

16 April 2025

BSE Limited of India Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001
Scrip Code: 505355

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G
Bandra Kurla Complex
Bandra (East)
Mumbai 400 051
Symbol: NESCO

Dear Sir/Madam,

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

In compliance with Regulation 30 of the Listing Regulations read with SEBI Circular no. SEBI/HO/CFD/CFDPoD-1/P/CIR/2023/123 dated 13 July 2023, we are enclosing a disclosure in **Annexure – I** to this letter.

Thanking you

Yours faithfully,

For Nesco Limited

Shalini Kamath
Company Secretary & Compliance Officer
M. No. A14933

Annexure- I

Sr. No.	Name of authority	Securities and Exchange Board of India ('SEBI')
1	Nature and details of the action(s) taken, initiated or order(s) passed	Final Order dated 15 April 2025 passed by SEBI regarding continuing Shri Manu M Parpia (erstwhile Independent Director of the Company) as an Independent Director on the Board of the Company after expiry of his tenure and other related matters.
2	Date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority	The Order has been issued on April 15, 2025.
3	Details of the violation(s)/contravention(s) committed or alleged to be committed	<p>The said order is passed for contravention of the following Securities Law:</p> <ul style="list-style-type: none"> Regulation 25(2) of the LODR Regulations read with Section 149(10) of the Companies Act, 2013. Regulation 27(2) read with Regulation 4(1)(c) of the SEBI LODR Regulations. Regulation 17(1C), 16(1)(b)(iv) and 30(2) read with Clause 12 of para-A of Part A of Schedule III of the LODR Regulations and SEBI Circular No. SEBI/HO/CFD/CFD-PoD1/P/CIR/2023/123 dated July 13, 2023. <p>The final order is available at https://www.sebi.gov.in/enforcement/orders/apr-2025/order-in-the-matter-in-the-matter-of-nesco-limited_93453.html</p> <p>A copy of the final order is also attached herewith.</p>
4	Impact on financial, operation or other activities of the listed entity, quantifiable in monetary terms to the extent possible.	<p>SEBI vide its order dated 15 April 2025 has imposed a penalty of Rs. 2,00,000/- (Rupees Two Lakhs Only) under Section 15A(b) of the SEBI Act, 1992 and Rs. 3,00,000/- (Rupees Three Lakhs Only) under Section 15HB of the SEBI Act, 1992.</p> <p>There is no material impact on the financial, operation or other activities of the Company in view of the order.</p>

BEFORE SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11B(1), 11B(2), 11B(4), 11(4A) and 15A(b) read with Section 11(1) and 15HB of the Securities and Exchange Board of India Act, 1992 read with Rule 4(1) of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995

In respect of:

Noticee No.	Noticee's Name	PAN/DIN
1	NESCO Limited	AAACN1222E

In the matter of NESCO Limited

Background:

1. Based on the report of Stakeholders Empowerment Services (“**SES**”) dated July 27, 2023, received on October 20, 2023, Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an examination in the matter of NESCO Limited (hereinafter referred to as “**NESCO**” / “**Company**” / “**Noticee**”) and Shri Manu M Parpia, Independent Director of NESCO. The reference, inter-alia, raised issues regarding continuation of Shri Manu M Parpia as the Independent Director of NESCO for more than a year, even after expiry of his tenure on May 09, 2022.
2. Pursuant to the examination, Noticee was observed to have prima facie violated the following provisions of Securities Laws:
 - 2.1.Regulation 25(2) of the Securities and Exchange Board of India (Listing

Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as '**LODR Regulations**'), read with Section 149(10) of the Companies Act, 2013 by continuing Shri Manu M Parpia as an independent director on its Board after expiry of his tenure.

- 2.2. Regulation 27(2) read with Regulation 4(1)(c) of the LODR Regulations by wrongly classifying Shri Manu M Parpia as an Independent Director in the Corporate Governance Reports.
- 2.3. Regulation 17(1C) of the LODR Regulations for failure to take approval of the shareholders in the ensuing general meeting for appointment of 03 independent directors.
- 2.4. Regulation 16(1)(b)(iv) of the LODR Regulations and Section 149(11) of the Companies Act, 2013 in failing to determine the eligibility of Shri Manu M Parpia as an Independent Director.
- 2.5. Regulation 30(2) read with Clause 12 of para A of Part A of Schedule III of the SEBI (LODR) Regulations, 2015 read with SEBI Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123 dated July 13, 2023, due to delayed disclosure of Postal Ballot Notice dated August 04, 2023

Show Cause Notice:

3. Accordingly, a common Show Cause Notice dated May 28, 2024 (hereinafter referred to as "**SCN**") was issued to the Noticee and Shri Manu M Parpia wherein the Noticee was called upon to show cause as to why suitable directions should not be issued against it under Sections 11B(1) and 11(4), read with Sections 11(1) of the SEBI Act and calling upon Noticee along with Shri Parpia to show cause as to why appropriate directions to levy penalty should not be imposed on them. SCN was served to both of them vide SPAD as well as by email.

