

DISQUALIFICATIONS FOR A SECRETARIAL AUDITOR

1. For the purpose of Regulation 24A(1A) of the LODR Regulations, the following persons shall not be eligible to be appointed / continue as a Secretarial Auditor of the listed entity, namely: —
- a) a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008;
 - b) an officer or employee of the listed entity;
 - c) a person who is a partner, or who is in the employment, of an officer or employee of the listed entity;
 - d) a person who, or his relative or partner—
 - i. is holding security of or interest in the listed entity or its subsidiary, or of its holding or associate entity or a subsidiary of such holding entity to which the listed entity is also a subsidiary, of face value exceeding one lakh rupees;
 - ii. is indebted to the listed entity, or its subsidiary, or its holding or associate entity or a subsidiary of such holding entity to which the listed entity is also a subsidiary, in excess of five lakh rupees; or
 - iii. has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, or its subsidiary, or its holding or associate entity or a subsidiary of such holding entity to which the listed entity is also a subsidiary, in excess of one lakh rupees;
 - e) a person or a firm who, whether directly or indirectly, has business relationship with the listed entity, or its subsidiary, or its holding or associate entity or subsidiary of such holding entity;

Explanation I — For the purposes of this clause, the term “business relationship” shall be construed as any transaction entered into for a commercial purpose, except -

- i. commercial transactions which are in the nature of professional services permitted to be rendered by a secretarial auditor or secretarial audit firm under the Companies Act, 2013, Securities and Exchange Board of India Act, 1992, Companies Secretaries Act, 1980, and the rules or the regulations made under those Acts;
- ii. commercial transactions which are in the ordinary course of business of the company at arm’s length price - like sale of products or services to the secretarial auditor, as customer, in the ordinary course of business, by companies engaged in the business of telecommunications, airlines, hospitals, hotels and such other similar businesses.

Explanation II — For the purpose of this clause, the term “directly or indirectly” shall mean, —

- i. in case of an individual, either himself or through his relative or any other person connected or associated with such individual or through any other

¹⁷⁷ Inserted with the issuance of Circular SEBI/HO/CFD/CFD-PoD-2/CIR/P/2024/185 dated December 31, 2024.

- entity, whatsoever, in which such individual has significant influence or control, or whose name or trade mark or brand is used by such individual;
- ii. in case of a firm, either itself or through any of its partners or through its parent, subsidiary or associate entity or through any other entity, whatsoever, in which the firm or any partner of the firm has significant influence or control, or whose name or trade mark or brand is used by the firm or any of its partners.
- f) a person whose relative is a director or is in the employment of the listed entity as a director or key managerial personnel;
- g) a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its secretarial auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as secretarial auditor of 15 or more than 15 companies;
- h) a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;
- i) a person who, directly or indirectly, renders any service prohibited under sub-regulation (1B) of regulation 24A to the listed entity or its holding or its subsidiary entities.]
