

Proxy Advisory Report (Addendum)

Clean Science and Technology Ltd

COMPANY INFORMATION	MEETING DETAILS	E-VOTING DETAILS
BSE CODE: 543318 NSE SYMBOL: CLEAN ISIN: INE227W01023 Industry: Specialty Chemicals Email: compliance@cleanscience.co.in Phone: +91 20 2689 9953 Registered Office: Office No. 503, Pentagon Tower P-4, Magarpatta City, Hadapsar, Pune, Maharashtra, 411013	Meeting Type: PB Voting Deadline: 17 th March, 2022 Notice Date: 7 th February, 2022 Notice: Click here SES PA Report (PB): Click here	e-Voting Platform: LINKINTIME Cutoff Date: 11 th February, 2022 Remote E-voting Start: 16 th February, 2022 Ends: 17 th March, 2022
Research Analyst: Johnson D'souza		

This Addendum is issued based on e-mail dated 14th March 2022 sent by Clean Science and Technology Ltd ('the Company') w.r.t. Proxy Advisory Report ('PA Report') issued by SES in relation to the Postal Ballot with e-voting deadline of 17th March 2022.

There is no change in any of SES' recommendations.

BACKGROUND

SES, as per its policy, had e-mailed its Proxy Advisory Report (PA Report) to the Company on 5th March 2022 in respect of Postal Ballot of the Company.

Post release of PA Report, SES received an email from the Company. The Company sent an email providing its view point, which is reproduced at the last in [blue text](#) here in this Addendum.

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 15th March, 2022. This Addendum provides appropriate observation of SES, wherever required.



ADDENDUM**SES COMMENTS TO COMPANY RESPONSE**

Email of the Company is depicted in *blue* hereinbelow. SES is giving its response point by point.

Company Response regarding Resolution #1 & #2: *In terms of Regulation 17 of SEBI (SBEB and SE) Regulations, 2021 it allows the Company to determine the exercise price subject to conforming to the accounting policies. Company has stated in its Notice that it shall follow the Accounting Standards prescribed by ICAI. Further, we would like to clarify that the earlier grant of options by the Company prior to IPO was at ~44% discount on the listing price. The Company would like to follow the practice, and the discount range would be ~35% of Market Price for its balance ~ 45,000 shares which are very negligible i.e. 0.04% of Issued Shares. However, with a view to cope with the price fluctuations owing to the dynamic nature of business, the Committee is enabled to determine the exercise price, ensuring a win-win for all stakeholders.*

SES comment: The Company has made an argument that Regulation 17 provides the rights to the Company to determine the exercise price. It is to be noted that NRC has a right to determine the Exercise price but the same regulation also put an obligation on the Company to disclose the Exercise Price so determined in the Notice. Therefore, freedom to determine exercise price and disclosing the same are 2 separate matters.

SES is of the view that the Company has freedom to determine the price or pricing formula, however, once determined they need to disclose the same to shareholders while seeking their approval.

Further, though the Company has mentioned in its response that it would like to follow the practice to give discount ranging 35% of Market price for its balance 45,000 shares. However, the same is not mentioned in the Notice while seeking shareholders' approval.

Further the Company has not publicly made any announcement regarding the same. In the notice of the postal ballot the Company has provided the authority to committee to determine the exercise price per option.

Since, the information is not available in public domain and has been communicated to SES as a response to its Report, it does not warrant any change in SES Report. However, shareholders may take the same into account while voting.

Company Response regarding Resolution #3: *Please note that there is no delay in obtaining approval for continuation of employment of Mr. Ashok R Boob as MD as Section 196 does not require "prior" approval of shareholders which is also reflected in proviso to Section 196 (3) (a).*

SES comment: Section 196(3) prohibits even continuation of employment of MD once he has attained 70 years of age, unless special resolution is obtained. Extract of the section is reproduced hereinbelow:

*(3) No company shall appoint or **continue the employment** of any person as managing director, whole-time director or manager who —*

(a) is below the age of twenty-one years or has attained the age of seventy years:

*Provided that appointment of a person who has attained the **age of seventy years may be made by passing a special resolution** in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such person;*

In the present case, Mr. Ashok Ramnarayan Boob, Managing Director attained the age of 70 years on 2nd March, 2022. Therefore, he is cannot continue as MD unless approval by way of a special resolution is passed by the Company on or before such date.



Meeting Type: Postal Ballot

Voting Deadline: 17th March, 2022

Company Response regarding Resolution #4: *Further you may please note that overall cap of 10% on managerial remuneration is defined under Section 197 of the Companies Act, 2013 and overall managerial remuneration of CSTL would be ~6.5% (i.e. Fixed +4% Performance Bonus of the Profits to be divided proportionately). Earlier prior to listing it was (Fixed + 10% performance Bonus) means it was beyond 10% however, as a measure of good governance the management voluntarily reduced Performance Bonus from 10% to 4% (i.e. a reduction of 6%). The remuneration to be paid to executive directors would be in the range of ~ 6 -7% of the profits which is well within the limits of 10% as provided under the Companies Act, 2013 though the Board has got the powers to vary it,*

SES comment: While, 10% of Net Profits as remuneration is a statutory limit, SES is of the opinion that the Company must also provide an absolute limit on the total remuneration payable to an ED.

The Company has stated that “..the payment of such remuneration shall be within the overall limits as provided under Section 197 read with Schedule V of the Companies Act, 2013”.

This effectively means that there is no absolute limit in the remuneration. The Company can pay any amount up to 10% of the Net profit. While, this may be compliant with law, however, SES as a Policy, does not consider such disclosure indicative of good governance practice.

Shareholders may consider the email of the Company and SES comments thereon, and take an informed decision.

COMPANY'S E-MAIL DATED 14TH MARCH 2022 TO SES

From: **

Date: Mon, Mar 14, 2022 at 5:33 PM

Subject: RE: SES - Proxy Advisory Report - Clean Science and Technology Limited

Dear Sir

Please find below our response to your voting recommendations:-

Resolutions:-

1. To approve the modifications in Clean Science & Technology Ltd Employee Stock Option Scheme, 2021.
2. To ratify Clean Science & Technology Ltd Employee Stock Option Scheme, 2021

CSTL Response for resolution 1&2:-

· In terms of Regulation 17 of SEBI (SBEB and SE) Regulations, 2021 it allows the Company to determine the exercise price subject to conforming to the accounting policies. Company has stated in its Notice that it shall follow the Accounting Standards prescribed by ICAI. Further, we would like to clarify that the earlier grant of options by the Company prior to IPO was at ~44% discount on the listing price. The Company would like to follow the practice, and the discount range would be ~35% of Market Price for its balance ~ 45,000 shares which are very negligible i.e. 0.04% of Issued Shares. However, with a view to cope with the price fluctuations owing to the dynamic nature of business, the Committee is enabled to determine the exercise price, ensuring a win-win for all stakeholders.

Resolutions:-

3. To approve continuation of employment of Mr Ashok Ramnarayan Boob as MD of the Company
4. Re-appointment of Mr Ashok Ramnarayan Boob as MD of the Company



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5. To approve payment of aggregate annual remuneration in excess of 5% of net profits of the Company in a year collectively to all Promoter Executive Directors

CSTL Response for resolution 3,4 &5:-

Please note that there is no delay in obtaining approval for continuation of employment of Mr. Ashok R Boob as MD as Section 196 does not require "prior" approval of shareholders which is also reflected in proviso to Section 196 (3) (a). Further you may please note that overall cap of 10% on managerial remuneration is defined under Section 197 of the Companies Act, 2013 and overall managerial remuneration of CSTL would be ~6.5% (i.e. Fixed +4% Performance Bonus of the Profits to be divided proportionately). Earlier prior to listing it was (Fixed + 10% performance Bonus) means it was beyond 10% however, as a measure of good governance the management voluntarily reduced Performance Bonus from 10% to 4% (i.e. a reduction of 6%). The remuneration to be paid to executive directors would be in the range of ~ 6 -7% of the profits which is well within the limits of 10% as provided under the Companies Act, 2013 though the Board has got the powers to vary it,

Hope this clarifies.

Regards



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.

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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

SEBI Reg. No. INH000000016

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