Settlement Order of Shri Manu M Parpia

4. Subsequently, Shri Manu M Parpia filed a settlement application dated July 03, 2024 with SEBI in terms of SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”) proposing to settle the pending proceedings through a Settlement Order without admitting or denying the findings of fact and conclusions of law. Based on the same, the proceedings initiated against Shri Parpia were disposed of vide Settlement Order dated January 01, 2025.

Reply, Inspection and Hearing:

5. Authorized Representative (**AR**) of the Noticee, vide letter dated June 25, 2024, sought some additional documents and inspection of the said documents which was provide to him on August 29, 2024. Thereafter, vide letter dated September 06, 2024, the AR of the Noticee sought some additional documents to which the relevant and relied upon document was provided to him. Subsequently, the Noticee filed his reply vide letter dated November 01, 2024.
6. Thereafter, in the interest of natural justice, Noticee was granted an opportunity of personal hearing on January 28, 2025 vide hearing notice dated January 14, 2025. AR of the Noticee appeared in the said hearing and requested for time to file additional submissions which was granted to him. The AR of the Noticee filed additional submission vide letter dated February 06, 2025.

Replies of the Noticee:

7. The submissions of the Noticee vide replies dated November 01, 2024 and February 06, 2025 are summarized as below:
 - a) *While in terms of the applicable law, Shri Parpia’s tenure ended on May 09, 2022, however, owing to a clerical oversight, the Company omitted to note the same. Naturally, the Company, in compliance with Regulation 27(2) of the*

- LODR Regulations, filed CGRs in the standard format provided by SEBI, for the quarters ending June 2022, September 2022, December 2022 and March 2023, representing that Shri Parpia's was a non-executive ID in the Company.*
- b) It immediately informed SEBI and the Stock Exchanges about the incident and made appropriate disclosures to avoid misleading the public at large. The disclosure further specified that the Board was in the process of "evaluating and undertaking appropriate steps to re-appoint and regularise the re-appointment of Shri Parpia as an Independent Director.*
 - c) In order to avoid the recurrence of such incidents in the future, the Company has also taken steps to put in place measures such as creation of alerts and reminders as well as updating its compliance tool.*
 - d) A request for rectification of the CGRs was not made by the Company since such request for reports filed in the past could portray incorrect or misleading facts and could have been viewed as a mala fide attempt to mislead the public. However, once the Company disclosed the error on the Stock Exchanges, it appropriately disclosed the same in its Annual Report for the Financial Year 2022-23.*
 - e) The Annual Report of the Company along with the notice for the AGM to be held on August 04, 2023 was dispatched to the shareholders of the Company and uploaded on the Exchanges at 11 :27 PM on July 12, 2023. The three IDs were appointed to the Board at its meeting held on the same day, i.e., July 12, 2023, which concluded only at 3:30 PM. Thus, since the date of the dispatch was the same day as the date of the Board meeting wherein the appointment of directors was discussed, there was no way in which the appointments could have been made part of the notice for the AGM dated. Regardless of this, the Noticee proceeded to seek the shareholders' approval through a postal ballot, duly approved by the Board, at the next AGM, i.e., on August 04, 2023.*
 - f) The appointment of the three IDs did not form part of the agenda since the Notice for the AGM dated August 04, 2023 was dispatched on the same day*

on which the Board of the Noticee met to decide on the appointment of the three IDs. However, it is pertinent to note that the appointment of the three IDs was approved by the shareholders with requisite majority on October 07, 2023, i.e., within the three-month timeline stipulated in Regulation 17(1C) of the LODR Regulations. Around 99.8% of the shareholders from the total shareholders who had participated in the voting, have voted in favour of appointment of the three individuals as IDs. Therefore, we humbly submit that the aforesaid violations may be viewed as mere unavoidable breaches at best.

