

Proxy Advisory Report (Addendum)

Motilal Oswal Financial Services 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

E-BRSR Tool: Online web-based platform to create BRSR Report by the Company and generate XBRL in seamless, cost and time effective manner
Already Subscribed by HDFC, Hero, M&M, L&T, UPL, Wipro, Reliance group and many others. [Read More](#)
Contact for Demo –
esgdata@sesgovernance.com

SES AIMS:

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

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](#)

E-Ballot:

One stop solution for investors – Online Vote Management System to cater to requirements of Institutional Investors. [Read More](#)

COMPANY INFORMATION

BSE CODE: 532892

NSE SYMBOL: MOTILALOF5

ISIN: INE338I01027

Industry: Stockbroking & Allied

Email: shareholders@motilaloswal.com

Phone: +91 22 7193 4200/ 4263

Registered Office: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai - 400 025

MEETING DETAILS

Meeting Type: AGM

Meeting Date: 11th July, 2023 at 04:00 PM

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

Notice Date: 16th June, 2023

Notice: [Click here](#)

Annual Report: [FY 2022-23](#)

SES PA Report (Last AGM): [Report](#)

E-VOTING DETAILS

e-Voting Platform: [CDSL](#)

Cut-off Date: 4th July, 2023

Remote E-voting:

- **Start:** 8th July, 2023
- **Ends:** 10th July, 2023

ADDENDUM REPORT RELEASE DATE: 30th June, 2023

Research Analyst: Amit Panchal

Conflict Disclosure: SES - No Conflict | Analyst - No Conflict



ADDENDUM

This Addendum is being issued based on e-mail dated 28th June, 2023 sent by Motilal Oswal Financial Services Ltd. ('the Company') w.r.t Proxy Advisory Report ('[PA Report](#)') issued by SES in relation to the 18th AGM of the Company to be held on 11th July 2023.

There is no change in recommendation in resolution no. #7, #9 & #10.

Further, SES is changing its recommendation from **AGAINST** to **FOR** in resolution no. #2 (Adoption of Consolidated Financial Statements), based on additional disclosure made by the Company via email.

EXISTING RECOMMENDATION					
S. No.	Resolution	Type	SES Observation #	Rec.	Rationale
2.	Adoption of Consolidated financial statements.	O	NC	AGAINST	Non-disclosure of financials of subsidiaries
REVISED RECOMMENDATION					
2.	Adoption of Consolidated financial statements.	O	LC	FOR	Unqualified financial statements. No concern identified.

O- Ordinary Resolution, Rec. - Recommendation

LC - Legally Compliant, NC - Legally Non-Compliant, TC - Disclosures & Transparency Concern, GC - Governance Concern

BACKGROUND

SES, as per its policy, had e-mailed its PA Report to the Company on 27th June, 2023 in respect of ensuing AGM of the Company to be held on 11th July 2023.

Post release of the PA Report, the Company sent an email to SES on 28th June 2023. SES has also analysed the information provided by the Company and has provided appropriate response.

SES has reproduced the Company's response (*in blue italics*) and SES comments thereon (in black text).

SES COMMENTS ON COMPANY'S RESPONSE

Resolution no.2 : Adoption of Consolidated financial statements.

Company's Response:

With regard to Resolution no. 2, we wish to inform you that the financials of Subsidiaries Companies have been disclosed on the website of the Company. The same can be access through given

link: https://www.motilaloswalgroup.com/Downloads/IR/Financial_Statements_Subs_2022_23.pdf.

SES comment:

At the time of report making/release, SES could not locate the Audited financial statements of the Subsidiaries on the website of the Company. Therefore, SES in its report had raised concern for non-disclosure of the same.

Since the Company has now uploaded ([Weblink](#)) the Audited financial statements of the Subsidiary on the website, the compliance concern raised by SES stands addressed. Hence, SES is changing its recommendation from '**AGAINST**' to '**FOR**' for resolution no. 2.

Resolution No. 7,9 & 10:

#7. Re-appointment of Mr. Chitradurga Narasimha Murthy (Mr. C. N. Murthy) as an Independent Director of the Company.

#9. Re-appointment of Mr. Pankaj Bhansali as an Independent Director of the Company.

#10. Re-appointment of Mrs. Divya Momaya as an Independent Director of the Company.



Company's Response:

With regard to Resolution no(s). 7, 9 & 10, we wish to inform you that we have gone through your Rationale on the same and wish to highlight below mentioned points in this regard:

1. The approval of the Board of Directors of the Company was taken for re-appointment of Independent Directors ("IDs") i.e. prior to completion of their 1st term. Further, in lines with the requirements of provisions of Regulation 17(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we are taking approval of shareholders within 3 months from the Board approval.
2. As per the provisions of Section 149(10) of the Companies Act, 2013, an ID shall hold office for a term up to five consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing of a Special Resolution by the Company.

In view of the aforesaid provisions, wish to inform you that as the word 'PRIOR' is not mentioned, our understanding is that IDs can be re-appointed for 2nd term only by way of passing special resolution and shall not require prior approval of shareholders.

