

Proxy Advisory Report (Addendum) Navin Fluorine International Limited

ABOUT SES

Stakeholders Empowerment Services (SES) is a Corporate Governance research and advisory firm. SES assists investors to analyze governance practices including matters relating to sustainability, prevalent at listed entities and empower Investors to undertake meaningful engagement with Investee entities.

SES SERVICES

Proxy Advisory:

Advises investors on the matters that require shareholder approval at listed entities and identify Governance issues. [Read More](#)

ESG Scores:

Analyze sustainability initiatives of Companies based on various environmental, social and governance factors. [Read More](#)

Corporate Governance Score (CGS):

CGS model measures the Company's compliance and also evaluates the governance practices with respect to global benchmarks. [Read More](#)

Governance Research:

In-depth and robust analysis on various topic to identify governance issues relating to companies, transactions, sectors and even the broader markets. [Read More](#)

E-Ballot:

Online Vote Management System to cater to requirements of Institutional Investors. One stop solution for investors – from accessing proxy reports and voting advice to recording votes and generating customized MIS reports. [Read More](#)

SES AIMS:

Designed primarily for Institutional investors to carry out their stewardship activities in an efficient manner. [Read More](#)

BRSR: SES has developed an Online web-based platform where in the Company can fill all its BRSR related data and generate its BRSR Report seamlessly online. [Read More](#)

BRSR Guide on relevant sector: [Read more](#)

COMPANY INFORMATION

BSE CODE: 532504

NSE SYMBOL: NAVINFLUOR

ISIN: INE048G01026

Industry: Commodity Chemicals

Email: info@nfil.in

Phone: +91 22 6650 9999

Registered Office: 2nd Floor, Suntek Centre, 37/40, Subhash Road, Vile Parle(E), Mumbai - 400 057

MEETING DETAILS

Meeting Type: AGM

Meeting Date: 27th July, 2022 at 3:00 PM

Venue: Video Conferencing (VC) facility or other audio visual means (OAVM)

Notice Date: 7th May, 2022

Notice: [Click here](#)

Annual Report: [FY 2021-22](#)

SES PA Report: [Click here](#)

E-VOTING DETAILS

e-Voting Platform: [NSDL](#)

Cut-off Date: 20th July, 2022

Remote E-voting:

- **Start:** 23rd July, 2022
- **Ends:** 26th July, 2022

ADDENDUM RELEASE DATE: 22nd JULY, 2022

RESEARCH ANALYST: HEMANT VAISHNAV

CONFLICT DISCLOSURE: SES - NO CONFLICT | ANALYST - NO CONFLICT

INTERACTION WITH THE COMPANY - NO INTERACTION



ADDENDUM

This Addendum is being issued in response to e-mail dated 22nd July, 2022 received by SES from Navin Fluorine International Ltd ('the Company') w.r.t. Proxy Advisory Report ([PA Report](#)) issued by SES in relation to ensuing 24th Annual General Meeting (AGM) of the Company to be held on 27th July, 2022.

There is no change in any of the SES recommendation. However, Shareholders may note the clarification provided by the Company.

BACKGROUND

SES, as per its policy, had e-mailed its Proxy Advisory Report ([PA Report](#)) to the Company on 18th July, 2022 in respect upcoming AGM of the Company.

Post release of PA Report, SES received an email from the Company on 22nd July, 2022 providing clarification with respect to the concern raised by the SES in its PA report which is reproduced hereinbelow in *blue text* along with the SES Response (**in black**).

It may be noted that the email of the Company (as per SES policy framed to comply with SEBI Circular dated 3rd August, 2020 [SEBI/HO/IMD/DF1/CIR/P/2020/147](#)) has already been forwarded to SES clients 'as it is', without any inputs from SES on 22nd July, 2022. This Addendum provides appropriate observation of SES, wherever required

SES COMMENTS TO COMPANY'S RESPONSE

For Item # 3: To re-appoint Mr. Mohan M. Nambiar (DIN: 00046857), Non-Executive Non-Independent Director, who retires by rotation and being eligible, offers himself for re-appointment

- 1. You will note that Mr. Nambiar is on the Board of only 3 other companies, of which only 1 is listed. He gives complete priority to his commitment to NFIL.*
- 2. You will note from data available in public domain that Mr. Nambiar has not missed a single meeting of the Board of NFIL over the past 5 years.*
- 3. Mr. Nambiar has a vast experience with various prestigious organisation and enriches the Board of the Company with his exceptional financial acumen and unique set of skills.*
- 4. SES has mentioned in its report - without raising any concern over the merits of Mr. Nambiar, and acknowledging that while there is no compliance concern, however, solely based on governance parameters, SES is of the opinion that mere presence of Mr. Nambiar on the Board may potentially impact the independence of the audit process, hence, SES is raising concern.*
- 5. As mentioned in the Explanatory Statement, Mr. Nambiar's son-in-law is a partner in PWC but he is in no way associated with the audit of the Company or its subsidiaries by PWC.*
- 6. Mr. Nambiar does not participate in agenda items pertaining to PWC's appointment/re-appointment/remuneration/determination of independence etc. in the Audit Committee and Board meetings of NFIL.*
- 7. The relevant provisions of applicable laws restrict a person whose relatives are employed with audit firm from appointment as Independent Director; such person can be appointed as Non-Executive Non-Independent Director.*

