



September 09, 2021

BSE Limited
Dalal Street,
Phiroze Jeejeebhoy Towers,
Mumbai 400 001
Scrip Code: 500300

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Pursuant to the provisions of Regulation 30 read with Schedule III of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we wish to inform you that Securities and Exchange Board of India ("SEBI") has issued a warning letter (**attached as "Annexure-A"**) in relation to the non-compliance with SEBI (LODR) Regulations, 2015. The Company is disclosing the warning issued by SEBI to BSE but reserves its right to legal recourse against the view taken by SEBI.

We request you to kindly take the same on record.

Thanking you,

Yours Faithfully,
For Majestic Auto Limited

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

Mahesh Munjal
Chairman

Encl. as above

MAJESTIC AUTO LIMITED

CIN L35911DL1973PLC353132

Corporate Office: A-110, Ground Floor, Sector 4, Noida 201301 (U.P.)
Registered Office-10, Southern Avenue, First Floor, Maharani Bagh, New Delhi-110065
Tel.: 0120-4348907, Email: info@majesticauto.in, www.majesticauto.in



भारतीय प्रतिभूति
और विनियम बोर्ड
**Securities and Exchange
Board of India**

GENERAL MANAGER
CORPORATION FINANCE DEPARTMENT
Compliance and Monitoring Division-2
Corporation Finance Department

SEBI/HO/CFD/CMD2/P/OW/2021/ 22989 /1
September 08, 2021

Mr. Mahesh Munjal
Chairman & Managing Director,
Majestic Auto Ltd.
10, Southern Avenue,
Maharani Bagh,
New Delhi 110065

Sub: Warning in relation to non-compliance with SEBI (LODR) Regulation, 2015

1. This has reference to SEBI's letter dated May 05, 2021 (SEBI/HO/CFD/CMD2/P/OW/ 2021/9927/1) captioned "EGM notice dated April 09, 2021" ("SEBI's letter") addressed to the Board of Directors of Majestic Auto Limited ("MAL / Company").
2. The above letter was issued in the context of the EGM requisitioned by shareholders for 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 MAL. The letter had *inter-alia* made the following observations:
 - a. From a combined reading of sections 149, 152, 160 and 178 of the Companies Act, 2013 ("Companies Act") and regulations 16 and 19 of the SEBI (Listing Obligations and Disclosure Requirements), 2015 ("LODR Regulations"), it is clear that the process for appointment of independent directors mandatorily includes placing such proposals before the NRC and obtaining the opinion of the Board of Directors (BoD), before the same is approved by the shareholders of the company in the general meeting.
 - b. In view of the above provisions, the Board of MAL was required to give its opinion on whether the three persons mentioned above sought to be appointed as IDs are persons of integrity and possess relevant expertise and experience. The said requirement applies, irrespective of the fact whether the appointment of ID is initiated by the BoD or the shareholders.

सेबी भवन, प्लॉट नं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051
दूरभाष 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब www.sebi.gov.in



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- c. The contention that the shareholders have the right to appoint any person as a director in terms of section 160 of the Companies Act and that under these circumstances, it is not necessary to obtain the recommendations of the NRC and the opinion of the BoD 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.
 - d. In the present matter, the Nomination & Remuneration Committee (NRC) of MAL did not recommend the appointment of Mr. Anil Thapar as an Additional Independent Director. The Board of MAL also considered the matter, but did not pass the resolution for the appointment nor expressed any opinion about his integrity and relevant expertise or experience. The proposed candidatures of Mr. Sanjeev Krishna Sharma and Mr. Yogendra Kumar Gupta as Independent Directors, were not placed before the NRC or the Board.
 - e. 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.
 - f. Further, by not disclosing the opinion of NRC and Board on the appointment of Mr Anil Thapar, MAL was also not in compliance with the principles governing disclosure and obligation laid down in the LODR Regulations.
 - g. In view of the above, it was advised that the due process for appointment of independent directors of the Company should be followed, which involves placing the proposals before the NRC and the BoD for its recommendation and opinion respectively.
3. While the Company disclosed the aforementioned SEBI letter to the Stock Exchange, it was however noted that the direction in the above letter was not followed citing technical reasons. The EGM was conducted as scheduled on May 08, 2021 and the resolution for the appointment of the three Independent Directors on the Board of MAL was approved in the meeting.

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4. While an ad interim ex-parte order was passed in the matter on June 11, 2021 (WTM/SM/CFD-CMD2/33/2021-22) and subsequently disposed considering that the 3 new IDs voluntarily tendered their resignation, however, the fact remains that the established procedure for ID appointment was circumvented despite explicit instructions of SEBI in this regard.
5. As Chairman & Managing Director ("CMD") of the Company, you are responsible for maintaining high standards of corporate governance and ensuring a transparent nomination process to the Board of MAL which was in the interest of all stakeholders. The relevant provisions enshrined in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations") in this regard, are as under:
 - i. *Regulation 4 (2) (f) (ii) (5) of LODR Regulations - Ensuring a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the board of directors.*
 - ii. *Regulation 4 (2) (f) (iii) (6) of LODR Regulations - The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders.*
6. In view of the above, as CMD of the Company, you should have ensured compliance with the directions contained in SEBI's letter dated May 05, 2021. On the contrary, despite the then Company Secretary (Ms. Juhi Garg) and the 3 IDs (namely Mr. Vikas Nanda, Mr. Naveen Jain & Mr. S.L Mohan) not attending the EGM citing irregularities in the appointment process of new IDs, you went ahead with the EGM.
7. It is pertinent to mention that throughout the developments that took place, you were wearing two hats, one as a CMD of the Company and other as a promoter shareholder (through Anadi Investments Pvt. Ltd.). There appears to be a conflict between your role as the CMD of the listed company who is responsible for maintaining high standards of corporate governance and your interest as a promoter shareholder in appointing your own chosen persons as IDs.
8. By going ahead with the EGM despite SEBI's letter, you have allowed your vested interest as a promoter shareholder representing the majority stake to prevail and dominate over your statutory responsibilities and liabilities as the CMD of the Company.
9. In your pursuit of appointing your own chosen persons as IDs, you circumvented the well-established procedure for appointment of IDs and sidelined the institution of the NRC and the Board of directors. You also did not comply with explicit



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directions of SEBI on following the due process for appointment of independent directors of the Company.

As a result, you have failed to ensure a transparent nomination process to the Board of MAL and have failed to uphold the governance standards enshrined in LODR Regulations; thereby resulting in violation of Regulation 4 (2) (f) (ii) (5) and 4 (2) (f) (iii) (6) of LODR Regulations.

10. The aforesaid non-compliances are viewed seriously. You are hereby warned and advised to uphold the highest standards of transparency and governance. Any such aberration in future would be viewed seriously and appropriate action would be initiated.
11. You are also advised to place this letter before your Board of Directors in its next meeting and disseminate the same to the stock exchange(s). The stock exchange is advised to take note of the contents of the letter.

Yours faithfully,


Surabhi Gupta

Copy to BSE (*via email*)