

# SPECIMEN OF QUALIFIED SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED ON 31<sup>st</sup> March, 20\_

*[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,

The Members,

XYZ Limited

I/We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by XYZ Limited having CIN \_\_\_\_\_ (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me/us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on my/our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I/We hereby report that in my/our opinion, the company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 20....:

- complied with the statutory provisions listed hereunder and
- proper Board-processes and compliance mechanism in place;

to the extent, in the manner and subject to the reporting made hereinafter.

I/We have examined the books, papers, minute books, forms and returns filed and other records maintained by XYZ Limited for the financial year ended on 31<sup>st</sup> March, 20... according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz.,
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;

- (e) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021;
- (h) The Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018; and
- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(vi) and other applicable laws (Mention the other laws as may be applicable specifically to the company).

*Note: In case, any particular Act or law is not applicable to particular organisation, then it is suggested to mention against such Act - "Not applicable as there was no reportable event during the financial year under review".*

*For example, in case of a Pharmaceutical Company:*

*The management has identified and confirmed the following laws as specifically applicable to the company*

1. *The Pharmacy Act, 1948;*
2. *Drugs and Cosmetics Act, 1940;*
3. *Homeopathy Central Council Act, 1973.*

I/We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreement(s) entered into by the Company with Stock Exchange(s), if any.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

*(Note- Please report specific non compliances/ observations/ audit qualifications, reservation or adverse remarks in respect of the above para-wise.)*

1. In respect of issue of further shares, company did not pass a special resolution before allotting shares to persons other than existing members. This is a non-compliance of section 62 of the Companies Act, 2013.
2. Whereas in terms of the provisions of Section 149(4) & 149(5) of the Companies Act, 2013 read with rule 4 of the Companies (Appointment And Qualification Of Directors) Rules, 2014 and listing agreement, the Company was required to appoint Independent Directors on the Board of the Company the Company could not comply with the same.
3. Where as in terms of the provisions of Section 149(1) of the Companies Act, 2013 read with rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014, the Company was required to appoint at least one Women Director on the Board of the Company latest by 31<sup>st</sup> March, 20\_\_, the Company could not comply with the same.
4. Whereas in terms of the provisions of Section 177(1) of the Companies Act, 2013 read with rule 6 of the Companies (Meetings of Board and Its Powers) Rules, 2014, the Company was required to constitute an Audit Committee of the Board, the Company could not comply with the same.
5. Whereas in terms of the provisions of Section 178(1) of the Companies Act, 2013 read with rule 6 of the Companies (Meetings of Board and Its Powers) Rules, 2014 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 the Company was required to constitute a Nomination & Remuneration Committee of the Board, the Company could not comply with the same.

6. Whereas in terms of the provisions of Section 203 of the Companies Act, 2013, the Company was required to have certain Key Managerial Personnel (KMP). The Company has not appointed a Company Secretary in terms of the provisions of Section 204 of the Companies Act, 2013.
7. Whereas in terms of the provisions of Section 203 of the Companies Act, 2013, the Company was required to have certain Key Managerial Personnel (KMP). The Company has not appointed a Chief Financial Officer (CFO) in terms of the provisions of Section 204 of the Companies Act, 2013.
8. Whereas in terms of the provisions of section 138 of the Companies Act, 2013 the Company has not appointed Internal Auditor during the year.
9. Whereas in terms of the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding delayed submission of financial result for the year ended 31st March, the quarter ended and the quarter ended. Company has also received notices of penalty in this regard from the Stock Exchanges.
10. Whereas in terms of the Regulation 24 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, to the extent of appointment of Independent Director on the Board of Material non-listed Indian Subsidiary is not complied with.
11. The reporting Compliances with respect to the Foreign Exchange Management Act, 1999 ("FEMA Act") and the Rules and Regulations made thereunder to the extent of issue of GDR and compliances pursuant to Paragraph 4(3) of Schedule 1 of Notification No. FEMA 20/2000-RB dated 03rd May 2000 is not complied in regular quarters and all the quarter reports submitted to the RBI at the last quarter of the Financial Year.
12. The Overseas Direct Investment Compliances in terms of section 6 of the Foreign Exchange Management Act, 1999, (42 of 1999) read with Notification No. FEMA.120/RB- 2004 dated July 7, 2004, (GSR 757 (E) dated November 19, 2004), viz. Foreign Exchange Management (Transfer or Issue of Any Foreign Security) (Amendment) Regulations, 2004, as amended from time to time, however the same is not complied and it's a continued non- compliance since FY 2010-11.
13. The compliances (Overseas Direct Investment Compliances) in terms of provisions of the Foreign Exchange Management Act, 1999, (42 of 1999) read with Notification No. FEMA.120/RB-2004 dated July 7, 2004, (GSR 757 (E) dated November 19, 2004), viz., Foreign Exchange Management (Transfer or Issue of Any Foreign Security) (Amendment) Regulations, 2004, as amended from time to time is not complied.
14. The Company has not filed charge created on its property for obtaining guarantees from its bankers. The Bankers themselves can also file charge and 300 days time is given for filing with late payment fees. If it falls under this category, then it is deemed compliance. Even after 300 days if a condonation of delay application is made, it would be deemed compliance of process until conditions is denied. Only when denied it will be reported as non-compliance.
15. ....
16. ....
17. ....

I/we further report that

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, Independent Directors and Women Director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and

- a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

'Mr. ...., an Independent Director of the company was unable to renew his registration as an independent director in independent director's databank maintained by IICA within the stipulated time, due to which his registration expired from the databank w.e.f. ....'

I/we further report that **based on the review of the compliance mechanism established by the company and on the basis of Compliance certificate(s) issued by various departments and taken on record by the Board of Directors at their meetings**, we are of the opinion that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines **however the compliance reports were not submitted to the Board in time and a delay of about six months was observed in informing the non-compliance in respect of Compliances under Payment of Bonus Act, Employees Provident Fund Act.**

*[Note: Please report specific observations/ qualification, reservations or adverse remarks in respect of the Board Structures/ System and processes relating to the Audit Period]*

I/We further report that during the audit period the company has:

- signed the technical collaboration agreement with UVW Limited but the precise impact of such collaboration cannot be reasonably estimated for the time being.
- received show cause notice from the collector for non-payment of stamp duty in respect of transfer of immovable property.
- filed its reply however there is a contingency that company may have to pay a sum of Rupees 50 lacs by way of penalty.

(Give details of specific events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc. referred to above)

*For .....& Associates*

*(Company Secretaries)*

*(Firm Regn. No. ....)*

*Place:*

*Name and Signature of Secretarial Auditor*

*Date:*

*Associate Partner*

*UDIN- .....*

*ACS/FCS No...../COP No.....*

*PR \_\_\_\_/2022*

This report is to be read with our letter of even date which is annexed as **Annexure-1** and forms an integral part of this report.