



Stakeholders Empowerment Services

Proxy Advisory  
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# Proxy Advisory Report (Addendum) REC Ltd

COMPANY INFORMATION	MEETING DETAILS	E-VOTING DETAILS
<b>BSE CODE:</b> 532955 <b>NSE SYMBOL:</b> RECLTD <b>ISIN:</b> INE020B01018 <b>Industry:</b> Finance <b>Email:</b> <a href="mailto:complianceofficer@recl.in">complianceofficer@recl.in</a> <b>Phone:</b> +91 11 4309 1500/1501 <b>Registered Office:</b> Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi - 110 003, Delhi	<b>Meeting Type:</b> Postal Ballot <b>Voting Deadline:</b> 27 <sup>th</sup> April, 2022 <b>Notice Date:</b> 25 <sup>th</sup> March, 2022 <b>Notice:</b> <a href="#">Click here</a> <b>Annual Report:</b> <a href="#">FY 2020-21</a> <b>SES PA Report (PB):</b> <a href="#">Report</a>	<b>e-Voting Platform:</b> <a href="#">NSDL</a> <b>Cutoff Date:</b> 23 <sup>rd</sup> March, 2022 <b>Remote E-voting</b> <b>Start:</b> 29 <sup>th</sup> March, 2022 <b>Ends:</b> 27 <sup>th</sup> April, 2022

RESEARCH ANALYST: SHRADDHA BANSODE

This Addendum is issued based on an email dated 18<sup>th</sup> April, 2022 received by REC Ltd w.r.t. to Proxy Advisory Report ('PA Report') issued by SES in relation to the proposed Postal Ballot (PB) having an e-voting deadline dated 27<sup>th</sup> April, 2022.

**There is no change in any of SES recommendations.**

## BACKGROUND

SES, as per its policy, had emailed its PA Report to the Company on 17<sup>th</sup> April, 2022 in respect of the proposed PB of the Company.

Post release of PA Report, SES received an email from the Company providing its view point, which is reproduced at the last 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 3<sup>rd</sup> 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 18<sup>th</sup> April, 2022. This Addendum provides appropriate responses of SES, wherever required.



## ADDENDUM

### SES COMMENTS ON COMPANY'S RESPONSE

*Item No. 1: As regards the remark made in your report about 'non-compliant Board', please note that being a Government company, the power to appoint Directors on the Board vests with the President of India. The Company is regularly following up with the administrative ministry (Ministry of Power, Government of India) for appointment of requisite number of Independent Directors on its Board; and the matter is under consideration of the ministry. Moreover, this position is duly reported in the Company's disclosures / Annual Reports sent to the stock exchanges and other stakeholders from time to time. Hence, on its part, the Company is complying with the applicable statutory provisions as well as Corporate Governance norms.*

**SES Comment:** Shareholders may note that as on date, the Board of the Company comprises of 7 directors out of which the Company has classified 2 as Executive Directors, 2 Nominee Directors and only 3 Independent Directors. As per Regulation 17(1)(b) of SEBI (LODR) Regulations, 2015 and Clause 3.1.4 of the DPE Guidelines on Corporate Governance for CPSE, if the Chairman of the Board is an Executive Director, the Number of Independent Directors shall be at least 50% as Board Members. The percentage of IDs in the Board is 43% of the total number of Directors. The percentage of IDs is less than the legal requirement of 50% IDs.

SES reiterates that the Govt companies must set an example for others to follow the laws/policies both in letter and spirit of the law. SES further emphasizes that the objective here is to bring about improved governance and not to disrupt operations.

*Item No. 2: Secondly, your report contains a remark about 'concentration of power' by combining the position of Chairman and Managing Director. In this regard, we would like to inform you that earlier, Regulation 17(1B) of SEBI LODR Regulations provided that top 500 listed entities shall have separate persons occupying the positions of Chairman and Managing Director by April 1, 2022. However, vide its notification dated March 22, 2022, SEBI has omitted the said provision and made it a 'non-mandatory requirement' under SEBI LODR Regulations. Therefore, the law does not mandate separation of posts of Chairman and Managing Director at present. Further, Postal Ballot Notice states that the appointment of Shri S.K.G. Rahate as Chairman & Managing Director is pursuant to the orders of the Ministry of Power, i.e., the administrative ministry of REC.*

**SES Comment:** SES would like to reiterate that the concern raised by SES is purely based on governance parameters and not on compliance with applicable law. As per SES, combining the position of ED and Chairman blurs the demarcation between Board and Management. Therefore, SES is of the opinion that as a good governance practice, the Company should segregate the position of Chairman and Executive Director.

### COMPANY'S EMAIL DATED 18<sup>TH</sup> APRIL, 2022

*Madam,*

*We are in receipt of your email dated April 17, 2022 and the attached report.*

*The resolutions proposed for approval of shareholders of REC Limited through Postal Ballot Notice dated March 25, 2022, namely (1) Appointment of Smt. Parminder Chopra as Nominee Director of PFC on the Board of REC; and (2) Appointment of Shri S.K.G. Rahate as Chairman & Managing Director of the Company, have been submitted in compliance of Regulation 17(1C) of SEBI LODR Regulations applicable from January 1, 2022.*

*As regards the remark made in your report about 'non-compliant Board', please note that being a Government company, the power to appoint Directors on the Board vests with the President of India. The Company is regularly following up with the administrative ministry (Ministry of Power, Government of India) for appointment of requisite number of Independent Directors on its Board; and the matter is under consideration of the ministry. Moreover, this position is duly reported in the Company's disclosures / Annual Reports sent to the stock exchanges and other stakeholders from time to time. Hence, on its part, the Company is complying with the applicable statutory provisions as well as Corporate Governance norms.*

*Secondly, your report contains a remark about 'concentration of power' by combining the position of Chairman and Managing Director. In this regard, we would like to inform you that earlier, Regulation 17(1B) of SEBI LODR Regulations provided that top 500*



*listed entities shall have separate persons occupying the positions of Chairman and Managing Director by April 1, 2022. However, vide its notification dated March 22, 2022, SEBI has omitted the said provision and made it a 'non-mandatory requirement' under SEBI LODR Regulations. Therefore, the law does not mandate separation of posts of Chairman and Managing Director at present. Further, Postal Ballot Notice states that the appointment of Shri S.K.G. Rahate as Chairman & Managing Director is pursuant to the orders of the Ministry of Power, i.e., the administrative ministry of REC.*

*It is pertinent to mention that policy and business decisions of the Company are taken collectively by the entire Board, or through its Committees constituted for different purposes, after due deliberations. CMD oversees the day-to-day operations of the Company and executes the powers delegated to him. Hence, the Company is complying with the applicable statutory provisions as well as Corporate Governance norms.*

*The above is for your information please.*

*Thanks,*

*XXXXXXXXXX*



**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**

While SES has made every effort, and has exercised due skill, care and diligence in compiling this report based on publicly available information, it neither guarantees its accuracy, completeness or usefulness, nor assumes any liability whatsoever for any consequence from its use. This report does not have any approval, express or implied, from any authority, nor is it required to have such approval. The users are strongly advised to exercise due diligence while using this report.

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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