

**RESPONSES TO OBSERVATIONS / QUALIFICATIONS MADE BY  
SECRETARIAL AUDITOR IN HIS REPORT FOR FY 2018-19**

<b>Sl.No.</b>	<b>Qualifications / Observations by Secretarial Auditor</b>	<b>Management Replies</b>
1	<b>The MGT-1 &amp; share transfers ledgers are not kept and maintained in the Registered office of the Company. The management was unable to show the Statutory books required to be kept, maintained and preserved as a permanent document as per the CA 1956.</b>	Noted for compliance. Company's all Statutory Registers are maintained at Karnataka Power Corporation Limited where all compliances under Companies Act were used to be carried out. As the Company has appointed full time Company Secretary as required under Section 203 of the Companies Act, 2013, these Statutory Documents would be maintained at the Registered Office of the Company henceforth.
2	<b>The endorsement on the back side of the share certificates for having effected transfer has not been done according to the information obtained during the audit.</b>	Noted for compliance.
3	<b>The Company is yet to adopt the Table 'F' for its AoA.</b>	Noted for compliance. Company is in the process of complying with the same.
4	<b>There is scope to improve the implementation of SS-1 &amp; SS-2.</b>	Noted.
5	<b>MBP-1 was placed in the second BM of the audit period in respect of five directors alone against the requirement of placing them in the first Board Meeting of the financial year of all the Directors.</b>	The delay was due to inadvertence. Due care would be taken henceforth in complying with the provisions of the Act.
6	<b>The nature and size of the Company demands constitution of Nomination and Remuneration Committee under section 178 &amp; establish Vigil Mechanism system under section 177 of Companies Act, 2013.</b>	Noted for compliance. The Company is in process of complying with the same.
7	<b>The Company has not appointed the whole time Company Secretary required under section 203 of Companies Act, 2013 and committed contravention of the provisions</b>	The Company has appointed the full time Company Secretary as required under Section 203 of the Companies Act, 2013 and the said

	of the said Section.	Company Secretary has reported to duty w.e.f. 18 <sup>th</sup> September 2019.
8	<b>The Company has not filed the e-form ACTIVE - INC-22A as a result the Company's status and that of the Directors has been marked as "ACTIVE Non-Compliant" on the website of the MCA. The pre-perquisite for filing this form is compliance under section 203, viz., appointment of qualified whole time Company Secretary on rolls.</b>	Noted for compliance. As the Company has appointed Company Secretary – one of the pre-requisites for filing INC-22A – the same would be filed with ROC.
9	<b>The appointment of Directors is based on the notification issued by the GoK. As per the notification, the appointees' designation has to be "Nominee Directors", and other derivatives such as 'independent', 'whole-time', 'Managing Director', 'Executive', 'Non-executive', shall follow as the case may be. The basic characteristic of all the directors is 'nominee director' as they are nominated by GoK.</b>	In exercise of powers conferred under Article 74 of Articles of Association of the Company, GoK appoints Directors on the Board of the Company. These directors appointed on the Board are not necessarily be nominee directors unless appointed as such by the Government. Article 76 of the Articles of Association of the Company deals with Nominee Director and prescribes that Nominee Director may be appointed by the Financial Institutions / Corporations. As such re-designation of all Directors of the Company as 'Nominee Directors' is not warranted. W.r.t. re-designation of Managing Director, Independent Directors, necessary compliance would be done.
10	<b>The Company has to host a copy of the Annual returns on the website of the Company mandatorily and CSR Policy, which has not been done.</b>	Note for compliance.
11	<b>There shall be Board's authorization for a specific Director to use his Digital Signature while filing each and every e-form and the date of the BM and the resolution number should be filled in the</b>	Noted for compliance. This was an inadvertent error. Due care would be taken while filing e-forms with Ministry.

	e-forms. It is observed that in the e-forms some of the dates have been shown, but on some of those dates belong to the year 2016 where no such authorization was given. It is also observed that an authorization was given on 18.6.2018, but no BM was held on that date.	
12	The Company shall have atleast 1/3 of Independent directors of total directors on the Board of the Company, as per section 149(6) of the CA 2013. The status of none of the Directors has been selected as "Independent".	Section 149 (4) of the Companies Act, 2013 provides that every listed Company shall have 1/3 <sup>rd</sup> of the total number of directors as Independent Directors. Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014, as amended, prescribes that every public company meeting criteria under the said Rule shall have atleast 2 (Two) directors as Independent Director. As such, appointing 1/3 <sup>rd</sup> of Independent Directors is not applicable to our company as the Company is an unlisted public company. However, the Company has already appointed Independent Directors in accordance with Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014. Necessary formalities would be completed to ensure that the status of Independent Director is reflected on MCA website.
13	The Company should send the notice of EGM & AGM to the Office of the Governor, as the Hon'ble Governor is the shareholder of the Company, which not been done.	Noted for compliance.

  
**DIRECTOR (TECHNICAL)**  
**GESCOM**

  
**MANAGING DIRECTOR**  
**GESCOM**

