

चेन्नै पेट्रोलियम कॉर्पोरेशन लिमिटेड

(इंडियनऑयल की ग्रुप कम्पनी)

Chennai Petroleum Corporation Limited

(A group company of IndianOil)



CS:01:007

17.05.2021

Mr.Sambhaji Solat / Ms.Mangalam Iyer
Manager / Asst. Manager – Listing Compliance,
BSE Limited
Ground Floor, P.J.Towers,
Fort, MUMBAI – 400 001

Madam / Sir,

SUB.: NOTICE FOR NON-COMPLAINE WITH CORPORATE GOVERNANCE REQUIREMENTS

This has reference to your e-mail with reference No. SOP-CReview-May2021 dated 17th May, 2021 on the above subject, for the Non-Compliance with Regulation 17(1) of SEBI (LODR) Regulations, 2015 for the quarter ended 31.03.2021.

In this connection, we furnish below the submissions of CPCL:

1. PROVISIONS PERTAINING TO BOARD COMPOSITION (REGULATION 17)

REASON: HALF OF THE BOARD IS NOT INDEPENDENT

REPLY:

As on 31.03.2021, the composition of the Board of Directors of CPCL is as under:

Sl. No.	Category of Directors	Number
1	Functional Directors including Managing Director	3*
2	Nominee Director of IndianOil including Non-Executive Chairman	2
3	Nominee Directors of Naftiran Intertrade Company Limited	2
4	Government Director	1
5	Independent Directors including One Woman Independent Director	4
	TOTAL	12

*Mr.S.N.Pandey, Managing Director, CPCL superannuated from the services of the Company on the closing business hours of 31.01.2021 and ceased to be a Director on the Board of the Company. Mr.Rajeev Ailawadi, Director (Finance), CPCL is holding the additional charge of the post of Managing Director of CPCL w.e.f 01.02.2021 in terms of letter No. CA-31019/2/2020-PNG (36036) dated 27.01.2021.

As per Regulation 17 of the SEBI (LODR) Regulations, 2015, introduced by SEBI vide notification dated 02.09.2015, if the Non-Executive Chairman is a promoter of the Company or is related to any promoter or person occupying Management position at the Board level or at one level below the Board, atleast ½ of the Board of the Company shall consist of Independent Directors. Since the Company has a Non-Executive Chairman, who is also the Chairman of the holding company i.e. Indian Oil Corporation Limited, atleast ½ of the Board of the Company should consist of Independent Directors including 1 Woman Independent Director.

CPCL has 1 Woman Director on the Board viz., Mrs.Sobha Surendran, Independent Director, appointed on the Board of CPCL effective 31.10.2019.

The composition of the Board as on 31.03.2021 has been reported in the quarterly report on Corporate Governance wherein it is also mentioned that CPCL is a Government Company and the Directors, including Independent Directors are nominated by the Government of India and the Government of India is in the process of appointing additional Independent Directors.

It may be added here that appointment of Independent Directors is made by the administrative ministry viz., Ministry of Petroleum and Natural Gas (MoP&NG) by following the laid down guidelines of the Government of India and after obtaining approval of the Appointments Committee of Cabinet (ACC).

We would further like to draw your attention to the guidance note on SEBI circular regarding non-compliance with provisions of SEBI Listing Regulations and standard operating procedure (SOP) issued by the Stock Exchanges, wherein point no.11 provides that the Exchanges would apply the jointly decided policy on carve-outs in relation to waiver of fines, which was duly taken on record by SEBI. The said uniform carve-out policy provides for allowable reasons for waiver / reduction of penalties levied under SOP for compliance with Listing Regulations which inter-alia includes the following:

“Positions not filled as approval pending from Regulator / Ministry or any authority whose approval is necessary for filling up the position”

The company is taking up with MoP&NG for appointment of requisite number of additional Independent Directors as to ensure compliance with Corporate Governance norms enunciated under SEBI Listing Regulations as well as the Companies Act, 2013 and DPE Guidelines on Corporate Governance, applicable for Central Public Sector Enterprises (CPSEs). In addition, the requirement of additional Independent Directors for CPCL was also being highlighted to the Parliamentary Committee in various meetings.

Also, we would like to inform that, at the 342nd Board meeting held on 28.04.2021, the Board of Directors were informed of the Corporate Governance Report filed with the Stock Exchanges for the quarter ended 31.03.2021. The Board of Directors were also informed of the following:

“BSE and NSE vide their letters dated 15.02.2021 have levied a penalty of Rs.5,42,800/- (inclusive of GST) each for the Non-Compliance by CPCL with the requirement of Non-appointment of requisite number of Independent Directors

CPCL vide reply 16.02.2021 to NSE and BSE submitted that the Non-Compliance with regard to composition of the Board is not due to any negligence/default by the company as the same is not under the control of the Company and therefore, the Company should not be held liable to pay the penalties and hence the penalties imposed on CPCL may kindly be waived.”

In response to the letters sent by CPCL mentioning the reasons for non-compliance with Regulation 17 of SEBI (LODR) Regulations, 2015, BSE vide e-mail dated 19.04.2021 informed that the application filed by the company for waiver of fine / penalty towards Non-Compliance of the aforesaid regulation was placed before the “Committee for Reviewing Representations for Waiver of Fines Levied under Standard Operating Procedure (SOP)” and the Committee after considering the facts of the case and the company’s representation decided to waive the fines for the period from July, 2020 to December, 2020.



The present letter dated 17.05.2021 received from BSE on the subject, along with the reply of CPCL will also be brought to the notice of the Board at the ensuing Board Meeting.

You would appreciate that the matter regarding appointment of independent directors is beyond the control of the company. Nevertheless we can assure that, the administrative Ministry viz., Ministry of Petroleum & Natural Gas is fully seized of the matter. Considering the facts stated above, we would like to submit that the non-compliance with regard to composition of the Board is not due to any negligence/default by the Company as the same is not under the control of the Company and therefore, the Company should not be held liable to pay any penalties and waiver of fines may be granted similar to the previous periods.

Thanking you,

Yours faithfully,
For **CHENNAI PETROLEUM CORPORATION LIMITED**



P.SHANKAR
COMPANY SECRETARY