- g) The professional fees received by Shri Parpia as a special invitee to the meetings of the Board and the Audit Committee of the Company during the intervening period does not result in a "material pecuniary relationship" between the Company and Shri Parpia as a "material pecuniary relationship" between the Noticee and Noticee No. 2 would exist if the amount of professional fees paid by the Company to Noticee No. 2 exceeded ten per cent of the latter's total income. Accordingly, the allegations imputed by the Notice that receiving professional fees jeopardized the independence of Shri Parpia in the three years preceding his appointment as an ID in the Board of the Company cannot be sustained.*
- h) In terms of Sections 149(10) and (11) of the Companies Act, an independent director may hold office for two consecutive terms at a time, each term amounting to five consecutive years and subject to passing of a special resolution by the company, such that the two consecutive terms follow each other. Further, where an independent director has served on the board of a company for two consecutive terms, he may be re-appointed only after a period of three years from the end of the second term, during which he may not be associated with the company in any capacity. As on the date of Shri Parpia's appointment to the Board of the ID in July 2023, Shri Parpia had merely completed his first term, which ended on May 09, 2022.*
- i) It cannot be said that the two terms of directorship served by Shri Parpia were*

consecutive in nature or immediately followed one another. The only plausible way of moving forward was by way of appointment of Shri Parpia as an additional director and as an ID at the next possible instance. There is no restriction on Shri Parpia 's appointment for a second term as an ID in the Board of the Company insofar as the gap in his directorships is concerned. The same should not be viewed as a "re-appointment" but rather a fresh appointment of Shri Parpia to the Board of the Company.

- j) While the Postal Ballot Notice was approved by the Board of the Company on August 04, 2023, no action towards its "issuance" to shareholders was taken on said date. It is submitted that the Postal Ballot Notice was issued to the shareholders of the Company only when it was dispatched to them on September 06, 2023. Thus, for the purpose of Clause 12 of para-A of Part A of Schedule III of the LODR Regulations, the event of "issuance of notice ... to shareholders" of the Company occurred only on September 06, 2023. Accordingly, the Company was required to disclose the same within 12 hours of the issuance of the Postal Ballot Notice, which it duly complied with and disclosed on September 06, 2023 itself.*
- k) The alleged defaults were based upon a bona fide belief and, at best, should be viewed as a mere breach of technicality and not a deliberate act on the part of the Noticee.*
- l) Mr. Parpia 's presence in the Board meetings and Audit Committee meetings held between May 2022 and July 2023 did not impact the quorum or decisions of the Board and Audit Committee, respectively.*

8. Accordingly, I note that the SCN and Hearing Notice were duly served to the Noticee. Further, an opportunity of personal hearing was also given to the Noticee, which was availed by him. Hence, the principles of natural justice were complied with respect to the Noticee and I shall now proceed to deal with the key issues involved in the instant matter.

Consideration of Issues and Findings:

9. I have carefully perused the submissions made by some of the Noticees, documents available on record and the following issued require consideration:

A. Whether the Noticee has violated the relevant provisions of LODR Regulations and the Companies Act?

B. If the answer to the above issue is in affirmative, what directions, if any, including monetary penalty, is required to be imposed on the Noticee?

10. Before I further proceed in the matter, it is pertinent to refer to the relevant provisions of SEBI Act, LODR Regulations and PFUTP Regulations, alleged to have been violated by the Noticees, as per the SCN. The same are reproduced herein below:

LODR Regulations

Definitions.

16.(1) For the purpose of this chapter, unless the context otherwise requires –

(b) "independent director" means a non-executive director, other than a nominee director of the listed entity:

(iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;

Board of Directors.

17.(1C) The listed entity shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board of Directors or as a manager is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier..

...

17.(10) The evaluation of independent directors shall be done by the entire board of directors which shall include-

(a) performance of the directors; and

(b) fulfillment of the independence criteria as specified in these regulations and their independence from the management...

Obligations with respect to independent directors.

25.(2) The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.

(2A) The appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution.

...

Other corporate governance requirements.

27.(2)(a) The listed entity shall submit a quarterly compliance report on corporate governance in the format as specified by the Board from time to time to the recognised stock exchange(s) within twenty-one days from the end of each quarter.

...

Disclosure of events or information.

30.(2) Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entity shall make disclosure of such events.

Schedule III of SEBI LODR Regulations

“Para A of Part A - Events which shall be disclosed without any application of the guidelines for materiality as specified in sub-regulation (4) of regulation (30):

...

12. Issuance of Notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the listed entity

...”

