WTM/SM/CFD-CMD2/42 /2021–22

SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S. K. MOHANTY, WHOLE TIME MEMBER

ORDER

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 -IN THE MATTER OF MAJESTIC AUTO LIMITED

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1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received a complaint highlighting certain irregularities and breach of corporate governance standards in the management of Majestic Auto Limited (hereinafter referred to as "**MAL/the *Company***").

2. Upon preliminary examination, SEBI *prima facie* found that the appointment of Mr. Anil Thapar, Mr. Sanjeev Krishna Sharma and Mr. Yogendra Kumar Gupta as Independent Directors (hereinafter referred to as the "**newly appointed IDs**") on the Board of the *Company,* was based on the approval obtained by certain shareholders, which included the promoter of the *Company* (hereinafter referred to as "**Requisitionist Shareholders**") in the EGM held on May 08, 2021. The Requisitionist Shareholders had convened the EGM, wherein names of the newly appointed IDs were approved allegedly without following the due processes as mandated under the Companies Act, 2013 (hereinafter referred to as "**Companies Act**") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**") and also by ignoring the advice issued by SEBI vide letter May 05, 2021.

3. Based on the findings of the preliminary examination and the fact that the *Company* had scheduled its Board meeting at 3:00 PM on June 12, 2021 in which the said three newly appointed IDs, the legality of whose appointment itself was questionable, were expected to participate, it was thought fit and proper to take necessary measure to protect the interest of the shareholders of the *Company* as well as the investors of securities market. Accordingly,

SEBI passed an *ad interim ex-parte* order dated June 11, 2021(hereinafter referred to as "***interim order***") issuing following directions:

> *"38. In view of the aforesaid discussions, pending conclusion of further examination by SEBI, I, in order to protect the interests of investors and integrity of the securities market, in exercise of powers conferred upon me by virtue of Section 19 read with Sections 11(1), 11(4) and 11B of the SEBI Act, 1992 and read with regulation 98 of the LODR Regulations hereby issue by way of this ad interim ex-parte order, the following directions:*
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> *i. Majestic Auto Limited is directed to ensure that the appointment of Mr. Anil Thapar, Mr. Sanjeev Krishna Sharma and Mr. Yogendra Kumar Gupta as Independent Directors on the Board of the Company pursuant to the EGM dated May 08, 2021 shall not be further acted upon and shall be kept in abeyance.*
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> ii. *Majestic Auto Limited is directed to continue with the composition of the Board of the Company as it was in existence prior to the EGM dated May 08, 2021."*

4. The *interim order* also advised that the *Company* may file its objections/reply, if any, within fourteen (14) days from the date of receipt of *interim order*.

5. It is noted that the *interim order* was served on the *Company* on June 11, 2021. Further, from the perusal of the records, it is noted that the three newly appointed IDs did not attend the said Board meeting held on June 12, 2021.

6. Subsequently, upon receipt of the *interim order*, Mr. Mahesh Munjal (in his capacity as Chairman and Managing Director of the *Company*) vide email dated June 28, 2021 has filed its reply dated June 27, 2021. In its submissions, while questioning the *interim order* on merit and jurisdiction of SEBI to pass the *interim order*, the *Company* has requested to revoke the *interim order* by advancing its arguments, *inter-alia*, as under:

   i. The directions in the *interim order* are no longer necessary and do not need to continue, in light of the fact that the three newly appointed IDs (who were appointed in the EGM held on May 8, 2021) have voluntarily tendered their resignation and have filed the Form DIR-11 with Registrar of Companies ("**RoC**") on their own accord.

   ii. Since the sole basis of the *interim order* is the purported prejudice occasioned by the presence of the three newly appointed IDs, that situation no longer exists for the

directions to continue. In the circumstances, the *interim order* has been rendered infructuous and there is no factual basis for continuing the same.

7. From the perusal of the resignation letters attached with the reply and also disclosure made by the *Company* under Regulation 30 of the LODR Regulations on the BSE Ltd., it is found that the three newly appointed IDs have resigned from the post of Independent Director of the *Company* with effect from June 25, 2021.

8. Considering the fact that the three newly appointed IDs have resigned, I find merit in the submission of the *Company* that the apprehension expressed in the *interim order* does not survive at this stage, warranting the continuation of directions issued in the *interim order*. As stated above, the *interim order* was issued pending examination of the matter, *inter alia* to restrain the three newly appointed IDs from participating in the Board meeting of the *Company* or any in decision making process of the *Company* in any manner that could be prejudicial to the interest of the shareholders, particularly the minority shareholders. Since all the three newly appointed IDs have tendered resignation and are not associated with the *Company* in any capacity to have any say in the decision making process and are not in a position to influence the decision making of the Board of the *Company*, the cause of action or apprehension that caused the issuance of interim direction pending examination of the matter, does not survive any longer, hence, the directions issued vide *interim order* dated June 11, 2021 having served its purpose and may not require to be continued.

9. In view of the foregoing and pending conclusion of further examination by SEBI, I, in exercise of powers conferred upon me by virtue of Section 19 read with Sections 11(1), 11(4) and 11B of the SEBI Act, 1992 hereby dispose of the proceedings arising out of the *interim order* dated June 11, 2021 passed against the *Company* and consequently, the directions issued vide the *interim order* also stand disposed of with immediate effect.

10. It is clarified that the disposing of the proceeding or revocation of the directions issued against the *Company* vide the *interim order* shall be without prejudice to the rights of SEBI to further examine the matter and if deemed necessary, from taking further actions against the *Company* or any other person (s), in accordance with law.

11. This order shall come into force with immediate effect.

12. A copy of this order shall be forwarded to Majestic Auto Limited and its Promoters/Directors viz., Mr. Mahesh Munjal, Mr. Aayush Munjal and Ms. Aashima Munjal, all existing Independent Directors namely Mr. Vikas Nanda, Mr. Naveen Jain, Mr. Sham Lal Mohan, Mr. Anil Kumar Sharma, Compliance Officer and the three newly appointed Independent Directors, who resigned on June 25, 2021 from Majestic Auto Limited viz., Mr. Anil Thapar, Mr. Sanjeev Krishna Sharma and Mr. Yogendra Kumar Gupta.

-Sd-

Date: July 15, 2021
Place: Mumbai

S. K. MOHANTY
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA