



When Governance Warnings Go Unheard: SES's Early Calls on Rajesh Exports

Corporate Governance
Research
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BACKGROUND

The Securities and Exchange Board of India (SEBI), through its interim order ([Weblink](#)) dated 3rd June, 2026, flagged a ₹ **15.15 lakh crore** revenue misstatement over a five-year period, which represents **99.80%** of the total consolidated revenue for the period FY 2020-21 to FY 2024-25.

SEBI's interim order and findings

The order issued by SEBI is interim and ex parte against Rajesh Exports Limited (REL) and its promoter, Mr. Rajesh Mehta, following an investigation into a systematic, multi-year financial misrepresentation. The probe revealed an egregious inflation of **~97% to 99%** of the company's consolidated revenues, orchestrated by masking standalone subsidiary details and evaluating unverified figures. Throughout the audit, the Company and its promoter demonstrated severe non-cooperation by withholding access to ERP systems, primary books of accounts, and vital transaction data.

SEBI, through this interim order, barred promoter Mr. Rajesh Mehta from dealing in REL securities and ordered the Company to provide fair financial disclosures and missing accounting documentation within 30 days. Furthermore, SEBI has mandated a new forensic audit, referred the statutory auditors to the NFRA for dereliction of duty, and gave the concerned parties 21 days to file objections or request a hearing.

CONCERNS RAISED BY SES CONSISTENTLY SINCE 2016

SES has consistently highlighted various non-compliances and governance concerns with respect to the resolutions placed for the adoption of the financial statements of REL and other major issues **since 2016**. The summary of the concerns raised by SES in the respective year is provided below:

| AGM Year | Annual Report | SES Rationale/Observation | Concern | SES Report |
|----------|----------------------------|--|----------------|----------------------|
| 2016 | Click here | Incorrect classification of 'Interest Income' under 'Revenue from Operations'; Possible Violation of Minimum Wages Act; Non-Compliant Auditors appointment | GC | Link |
| 2017 | Click here | Incorrect classification of 'Interest Income' under 'Revenue from Operations'; Non-Compliant Auditors appointment | - | Link |
| 2018 | Click here | Incorrect classification of 'Interest Income' under 'Revenue from Operations'; Non-Compliant Auditors appointment | GC | Link |
| 2019 | Click here | Incorrect Classification of 'Interest Income' under 'Revenue from Operations'; Non-Compliant Auditors' appointment | GC | Link |
| 2020 | Click here | Incorrect Classification of 'Interest Income' under 'Revenue from Operations'; Non-Compliant Auditors appointment; Delayed AGM | GC | Link |
| 2021 | Click here | Non-Compliant Audit Committee; Non-Compliant Auditors appointment; Incorrect classification of Interest Income under 'Revenue from Operations'; Non-Compliant Auditors appointment; Delayed AGM | NC GC | Link |
| 2022 | Click here | Non-Compliant with Companies Act, 2013 and SEBI LODR Regulations; Non-disclosure of financial statements of Subsidiary Companies; Incorrect classification of Interest Income under 'Revenue from Operations'; Non-Compliant Auditors appointment | NC GC | Link |
| 2023 | Click here | Non-Compliant with Companies Act, 2013 and SEBI LODR Regulations; Non-disclosure of financial statements of Subsidiary Companies; Incorrect classification of Interest Income under 'Revenue from Operations'; Non-Compliant Auditors appointment; Delayed AGM | NC GC | Link |



| AGM Year | Annual Report | SES Rationale/Observation | Concern | SES Report |
|----------|----------------------------|--|---------|----------------------|
| 2024 | Click here | Non-Compliant Notice; Non-Compliant with Companies Act, 2013 and SEBI LODR Regulations: Non-disclosure of Financial Statements of Subsidiary Companies; Incorrect classification of Interest Income under 'Revenue from Operations'; Non-Compliant Auditors appointment | NC GC | Link |
| 2025 | Click here | Non-Compliant Notice; Non-Compliant with Companies Act and SEBI LODR Regulations: Non-Disclosure of Financial Statements of Subsidiary Companies; Incorrect classification of Interest Income under 'Revenue from Operations'; Non-Compliant Auditors appointment; Delayed AGM | NC GC | Link |

GC-Governance Concern, **NC**-Non-Compliance

No response or clarification has been received from Rajesh Exports Ltd regarding the observation raised by SES over the past 10 years. Such persistent non-engagement says enough about the Company's approach towards addressing governance-related observations.

Statutory Auditors

- 1) **M/s V Sivasankar & Co.** – 2016 and 2017
- 2) **M/s P. V. Ramana Reddy & Co.** – 2018 to 2022
- 3) **M/s BSD & Co.** - 2023 - Presently

Source: As reflected in the annual reports of respective years.

The Statutory Auditors have not made any qualification, adverse remark or disclaimer in their reports for the last 10 years.

Independent Directors

The Independent Directors have not received any remuneration or commission from the Company since 2016. The practices followed by the Company, in this regard, prior to 2016 can also be observed in the annual reports of the respective years. The Company has not provided any reasons for the same. Although the law does not permit IDs to receive stock options, but it allows them to receive sitting fees and profit-based commission. In this case, the Company has not even paid any sitting fees to the IDs.

The following questions are bound to be raised:

- Why are the IDs not receiving any remuneration?
- Is there any other means by which IDs are being paid?
- Why are the IDs providing their service free of cost to the Company?
- Is there any other agreement between the IDs and the promoters of the Company?

This concern has been raised by SES since 2016, yet it remains unanswered.

Non-Compliant AGM 2025

Companies Act, 2013 clearly states that the **Notice of the General Meeting** should be given at least 21 clear days before the General Meeting, and such notice shall include the statement of business to be transacted at the meeting. The Notice ([Weblink](#)) to the AGM was released/announced on 18th December, 2025, i.e., 11 days before the AGM, which was scheduled to be held on 30th December, 2025. Since the meeting was convened without complying with the prescribed notice period, the validity of the meeting and the resolutions passed thereat may be open to challenge.



Notices from Stock Exchanges

SES observes that the Company had received notices from BSE and NSE in previous years for violations of certain legal provisions. While penalties were imposed for such instances, some were later waived based on representations made by the Company.

CONCLUSION

SES, in accordance with its proxy advisory policy, has consistently raised concerns regarding the financial statements and governance practices of Rajesh Exports Ltd since 2016.

The interim order issued by SEBI brings several key pillars of the corporate governance framework into focus, including the role of Statutory Auditors, Audit Committee, Independent Directors, Board, Institutional Shareholders, and other stakeholders.

The most critical role to be played here was that of the Statutory Auditors, whose primary role is to safeguard the interests of all stakeholders. The provisions under the Companies Act, 2013, w.r.t. statutory auditors, were introduced to strengthen independence, accountability, and confidence of shareholders in the financial reporting process. These safeguards form an integral part of the broader corporate governance architecture designed to promote unbiased and objective scrutiny.

It is important to note that SES is not drawing any conclusions on the merits of the allegations or findings at this stage. However, the matter serves as a reminder that shareholders and other stakeholders must undertake an informed and independent assessment of proposals placed before them by the management. Governance concerns should not be viewed in isolation. Weaknesses in governance practices often act as early warning signals of deeper issues that may subsequently come to light.

Proxy advisors often identify red flags relating to disclosures, related-party transactions, capital allocation, board oversight, and financial reporting long before they become matters of regulatory investigation. Investors should carefully evaluate such concerns and engage constructively with companies when questions arise. Ignoring governance warnings can allow risks to accumulate over time, potentially resulting in significant value erosion, loss of investor confidence, and regulatory action. A proactive response to credible governance concerns is far less costly than addressing the consequences after the issues have escalated.



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