Principles governing disclosures and obligations

Regulation 4. *(1) The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:*

(a)

.....

(c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.

....”

4. (2) The listed entity which has listed its specified securities shall comply with the corporate governance provisions as specified in chapter IV which shall be implemented in a manner so as to achieve the objectives of the principles as mentioned below.

(a).....

(b).....

.....

(f) Responsibilities of the board of directors: The board of directors of the listed entity shall have the following responsibilities:

(i)

(ii) Key functions of the board of directors-

...

(2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed

...

(7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

(8) Overseeing the process of disclosure and communications

....

(iii) Other responsibilities:

(1)...

...

(3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.

...

(12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities.

.....”

Companies Act, 2013

Appointment and qualifications of directors

149. Company to have Board of Directors.

(10) Subject to the provisions of section 152, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

(11) Notwithstanding anything contained in sub-section (10), no independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director:

Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.

SEBI Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123 dated July 13,

2023:

Annexure II.

A.(12) Issuance of notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the listed entity – within 12 hours

11. I now proceed to consider the matter on merits.

Issue A. Whether the Noticee has violated the relevant provisions of LODR Regulations and the Companies Act?

12. I note that pursuant to the examination conducted by SEBI based on the SES report dated July 27, 2023, in connection with the issues regarding continuation of Shri Manu M Parpia as the Independent Director of NESCO for more than a year, even after expiry of his tenure on May 09, 2022, following was observed and alleged:

12.1. Omission of re-appointment of Shri Manu M Parpia upon expiry of his 1st Term

12.1.1. I note that the examination observed that the tenure of Shri Parpia as an independent director of the Noticee ended on May 09, 2022, who was appointed by the Board of the Noticee to the said position on May 10, 2017. However, the Noticee continued to include him as an Independent Director on its Board beyond May 09, 2022 and as per their submission, only realised the error after almost a year i.e. in May 2023.

12.1.2. Examination further observed that as per the Corporate Governance Reports (“CGRs”) filed by the Noticee for the quarters ended June 2022, September 2022, December 2022, and March 2023, Shri Parpia was disclosed as an independent director and permitted to attend the Board Meetings during the said period.

12.1.3. It was also noted from the above-mentioned CGRs that Shri Parpia was also a member of the Audit Committee and continued to be a member of the same and attended the meetings, even after his tenure ended on May 09, 2022.

12.1.4. I note that based on the above observations, for continuing Shri Parpia as an independent director on its Board after expiry of his tenure, Noticee

was alleged to have violated Regulation 25(2) of the LODR Regulations read with Section 149(10) of the Companies Act, 2013. Further, for wrongly classifying Shri Parpia as an Independent Director in the Corporate Governance Reports, Noticee was alleged to have violated Regulation 27(2) read with Regulation 4(1)(c) of the LODR Regulations.

12.1.5. In this regard, Noticee has submitted that owing to a clerical oversight, the Company omitted to note the expiry of tenure of Shri Parpia and therefore, the Company, in compliance with Regulation 27(2) of the LODR Regulations, filed CGRs in the standard format provided by SEBI, for the quarters ending June 2022, September 2022, December 2022 and March 2023, representing that Shri Parpia's was a non-executive ID in the Company.

12.1.6. I note that the said submission of the Noticee is in the form of admission. Accordingly, I find that the Noticee has violated Regulation 25(2) of the LODR Regulations read with Section 149(10) of the Companies Act, 2013 and Regulation 27(2) read with Regulation 4(1)(c) of the LODR Regulations.

12.2. Omissions at the time of appointment of 3 Independent Directors

12.2.1. Examination noted that though Shri Parpia was re-appointed by the Board of the Company in their meeting dated July 12, 2023, his re-appointment did not form part of agenda for its AGM scheduled to be held on August 04, 2023. Examination further observed that the Board of the Noticee in its meeting dated July 12, 2023, approved the appointment of Shri Ramakrishnan Ramamurthi and Shri Manish Ishwarlal as Additional-Non executive Independent Directors. However, their appointments also

did not form part of agenda for its AGM scheduled to be held on August 04, 2023.

12.2.2. Later, the Noticee issued a Postal Ballot Notice dated August 04, 2023, for appointment of Shri Manu M Parpia, Shri Ramakrishnan Ramamurthi and Shri Manish Ishwarlal as Independent Directors, which was circulated to the shareholders on September 06, 2023, giving a voting period starting from September 08, 2023 to October 07, 2023. The said resolution was passed on October 07, 2023.