3. Further, would also like to draw your attention that the SEBI has also came up with a Consultation Paper on March 01, 2021 (https://www.sebi.gov.in/reports-and-statistics/reports/mar-2021/consultation-paper-on-review-of-regulatory-provisions-related-to-independent-directors_49336.html), wherein the SEBI proposed two significant changes in the process of appointment, re-appointment and removal of IDs i.e. 'dual approval' and 'prior approval'. Thereafter, the same was not approved/enforced by the SEBI. Accordingly, even as per the provisions of Regulation 25(2A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the re-appointment of an ID shall be subject to the approval of the Shareholders by way of a Special Resolution. Prior approval of the Shareholders shall not require for such re-appointment.

SES comment:

SES would like to highlight, that it has not raised compliance concern w.r.t this re-appointment in regards to SEBI LODR, but rather in respect of Section 149 (10) of the Companies Act, 2013.

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.

Though the law does not explicitly use the term '**prior**', however, the word '**eligible**' itself intends to mean pre-requisite or precondition. Therefore, eligibility cannot be ratified at a later date.

It may be noted that the provisions legislated by the Parliament viz., the Companies Act, 2013 will always override all SEBI Regulations (unless regulations are stricter). Regulations are sub-ordinate to the Act and are to be read with the Act, in harmonious construction.

Further, it may be noted that, Guidance Note on Independent Directors issued by the Institute of Companies Secretaries of India (ICSI), has also addressed the issue regarding re-appointment of Independent Directors

Relevant extract of the Guidance Note is reproduced herein below for immediate reference:

"If the shareholders' approval by special resolution for his reappointment for second term is not taken as on the last date of the first term, then such Independent Director cannot be re-appointed by Board as an Additional Director for second term, as he does not possess the eligibility to get reappointed for second term and hence, he ceases to be a director at the end of his first term."

Therefore, SES does not agree with the interpretation of the Company and reiterates its view. SES is of the view that, their 1st term will come to an end on 30th June 2023 and the AGM will be conducted on 11th July 2023 i.e. post their term end. So, they will cease to be the director of the company board post 30th June 2023 unless re-appointed by the shareholders prior to their term coming to end.

Therefore, there is no change in SES Analysis, however, shareholders may take note of the Company's email.



COMPANY'S EMAIL

Good Evening,

Greetings!!!

Thank you for trailing e-mail and also for providing detail analysis on the Annual Report and Resolutions proposed for the Shareholders' approval at the ensuing Annual General Meeting of Motilal Oswal Financial Services Limited ("MOFSL"/ "the Company"). We have taken note of your observations.

With regard to Resolution no. 2, we wish to inform you that the financials of Subsidiaries Companies have been disclosed on the website of the Company. The same can be access through given

link: https://www.motilaloswalgroup.com/Downloads/IR/Financial_Statements_Sub_2022_23.pdf.

With regard to Resolution no(s). 7, 9 & 10, we wish to inform you that we have gone through your Rationale on the same and wish to highlight below mentioned points in this regard:

1. The approval of the Board of Directors of the Company was taken for re-appointment of Independent Directors ("IDs") i.e. prior to completion of their 1st term. Further, in lines with the requirements of provisions of Regulation 17(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we are taking approval of shareholders within 3 months from the Board approval.
2. As per the provisions of Section 149(10) of the Companies Act, 2013, an ID shall hold office for a term up to five consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing of a Special Resolution by the Company.

In view of the aforesaid provisions, wish to inform you that as the word 'PRIOR' is not mentioned, our understanding is that IDs can be re-appointed for 2nd term only by way of passing special resolution and shall not require prior approval of shareholders.

3. Further, would also like to draw your attention that the SEBI has also came up with a Consultation Paper on March 01, 2021 (https://www.sebi.gov.in/reports-and-statistics/reports/mar-2021/consultation-paper-on-review-of-regulatory-provisions-related-to-independent-directors_49336.html), wherein the SEBI proposed two significant changes in the process of appointment, re-appointment and removal of IDs i.e. 'dual approval' and 'prior approval'. Thereafter, the same was not approved/ enforced by the SEBI. Accordingly, even as per the provisions of Regulation 25(2A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the re-appointment of an ID shall be subject to the approval of the Shareholders by way of a Special Resolution. Prior approval of the Shareholders shall not require for such re-appointment

In view of the above, we would appreciate if you revisit your recommendations on the said points and circulate revise Report to your clients.

Happy to discuss further, in case any clarification required from us.

Best Regards,

xxx

PROXY ADVISORY REPORT | FOR LIMITED CIRCULATION



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, Sustainability 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 with 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 for 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

SEBI Reg. No. INH000000016

CIN No. -

U74120MH2012NPL232154

This Report or any portion hereof may not be reprinted, sold, reproduced or redistributed without the written consent of Stakeholders Empowerment Services

Contact Information

Stakeholders Empowerment Services

109, Shyam Baba House,
Upper Govind Nagar,
Malad East,
Mumbai – 400097
Tel +91 22 4022 0322

research@sesgovernance.com

info@sesgovernance.com

www.sesgovernance.com



Warning

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