For Item # 4: Re-appointment of M/s. Price Waterhouse Chartered Accountants LLP as the Statutory Auditors of the Company

- 1. SES has mentioned in its Report that having PwC as auditors is not reflective of good governance practice and may lead to conflict of interest issues, despite being compliant with the law.*
- 2. As mentioned in the Explanatory Statement, Mr. Nambiar's son-in-law is a partner in PWC but he is in no way associated with the audit of the Company or its subsidiaries by PWC.*
- 3. Mr. Nambiar does not participate in agenda items pertaining to PWC's appointment/re-appointment/remuneration/determination of independence etc. in the Audit Committee and Board meetings of NFIL.*



4. *With respect to the restriction of Section 141(3)(f) which read as follows –*

“(3) The following persons shall not be eligible for appointment as an auditor of a company, namely: –

.....

(f) a person whose relative is a director or is in the employment of the company as director or key managerial personnel;”

as mentioned by SES, being the father-in-law is not a relative, as per the applicable law. In addition, this restriction is for individual auditors and not to firms.

5. As per SA 260 (Revised), the Statutory Auditors of the Company are required to communicate in writing with those charged with governance regarding auditor independence. Accordingly, the Company, at regular intervals, receives from Price Waterhouse Chartered Accountants LLP, a letter addressed to the Audit Committee confirming that they are not aware of any relationships between them and the Company that, in their professional judgement, may reasonably be thought to bear on their independence, since their last such confirmation. The Audit Committee takes a noting of the same. Mr. Mohan Nambiar, being interested, abstains from participating in the meeting during this Agenda Item.

6. PWC is a reputed firm of Chartered Accountants registered with ICAI. Their continuation is considered to be in the best interests of the Company.

SES Comments: Shareholders may note that, SES in its report has not raised any concern on the merit of Mr. Nambiar and that of Statutory Auditors which is stated in the PA report. However, given that the Auditors are guardian of the Company’s financial integrity, any kind of relationship howsoever remote, between the Board of the Company and the auditors, has the possibility of casting a doubt on the independence and objectivity of the audit process and should be avoided.

SES as a policy invariably raises concern for appointment/ reappointment of relevant director and Auditors wherein any form of conflict of interest is observed with the Director of the Statutory Auditors.

However, Shareholders may note the Justification of the Company and take an informed voting decision.

For Item # 10 and # 11: To ratify remuneration of B. Desai & Co. (Firm Registration No. 005431), Cost Auditors of the Company for FY 2021-22 and FY 2022-23

1. The Company has, in the past, evaluated the cost audit fee vis-à-vis the turnover of many other companies and found that the Company is paying cost audit fee in terms of industry prevailing standards.

2. B. Desai & Co. is a reputed firm and engages in thorough audit processes. It has been providing quality audit services to the Company. It is associated with other reputed companies like Nirma group. The firm is managed by senior partners and has employed experienced and skilled professionals having wide exposure in ERP and other relevant areas.

SES Comments: Shareholders may note that the SES in its report have not raised any concern on the merit of the Cost Auditors. While, the Company has compared its fee with other Companies within its industry, however, SES has raised concern for ratification of remuneration of Cost Auditors since the proposed fees to cost auditors is significantly lower than the minimum suggested fees by ICAI.



COMPANY EMAIL DATED 22ND JULY, 2022***For Item # 3: To re-appoint Mr. Mohan M. Nambiar (DIN: 00046857), Non-Executive Non-Independent Director, who retires by rotation and being eligible, offers himself for re-appointment***

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- 3. Mr. Nambiar has a vast experience with various prestigious organisation and enriches the Board of the Company with his exceptional financial acumen and unique set of skills.*
- 4. SES has mentioned in its report - without raising any concern over the merits of Mr. Nambiar, and acknowledging that while there is no compliance concern, however, solely based on governance parameters, SES is of the opinion that mere presence of Mr. Nambiar on the Board may potentially impact the independence of the audit process, hence, SES is raising concern.*
- 5. As mentioned in the Explanatory Statement, Mr. Nambiar's son-in-law is a partner in PWC but he is in no way associated with the audit of the Company or its subsidiaries by PWC.*
- 6. Mr. Nambiar does not participate in agenda items pertaining to PWC's appointment/re-appointment/remuneration/determination of independence etc. in the Audit Committee and Board meetings of NFIL.*
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- 6. PWC is a reputed firm of Chartered Accountants registered with ICAI. Their continuation is considered to be in the best interests of the Company.*



Meeting Type: 24th AGMMeeting Date: 27th July, 2022

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Disclaimer

Sources

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders' Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, IPO Documents and Company Website.

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its [website](#). The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

Disclaimer

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This report in no manner constitutes an offer, solicitation or advice to buy or sell securities, nor solicits votes or proxies on behalf of any party. SES, which is a not-for-profit Initiative or its staff, has no financial interest in the companies covered in this report except what is disclosed on its website. The report is released in India and SES has ensured that it is in accordance with Indian laws. Person resident outside India shall ensure that laws in their country are not violated while using this report; SES shall not be responsible for any such violation.

All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

NC – Compliance Concern: The Company has not met statutory compliance requirements

FC – Fairness Concern: The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders

GC – Governance Concern: SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.

TC - Disclosures & Transparency Concern: The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.

Company Information



Stakeholders Empowerment Services

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