12.2.3. In terms of Regulation 17(1C) of the LODR Regulations, the listed entity shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board of Directors or as a Manager is taken at the next general meeting or within a period of three months from the date of appointment, whichever is earlier.

12.2.4. In the extant matter, the next general meeting was the AGM dated August 04, 2023. However, examination observed that the Noticee failed to get the approval of the shareholders in the said meeting and therefore it was alleged that the Noticee has violated Regulation 17(1C) of the LODR Regulations.

12.2.5. I note that the Noticee has contended that the Annual Report of the Company along with the notice for the AGM to be held on August 04, 2023 was dispatched to the shareholders of the Company and uploaded on the Exchanges at 11:27 PM on July 12, 2023. Also, the three Independent Directors were appointed to the Board at its meeting held on the same day, i.e., July 12, 2023, which concluded only at 3:30 PM. Thus, since the date of the dispatch was the same day as the date of the Board meeting wherein the appointment of directors was discussed,

there was no way in which the appointments could have been made part of the notice for the AGM dated and regardless of this, the Noticee proceeded to seek the shareholders' approval through a postal ballot, duly approved by the Board, at the next AGM, i.e., on August 04, 2023. The Noticee further contended that the appointment of the three Independent Directors was approved by the shareholders with requisite majority on October 07, 2023, i.e., within the three-month timeline stipulated in Regulation 17(1C) of the LODR Regulations and that around 99.8% of the shareholders from the total shareholders who had participated in the voting, have voted in favour of appointment of the three individuals as IDs.

12.2.6. I have carefully considered this contention. I note that the explanation given by the Noticee that there was insufficient time to include the appointments of the Independent Directors in the AGM notice does not absolve the listed entity from complying with the mandatory requirement laid down under Regulation 17(1C) of the LODR Regulations. The regulation unambiguously provides:

“The listed entity shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board of Directors or as a Manager is taken at the next general meeting or within a period of three months from the date of appointment, whichever is earlier.”

12.2.7. I note that in the present case, the next general meeting after the appointment of the directors was the Annual General Meeting held on August 04, 2023. It is evident that no shareholder approval was sought at the said AGM. The Postal Ballot process initiated subsequently, though resulting in shareholder approval on October 07, 2023, falls outside the compliance window stipulated under the regulation.

12.2.8. In view of the same, I note that the defense based on the logistical timeline of dispatching the AGM notice and the Board meeting's end time is not a valid ground for regulatory non-compliance. It was within the Noticee's control to either:

- a) Schedule the appointment earlier, prior to the finalization and dispatch of the AGM notice; or
- b) Defer the appointment to ensure that it could be included in the notice; or
- c) Schedule the dispatch of the AGM notice in a way to include the said appointment in it.

12.2.9. I note that the Noticee did none of the above, and therefore, the non-compliance is squarely attributable to the Noticee's failure to plan and act within the regulatory framework.

12.2.10. Based on the above, I find that the Noticee has violated the provisions of Regulation 17(1C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

12.3. Non-eligibility of Shri Parpia for appointment as Independent Director

12.3.1. Examination observed that Shri Parpia was appointed by the Noticee as an Independent Director on May 10, 2017 for a term of 5 years. Accordingly, the tenure of his first term ended on May 09, 2022. However, the Noticee continued to include him as an Independent Director on its Board and purportedly only realised the same after almost a year i.e. in May 2023. As per the submission of the Noticee dated December 18, 2023, its Board approved a resolution in their meeting dated May 24,

2023 that the attendance of Shri Parpia during this intervening period will be considered in the capacity of “**special invitee**”.

12.3.2. Subsequently, Shri Parpia was re-appointed by the Board of the Noticee with effect from July 15, 2023. The shareholders’ resolution through postal ballot notice was passed on October 07, 2023.

12.3.3. The relevant Legal provisions are produced below:

As per SEBI (LODR) Regulations, 2015:

“Obligations with respect to independent directors.

25.(2) The maximum tenure of independent directors shall be in accordance with the Companies Act, 2013 and rules made thereunder, in this regard, from time to time.

...”

“Definitions

16.(1) (b) “Independent Director” - means a non-executive director, other than a nominee director of the listed entity:

..

(iv) who, apart from receiving director's remuneration, has or **had no material pecuniary relationship with the listed entity**, its holding, subsidiary or associate company, or their promoters, or directors, **during the three immediately preceding financial years** or during the current financial year;

...”

