before the NRC and obtaining approval of BoD has circumvented the established procedure for appointment of independent directors stipulated under the provision of the Companies Act and LODR. This defeats the purpose and role of NRC and BoD in the appointment of an independent director. MAL is therefore not in compliance with the aforesaid provisions of Companies Act and LODR regulations.
15. Further, by not disclosing the opinion of NRC and Board on the appointment of Mr Anil Thapar, MAL is also not in compliance with the principles governing disclosure and obligation laid down in the LODR Regulations, in particular, regulation 4 (2) (d) (ii) of LODR Regulations which inter-alia states that *stakeholders shall have access to relevant, sufficient and reliable information on a timely and regular basis to enable them to participate in corporate governance process.*
16. In view of the above, MAL failed to follow the laid down process of appointment of Independent Directors and imparting information to the shareholders.



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17. You are therefore advised to follow the due process for appointment of independent directors of the Company which involves placing the proposals before the NRC and the BoD for its recommendation and opinion respectively. The said recommendation of NRC and opinion of the BoD shall also be disclosed to the shareholders and stock exchange well before the EGM for considering the proposal for appointment of three independent directors of MAL.
18. Notwithstanding the above, SEBI reserves the right to take action for any violation of SEBI Regulations, as deemed fit in accordance with law.
19. You are advised to disseminate this letter to the Stock Exchange.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Surabhi Gupta', with a horizontal line underneath.

**Surabhi Gupta**

Copy to BSE (via mail)