[emphasis added]

As per the Companies Act, 2013:

“149. Company to have Board of Directors

(10) Subject to the provisions of section 152, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report

(11) Notwithstanding anything contained in sub-section (10), no independent director shall hold office for more than two consecutive terms, but such independent

*director **shall be eligible for appointment after the expiration of three years of ceasing to become an independent director:***

*Provided that an independent director **shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly***

...

[emphasis added]

As per the **Guidance Note on Independent Directors** issued by the Institute of Company Secretaries of India ("ICSI"):

While discussing the Section 149(11) of the Companies Act, 2013, the Guidance Note issued by ICSI notes that –

*"The term "consecutive" has not been defined in the Act. However, reference of the word "consecutive" can be drawn from the Merriam Webster dictionary, which provides the meaning as following one after the other or successive. This effectively means **both the terms have to follow each other.***

...

[emphasis added]

12.3.4. In view of the legal provisions and guidelines produced above and the submissions made by the Noticee, it was alleged that the appointment of Shri Parpia as an independent director with effect from July 15, 2023 was not proper due to the following reasons:

- a) The Board of the Noticee approved a resolution in their meeting dated May 24, 2023 that the attendance of Shri Parpia during this intervening period will be considered in the capacity of "**special invitee**".
- b) Further, it was resolved by the Board in the said meeting dated May 24, 2023 that the sitting fees paid to Shri Parpia for all the meetings attended by him as a special invitee shall be considered as **fees paid to professionals.**

- c) Examination noted that the appointment of Shri Parpia in July 2023 does not qualify to be termed as reappointment under the Companies Act, 2013, which provides for “consecutive” terms of an independent director. However, in the instant case, the two terms of Shri Parpia were not consecutive, but with a gap of around 14 months between them.
- d) Further, the subsequent appointment of Shri Parpia as an independent director with effect from July 15, 2023 was not after a gap of 3 years of his previous term as required under Section 149(11) of the Companies Act, 2013.
- e) Additionally, the attendance of Shri Parpia in the meetings of Board and Audit Committee of the Noticee and receiving professional fees for the same violates following conditions of independence, which are required to be satisfied by a person to be appointed as an Independent Director:
 - (i) He had a material pecuniary relationship with the Noticee, during the three immediately preceding financial years in violation of Regulation 16(1)(b)(iv) of the LODR Regulations, and
 - (ii) He was associated with the Noticee as a professional during the intervening period, which is in violation of proviso to Section 149(11) of the Companies Act, 2013.
- f) In this regard, Responsibility of the Board of the Noticee is noted as below—

As per Regulation 17(10)(b) of the LODR Regulations, the evaluation of independent directors shall be done by the entire Board of Directors which shall include fulfillment of the independence criteria as specified in these regulations and their independence from the management. However, the Noticee’s Board failed in fulfilling its duty to identify and ensuring the independence criteria with respect to Shri

Parpia at the time of his appointment in July 2023, which was alleged to be in violation of Regulation 17(10)(b) of the LODR Regulations.

12.3.5. Accordingly, Noticee was alleged to have violated the provisions of Regulation 16(1)(b)(iv) and Reg. 17(10)(b) of the LODR Regulations and Section 149(11) of the Companies Act, 2013.

12.3.6. I note the Noticee has contended that the professional fees received by Shri Parpia as a special invitee to the meetings of the Board and the Audit Committee of the Company during the intervening period does not result in a "material pecuniary relationship" between the Company and Shri Parpia as a "material pecuniary relationship" between the Noticee and Noticee No. 2 would exist if the amount of professional fees paid by the Company to Noticee No. 2 exceeded ten per cent of the latter's total income. Accordingly, the allegations that receiving professional fees jeopardized the independence of Shri Parpia in the three years preceding his appointment as an Independent Director in the Board of the Company cannot be sustained.

Noticee has further contended that as on the date of Shri Parpia's appointment to the Board of the ID in July 2023, Shri Parpia had merely completed his first term, which ended on May 09, 2022 and that it cannot be said that the two terms of directorship served by Shri Parpia were consecutive in nature or immediately followed one another. The only plausible way of moving forward was by way of appointment of Shri Parpia as an additional director and as an Independent Director at the next possible instance. There is no restriction on Shri Parpia 's appointment for a second term as an Independent Director in the Board of the Company insofar as the gap in his directorships is concerned. The

same should not be viewed as a "re-appointment" but rather a fresh appointment of Shri Parpia to the Board of the Company.

12.3.7. With regards to the first part of the Noticee's contention regarding "material pecuniary relationship", I note that the claim of Shri Parpia's role being only as a "special invitee" after term expiration and passing a resolution in May 2023 to that effect is procedurally flawed as post-facto regularization cannot undo the de facto service rendered by Shri Parpia beyond his term. I further note that LODR, as already mentioned by the Noticee in its reply, do not provide a threshold for the determination of such material pecuniary relationship. Accordingly, I do not find any merit in the above contention of the Noticee.

12.3.8. Further, with regards to the contention of the Noticee regarding consecutive terms of Shri Parpia, I note that Sections 149(10) and (11) of the Companies Act, provides that no independent director shall hold office for more than two consecutive terms, each term amounting to up to five consecutive years. Further, where an independent director has served on the board of a company for two consecutive terms, one may be re-appointed only after a period of three years from the end of the second term, during which he may not be associated with the company in any capacity. However, in the instant case, as on the date of Shri Parpia's appointment to the Board as Independent Director in July 2023, Shri Parpia only completed his first term, which ended on May 09, 2022 and as already established in preceding para, his term during the period between May 09, 2022 till July 12, 2023 was not as Independent Director because of him having material pecuniary relationship with the Noticee. In view of the same, I am inclined to accept the submission of the Noticee

that the restrictions mentioned under Section 149(10) and (11) would not apply to the Noticee.

12.3.9. However, as established in the preceding paras, Shri Parpia had a material pecuniary relationship with the Noticee during the three immediately preceding financial years and the Noticee's Board failed in fulfilling its duty to identify and ensuring the said independence criteria with respect to Shri Parpia at the time of his appointment in July 2023. Accordingly, I held that the Noticee has violated the provisions of Regulation 16(1)(b)(iv) and Reg. 17(10)(b) of the LODR Regulations.

12.4. Disclosure violation related to Postal Ballot Notice dated August 04, 2023

12.4.1. Examination observed that Noticee disclosed the Postal Ballot Notice dated August 04, 2023, to the Stock Exchanges with much delay on September 06, 2023.

12.4.2. It was further observed that the Postal Ballot Notice was approved by the Board of the Noticee on August 04, 2023.

12.4.3. It was also noted that for all practical purpose, the date of notice i.e. August 04, 2023 remains the relevant date here and the dispatch date is not relevant for the purpose of determining the disclosure requirement under LODR Regulations and Circulars issued thereunder. Therefore, the Company should have disclosed the Postal Ballot Notice dated August 04, 2023 within 12 hours thereof.

12.4.4. Accordingly, it was alleged that the Noticee violated provisions of Regulation 30(2) read with Clause 12 of para A of Part A of Schedule III

of the SEBI (LODR) Regulations, 2015 read with SEBI Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123 dated July 13, 2023.

12.4.5. I note that the Noticee has contended that while the Postal Ballot Notice was approved by the Board of the Company on August 04, 2023, no action towards its "issuance" to shareholders was taken on said date and the Postal Ballot Notice was issued to the shareholders of the Company only when it was dispatched to them on September 06, 2023. Thus, for the purpose of Clause 12 of para-A of Part A of Schedule III of the LODR Regulations, the event of "issuance of notice ... to shareholders" of the Company occurred only on September 06, 2023 and accordingly, the Company was required to disclose the same within 12 hours of the issuance of the Postal Ballot Notice, which it duly complied with and disclosed on September 06, 2023 itself.

12.4.6. In this regard, I note that the LODR Regulations specifies "*Issuance of Notices*" as the material events not the dispatch of such notices i.e. not when the notice is physically sent. The dispatch to shareholders is merely procedural and not a material development by itself. This is also evident from the fact that the Postal Ballot Notice was approved by the Board of the Noticee on August 04, 2023 and the date of the Notice itself was also August 04, 2023. Accordingly, I note that the Postal Ballot Notice dated August 04, 2023 should have been disclosed by the Noticee within 12 hours thereof.

I note that the intent of SEBI is to inform shareholders and markets about the decisions as and when they are made and not when they are acted upon. I further note that allowing companies to delay disclosures until dispatch would defeat the purpose of transparency and timely dissemination of material information to the public and market

participants. In view of the above, I find no merit in the contention of the Noticee and held that the Noticee has violated the provisions of Regulation 30(2) read with Clause 12 of para A of Part A of Schedule III of the SEBI (LODR) Regulations, 2015 read with SEBI Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123 dated July 13, 2023.

13. In view of the foregoing findings, it is evident that the Noticee has committed multiple lapses in compliance with the regulatory framework governing listed entities. The continued appointment and misclassification of Shri Manu M. Parpia as an Independent Director, despite the expiry of his tenure and without due assessment of eligibility, reflects a serious disregard for corporate governance norms. The failure to obtain shareholder approval for the appointment of Independent Directors and the delayed disclosure of the Postal Ballot Notice further underscore the Noticee's non-compliance with mandatory requirements under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
14. These requirements are not mere procedural formalities, they are designed to uphold transparency, protect the rights of shareholders in listed entities—particularly retail investors—and ensure the integrity of Board governance. By failing to adhere to these statutory obligations, the Noticee has undermined investor confidence and placed their interests at significant risk and compromised the principles of fair and responsible corporate conduct.
15. Accordingly, I hold the Noticee liable for the violations of the provisions of Regulation 25(2) of the LODR Regulations read with Section 149(10) of the Companies Act, 2013, Regulation 27(2) read with Regulation 4(1)(c), Regulation 17(1C), Regulation 16(1)(b)(iv) and Regulation 30(2) read with Clause 12 of para A of Part A of Schedule

III of the LODR Regulations and SEBI Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123 dated July 13, 2023.

Issue B: If the answer to the above issue is in affirmative, what directions, if any, including monetary penalty, is required to be imposed on the Noticee?

16. I have carefully considered the facts and evidence available on record against the Noticee, the circumstances surrounding the violations committed by it and the submissions advanced by the Noticee. Following the principles of preponderance of probabilities, I hold that the charges relating to violation of the provisions of the LODR Regulations and Companies Act, as detailed in this order, have been substantially established.

17. However, I also note that the Noticee disclosed the aforementioned continuation of Shri Manu M Parpia as an independent director on its Board after the expiry of his tenure, to the stock exchanges. Further, the Noticee has taken steps to implement measures such as creation of alerts and reminders, as well as the updation of its compliance tool. I note from the records of Ministry of Corporate Affairs (MCA) that Shri Manu M Parpia ceased to be the director of the Noticee as on April 01, 2024.

18. I find that material available on record does not mention the amount of disproportionate gain or unfair advantage made as a result of the said violation. I further find that the material available on record also does not indicate any specific loss caused to investors or group of investors as a result of the said violations by the Noticee. However, it is an admitted fact that the Noticee violated LODR Regulations and the Companies Act.

19. In this regard, I place reliance on the judgment of Hon'ble Supreme Court of India the matter of Chairman, **SEBI Vs Shriram Mutual Fund** {[2006]5 SCC 361} wherein Hon'ble Supreme Court held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention made by the defaulter with guilty intention or not."*

20. In view of the above, I note that the violation of the provisions of LODR Regulations, 2015 and Companies Act, 2013, established against the Noticee makes it liable for monetary penalty under Section 15A(b) and Section 15HB of the SEBI Act, 1992. Accordingly, I deem it fit to impose monetary penalties on the Noticee.

21. The relevant provisions of the SEBI Act are reproduced as under: -

Penalty for failure to furnish information, return, etc.

15A. *If any person, who is required under this Act or any rules or regulations made thereunder,—*

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

"Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.”*

22. While deciding the monetary penalty, I have considered the factors mentioned under Section 15J of the SEBI Act, 1992. Section 15J of the SEBI Act reads as follows: -

“Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
- (b) the amount of loss caused to an investor or group of investors as a result of the default;
- (c) the repetitive nature of the default.

Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

Directions:

23. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act read with Sections 11(1), 11(4), 11(4A), 11B(1), and 11B(2) of the SEBI Act and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, hereby issue the following directions:

- a) Noticee is hereby imposed with penalty of **Rs.2,00,000/-** (Rupees Two Lakhs Only) under Section 15A(b) of the SEBI Act, 1992 and **Rs.3,00,000/-** (Rupees Three Lakhs Only) under Section 15HB of the SEBI Act, 1992.
- b) The Noticee is further advised to strengthen its compliance systems to ensure strict adherence to regulatory norms going forward.
- c) The Noticees shall remit / pay the said amount of penalty, within a period of forty-five (45) days from the date of receipt of this order, through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of EDs/CGMs -> PAY NOW. In case of any difficulties in online payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

24. This order shall come into force with immediate effect.

25. A copy of this order shall be served on the Noticee.

Date: April 15, 2025
Place: Mumbai

G RAMAR
QUASI-JUDICIAL AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA