

# Vedanam

Newsletter by Mehta & Mehta



## WHY VEDANAM?

We, Mehta & Mehta, present you with our monthly newsletter which covers regulatory updates, case laws and study articles.

We hereby release our March 2024 issue.

Stay informed and empowered with our comprehensive legal Newsletter "Vedanam" for the year 2024, a thoughtfully curated newsletter designed to provide legal professionals, scholars, and enthusiasts with the latest developments, trends, and analysis from the dynamic world of law.

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**In this newsletter you will find compilation of :**

Latest updates about our webinars and circulars, notifications and updates published by SEBI, MCA, RBI, IBBI and such other official government sites

## **SEBI Update: List of goods notified under SCRA, 1956**

1. Ministry of Finance has issued notifications on March 01, 2024 for notifying list of goods under clause (bc) of Section 2 of SCRA, 1956, thereby superseding the earlier notification number S.O. 3068(E) dated September 27, 2016 issued on the same subject and declaring a contract for the purchase or sale of a right to buy or sell, or a right to buy and sell in future, such underlying goods, as notified under clause (bc) of Section 2 of SCRA, 1956.

3.1. Para 2.1.1 of Chapter 2 in Master Circular shall read as follows:

2.1.1 Pursuant to the repeal of the Forward Contracts (Regulation) Act, 1952 ("FCRA") and amendment to the Securities Contracts (Regulation) Act, 1956 ("SCRA"), the Central Government, in exercise of the powers conferred by clause (bc) of section 2 of the SCRA and in consultation with the SEBI, have vide Notification No. S.O.1002(E) dated March 01, 2024 notified the goods specified therein, for the purpose of clause (bc) of section 2 of the SCRA with effect from the date of the said notification.

3.2. Para 5.1.1 of Chapter 5 in Master Circular shall read as follows:

5.1.1 Underlying: Goods as notified vide number S.O.1002(E) dated March 01, 2024, under clause (bc) of section 2 of the Securities Contracts (Regulation) Act, 1956.

3. The circular shall be effective from the date of issuance.

**[Link of the Circular:](#)**

**[List of goods notified under SCRA, 1956](#)**

## **SEBI Update: Measures to instill trust in securities market – Expanding the framework of Qualified Stock Brokers (QSBs) to more stock brokers**

1. SEBI vide Circular SEBI/HO/MIRSD-PoD-1/P/CIR/2023/24 dated February 06, 2023 and para 18 of Master Circular for Stock Brokers dated May 17, 2023 inter-alia stated the four parameters for designating a stockbroker as Qualified stock broker (QSB) and based on these parameters, the first list of QSBs was issued by stock exchanges on March 03, 2023. Any subsequent issue of units after initial public offer may be by way of institutional placement, in addition to other mechanisms as provided in the Regulation 14(4) of the SEBI (Infrastructure Investment Trusts) Regulations, 2014 ('InvIT Regulations').

2. To further protect the interest of investors and for building trust in the securities market, it has been decided to extend the framework of QSBs to more stockbrokers. Henceforth, the revised list of QSBs shall be calculated by considering the parameters as specified in the circular.

Paragraph 7.9.1 of the SEBI Master Circular for InvITs dated July 06, 2023, is modified as given below:

3. The values shall be calculated on an annual basis and the revised list of QSBs shall be released jointly by stock exchanges, in consultation with SEBI. For calculating the values for a particular year, parameters as on December 31st of such year shall be considered.

4. The provisions of the circular shall come into force in a risk-based, staggered manner to ensure smooth adoption and effective implementation for all the QSBs by providing enough time for them, based on their size, for making necessary changes.

## **Measures to instill trust in securities market – Expanding the framework of Qualified Stock Brokers (QSBs) to more stock brokers**

### **SEBI Update: Simplification and streamlining of Offer Documents of Mutual Fund Schemes – Extension of timelines**

1. SEBI vide circular SEBI/HO/IMD/IMD-RAC-2/P/CIR/2023/00175 dated November 01, 2023 prescribed simplified format of Scheme Information Document (SID).

2. It has been decided to revise the date of applicability of provisions at para 4 of aforesaid circular pursuant to request submitted by Association of Mutual Fund of India (AMFI) and discussions as under:

a. Updated format for SID/KIM/SAI to be implemented w.e.f. June 01, 2024.

b. Draft SIDs to be filed with SEBI on or before May 31, 2024 or SIDs already filed with SEBI (final observations yet to be issued) or SIDs for which the final observations have already been received from SEBI (if launched on or before May 31, 2024), can use the old format of SID, provided that the SIDs are updated as per timeline mentioned at (c) below.

c. For Existing SIDs – by June 30, 2024 with data as on May 31, 2024.

d. Reference is drawn to para 1.2.1 and 1.2.4 of Master circular dated May 19, 2023 w.r.t updation of SID and KIM within 1 month from the end of half year i.e. April 30, 2024 for half year ended March 31, 2024. In order to avoid duplication of efforts of AMC's as well as to ensure uniform implementation of revised formats, the scheduled updation of SID and KIM for half year ended March 31, 2024, may be carried out by AMC's by June 30, 2024. This extension shall be applicable specifically for half year ended March 31, 2024 only.

All updated/revised SIDs shall be made available on the website of SEBI/AMFI/AMC's within the timelines specified above.

### **Link – Simplification and streamlining of Offer Documents of Mutual Fund Schemes – Extension of timelines**

### **SEBI Update: Repeal of circular(s) outlining procedure to deal with cases where securities are issued prior to April 01, 2014, involving offer / allotment of securities to more than 49 but up to 200 investors in a financial year**

1. SEBI has issued Circular No. CIR/CFD/DIL3/18/2015 dated December 31, 2015 and Circular No. CFD/DIL3/CIR/P/2016/53 dated May 03, 2016, stating that in respect of cases under the Companies Act, 1956, involving issuance of securities to more than 49 persons but up to 200 persons in a financial year, the companies may avoid penal action if they provide the investors with an option to surrender the securities and receive the refund amount at a price not less than the amount of subscription money paid along with 15% interest p.a. thereon or such higher return as promised to the investors. This opportunity to avoid penal action was provided to the issuer companies considering the higher cap for private placement provided in the Companies Act, 2013.

2. SEBI has now decided to repeal the aforesaid circulars and the same shall stand rescinded with effect from 6 months from the date of issue of this circular, without prejudice to the operation of anything done or any action taken under the said circulars as the considerable time has elapsed since the repeal of Companies Act, 1956.

3. The above said option shall be available under the circular only to those companies who have completed the entire procedure and submitted the certificate in terms of circular No. CIR/CFD/DIL3/18/2015 dated December 31, 2015 and Circular No. CFD/DIL3/CIR/P/2016/53/dated May 03, 2016, within 6 months from the date of issue of this circular.

4. Accordingly, all cases involving an offer or allotment of securities to more than the permissible number of investors in a financial year shall be dealt with in line with the provisions contained under the extant applicable laws.

Link of the Circular:

**[Repeal of circular\(s\) outlining procedure to deal with cases where securities are issued prior to April 01, 2014, involving offer / allotment of securities to more than 49 but up to 200 investors in a financial year](#)**

**SEBI Update: Entities allowed to use e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub-KUA**

1. Department of Revenue–Ministry of Finance has notified another 4 entities vide Gazette Notification S.O. 1339(E) dated March 14, 2024, which are permitted to use Aadhaar authentication services of UIDAI under section 11A of the Prevention of Money-laundering Act, 2002 which are as follows:

1. Wealthstreet Financial Services Private Limited
2. Equal Identity Private Limited
3. Neo Wealth Management Private Limited
4. SAMCO SECURITIES LIMITED

2. The above-mentioned entities shall follow the process as detailed in SEBI circular dated Oct 12, 2023 and as may be prescribed by UIDAI from time to time. The KUAs shall facilitate the on-boarding of these entities as sub-KUAs to provide the services of Aadhaar authentication with respect to KYC.

**[Link - Entities allowed to use e-KYC Aadhaar Authentication services of UIDAI in Securities Market as sub-KUA](#)**

**SEBI Update: Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode**

SEBI prescribed guidelines to address the concerns arising out of transfer of securities from the Beneficial Owner (BO) Accounts without proper authorization by the concerned investor in Para 1.12 of SEBI Master circular for Depositories dated October 06, 2023 and the same Para is modified to harmonize the classification of inactive/dormant accounts across Stock Exchanges & Depositories and to strengthen the measures to prevent fraud/misappropriation for inoperative demat accounts.

**The provisions of this circular shall come into effect from April 1, 2024.**

Link of the Circular:

**[Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode](#)**

## **SEBI Update: Amendment to Circular for mandating additional disclosures by FPIs that fulfil certain objective criteria**

1. SEBI vide Circular No. SEBI/ HO/ AFD/ AFD-PoD-2/CIR/P/2023/148 dated August 24, 2023 mandated additional disclosures for FPIs that fulfil objective criteria as specified in the said Circular. Further, FPIs satisfying any of the criteria listed under Para 8 of the said Circular were exempted from the additional disclosure requirements, subject to conditions specified in the said Circular.

2. SEBI has now decided that an FPI having more than 50% of its Indian equity AUM in a corporate group shall not be required to make the additional disclosures as specified in Para 7 of the said Circular subject to the compliances of all the conditions as mentioned in the circular dated March 20, 2024.

Further, as per MHA's instructions, any request for de-listing received by any RE is to be forwarded electronically to Joint Secretary (CTCR), MHA for consideration. Individuals, groups, undertakings or entities seeking to be removed from the Security Council's ISIL (Da'esh) and Al-Qaida Sanctions List can submit their request for delisting to an independent and impartial Ombudsperson who has been appointed by the United Nations Secretary-General.

The provisions of this circular shall come into force with immediate effect.

Link of the Circular:

**[Amendment to Circular for mandating additional disclosures by FPIs that fulfil certain objective criteria](#)**

## **SEBI Update: Introduction of Beta version of T+0 rolling settlement cycle on optional basis in addition to the existing T+1 settlement cycle in Equity Cash Markets**

1. SEBI has decided to put in place a framework for introduction of the Beta version of T+0 settlement cycle on optional basis in addition to the existing T+1 settlement cycle in equity cash market, for a limited set of 25 scrips and with a limited number of brokers.

The banks are required to have suitable criteria for granting fixed remuneration to its NEDs, with the approval of its Board before any review of the extant remuneration. The Board of the bank may fix a lower amount within the ceiling limit of ₹30 lakh per annum depending upon the size of the bank, experience of the NED and other relevant factors.

Banks are required to make disclosure on remuneration paid to the directors on an annual basis at a minimum, in their Annual Financial Statements.

The instructions would be applicable to all the Private Sector Banks including Small Finance Banks (SFBs) and Payment Banks (PBs) as also the wholly owned subsidiaries of Foreign Banks.

The instructions would come into force with immediate effect.

Link of the Circular:

**[Review of Fixed Remuneration granted to Non-Executive Directors \(NEDs\)](#)**

# RESERVE BANK OF INDIA UPDATES

## **RBI Update: Master Direction – Reserve Bank of India (Bharat Bill Payment System) Directions, 2024**

1. The current regulations covering Bharat Bill Payment System (BBPS) (RBI Circular DPSS.CO.PD.No.940/02.27.020/2014-15 dated November 28, 2014) provide for a tiered structure with

(a) NPCI Bharat Bill Pay Ltd (NBBL) as a Central Unit (BBPCU)

(b) Bharat Bill Payment Operating Units (BBPOUs) and

(c) Agent network/s of the BBPOUs.

2. In view of significant developments in the payments landscape, a need was felt to review and update these regulations. Accordingly, as announced in Statement on Developmental and Regulatory Policies dated June 08, 2023, it has been decided to put in place a revised regulatory framework – Bharat Bill Payment Systems Directions, 2024, as annexed hereto.

3. These Directions seek to streamline the process of bill payments, enable greater participation, and enhance customer protection among other changes.

This circular shall be applicable with immediate effect.

Link of the Circular:

4. These Directions shall be applicable from April 01, 2024 and shall supersede the regulations cited in para 1. This is issued under Section 18 read with Section 10(2) of the Payment and Settlement Systems (PSS) Act, 2007 (Act 51 of 2007).

## **Link of the Circular**

**[Link – Reserve Bank of India \(Bharat Bill Payment System\) Directions, 2024](#)**

## **RBI Update: Review of Guidelines – Withdrawal of Circulars**

Reserve Bank of India has withdrawn various circulars with immediate effect upon reviewing the same. The list is mentioned in the Annex attached with the Circular issued by RBI.

Link of the Circular:

**[Review of Guidelines – Withdrawal of Circulars](#)**

## **RBI Update: Money Transfer Service Scheme – Submission of Statement on CIMS**

1. RBI has advised to refer A.P. (DIR Series) Circular No.70 dated May 19, 2016, wherein all Authorised Persons who are Indian Agents under the Money Transfer Service Scheme (MTSS) were required to submit a quarterly statement (within 15 days from the close of the quarter to which it relates) on the quantum of remittances received through MTSS using the extensible Business Reporting Language (XBRL) platform.

2. With the launch of the Reserve Bank's next generation data warehouse viz., the Centralised Information Management System (CIMS), it has been decided that the reporting of the aforesaid statement will be done on CIMS portal (URL: <https://sankalan.rbi.org.in/>) with effect from the quarter-ending March 2024. The statement has been assigned a return code – 'R130' on CIMS. In case no remittance was received during a quarter, a 'NIL' report shall be submitted.

3. The Master Direction on 'Reporting under Foreign Exchange Management Act, 1999' is being updated to reflect the changes.

4. The directions contained in this circular have been issued under section 10(4), 11(1), and 11(2) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

## **Link of the Circular:**

**Money Transfer Service Scheme - Submission of Statement on CIMS**

## **RBI Update: Arrangements with Card Networks for issue of Credit Cards**

1. The authorised card networks tie-up with banks / non-banks for issuance of credit cards. The choice of network for a card issued to a customer is decided by the card issuer (bank / non-bank) and is linked to the arrangements that the card issuers have with card networks in terms of their bilateral agreements.

2. On a review, it is observed that some arrangements existing between card networks and card issuers are not conducive to the availability of choice for customers.

3. In exercise of the powers conferred under Section 18 read with Section 10(2) of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007), the RBI being satisfied that it is necessary and expedient, in the interest of payment system and public interest, to do so, hereby, directs as under:

3. In exercise of the powers conferred under Section 18 read with Section 10(2) of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007), the RBI being satisfied that it is necessary and expedient, in the interest of payment system and public interest, to do so, hereby, directs as under:

1. Card issuers shall not enter into any arrangement or agreement with card networks that restrain them from availing the services of other card networks.
2. Card issuers shall provide an option to their eligible customers to choose from multiple card networks at the time of issue. For existing cardholders, this option may be provided at the time of the next renewal.

For the purpose of these directions, the following definitions are used:

1. Authorised card networks: American Express Banking Corp., Diners Club International Ltd., MasterCard Asia/ Pacific Pte. Ltd., National Payments Corporation of India-Rupay, and Visa Worldwide Pte. Limited.
4. Card issuers and card networks shall ensure adherence to the above requirements in:
  1. existing agreements at the time of amendment or renewal thereof, and
  2. fresh agreements executed.
5. The directions at 3(b) above shall not be applicable to credit card issuers with number of active cards issued by them being 10 lakh or less in number.
6. The directions at 3(b) above shall not be applicable to credit card issuers with number of active cards issued by them being 10 lakh or less in number.

6. Card issuers who issue credit cards on their own authorised card network are excluded from the applicability of the circular.

7. The directions at para 3(b) above shall be effective six months from the date of this circular.

These instructions shall come into effect immediately.

[Link of the Circular](#)

## **Arrangements with Card Networks for issue of Credit Cards**

### **RBI Update: Amendment to the Master Direction - Credit Card and Debit Card - Issuance and Conduct Directions, 2022**

1. In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 and Chapter IIIB of the Reserve Bank of India Act, 1934, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest to do so, hereby, amends certain provisions issued vide Master Direction DoR.AUT.REC.No.27/24.01.041/2022-23 dated April 21, 2022 on 'Credit Card and Debit Card - Issuance and Conduct Directions, 2022'.

2. The amended provisions of the Master Direction are enclosed in the Annex to this circular. Frequently Asked Questions relating to the provisions contained in the Master Direction are placed under FAQ Section on the website and as an Appendix to the Master Direction.

### **3. Commencement**

The amended provisions contained in this circular shall come into effect from March 07, 2024. The captioned Master Direction is hereby updated to reflect the changes effected by the below amendments.

#### **4. Applicability**

1. Instructions relating to credit cards shall apply to all credit card issuing Banks and Non-Banking Financial Companies (NBFCs).
2. Instructions relating to debit cards shall apply to every bank operating in India.

3. These instructions shall come into force with immediate effect.

[Link of the Circular](#)

## **Amendment to the Master Direction - Credit Card and Debit Card - Issuance and Conduct Directions, 2022**

**RBI Update: Designation of an individual under clause (a) of Sub-section (1) and Sub-section (2) of Section 35 of the Unlawful Activities (Prevention) Act (UAPA), 1967 and listing in the Fourth Schedule of the Act- Reg.**



# RESERVE BANK OF INDIA UPDATES

1. RBI has advised to refer Section 51 read with Section 53A of Master Direction on Know Your Customer dated February 25, 2016 as amended on January 04, 2024, "The procedure laid down in the UAPA Order dated February 02, 2021 (Annex II of this Master Direction), shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured." Further, Section 51(b) of the aforementioned Master Direction states that, "Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated February 02, 2021 (Annex II of this Master Direction)". In this regard, it is highlighted that the UAPA Order in Annex II of the MD on KYC, 2016 shall also apply to amendments carried out in Schedule I and IV of the UAPA, 1967 apart from the UNSC lists mentioned in the Order.

2. In this connection, please refer to the Gazette notification dated March 07, 2024 of the MHA in respect of an individual who has been declared as 'Terrorist' and has been listed in the Schedule IV of the UAPA 1967, under clause (a) of Sub-section (1) and Sub-section (2) of Section 35 of UAPA 1967. The Statutory Order (S.O.) number and the respective entry is as provided below:

S.O. Numbers	Entries
1120(E)	57. Mohammad Qasim Gujjar @ Salman @ Suleman

3. Regulated Entities (REs) are advised to take note of the aforementioned Gazette notification issued by MHA for necessary compliance. REs shall also take note of any future amendments to Schedule I and IV of the UAPA, 1967, for immediate necessary compliance.

Link of the Circular:

**Designation of an individual under clause (a) of Sub-section (1) and Sub-section (2) of Section 35 of the Unlawful Activities (Prevention) Act (UAPA), 1967 and listing in the Fourth Schedule of the Act- Reg.**

**RBI Update: Implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005: Designated List (Amendments)**

1. RBI has advised to refer to Section 52 of Master Direction on Know Your Customer dated February 25, 2016 as amended on January 04, 2024 (MD on KYC), in terms of which, inter alia "Regulated Entities (REs) shall ensure meticulous compliance with the "Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005" laid down in terms of Section 12A of the WMD Act, 2005 vide Order dated September 01, 2023, by the Ministry of Finance, Government of India (Annex III of the Master Direction on Know Your Customer)."

## RESERVE BANK OF INDIA UPDATES

2. Further, in terms of Section 53 of our MD on KYC, "the REs shall verify every day, the 'UNSCR 1718 Sanctions List of Designated Individuals and Entities', as available at <https://www.mea.gov.in/Implementation-of-UNSCR-1718-Sanctions-DPRK.htm>, to take into account any modifications to the list in terms of additions, deletions or other changes and also ensure compliance with the 'Implementation of Security Council Resolution on Democratic People's Republic of Korea Order, 2017', as amended from time to time by the Central Government"

3. A reference is also invited to circular DOR.AML.REC.23/14.06.001/2023-24 dated July 04, 2023, communicating thereby the Consolidated List of UNSC Designated / Sanctioned Individuals and Entities under the UNSC Resolutions relating to non-proliferation. Certain amendments to the entries in the list were notified and the last such amendment was notified vide our circular DOR.AML.REC.67/14.06.001/2023-24 dated January 06, 2024.

4. In this regard, Ministry of External Affairs (MEA), GoI has informed that the UNSC Committee established pursuant to resolution 1718(2006) has enacted the amendments, specified with strikethrough and/or underline in certain entries on its Sanctions List of individuals and entities (enclosed with this circular). Hence, the 'designated list' as referred in Para 2.1 and other relevant paras of the aforementioned Order dated September 01, 2023 is amended in accordance with the changes in these relevant entries.

5. The latest version of the UNSC Sanctions lists on DPRK is accessible at the UN Security Council's website at the following URLs:

<https://www.un.org/securitycouncil/sanctions/1718/materials>

7. The REs are advised to take note of the aforementioned communications and ensure meticulous compliance.

### **Link of the Circular:**

**Implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005: Designated List (Amendments)**

### **RBI Update: Cut-off time for uploading of GST, ICEGATE and TIN 2.0 luggage files**

1. RBI has advised to refer para 10 on 'Reporting of transactions by agency banks to RBI' of 'Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission' dated April 1, 2023.

2. It has been noticed that several agency banks have been requesting RBI for extension of time for uploading of luggage files pertaining to GST, ICEGATE and TIN 2.0 receipts beyond the cut-off time of 1800 hours prescribed by O/o Principal Chief Controller of Accounts, Central Board of Indirect Taxes & Customs and O/o Principal Chief Controller of Accounts, Central Board of Direct Taxes. In this regard, it is advised that no extension will be granted by RBI beyond the cut-off time for submission of luggage files as per extant guidelines issued in this regard. Accordingly, the modified paragraph 10 will read as follows:

“10. Reporting of transactions by agency banks to RBI: After the operationalisation of NEFT 24X7 and RTGS 24X7, agency banks authorised to collect Goods and Service Tax (GST), Custom and Central Excise Duties (ICEGATE) and Direct Taxes under TIN 2.0 channel shall upload their luggage files in RBI's QPX/e-Kuber on all days except the Global holidays, which are January 26, August 15, October 2, all non-working Saturdays, all Sundays and any other day declared holiday by RBI for Government Transactions due to exigencies. It is to be ensured that these luggage files are uploaded in RBI's QPX/e-Kuber on or before 1800 hours prescribed by O/o Principal Chief Controller of Accounts, Central Board of Indirect Taxes & Customs and O/o Principal Chief Controller of Accounts, Central Board of Direct Taxes. No extension in cut-off time will be allowed to agency banks by RBI beyond 1800 hours for uploading of these luggage files in QPX/e-Kuber”.

3. All other instructions of the said Master Circular remain unchanged.

Link of the Circular:

**[Cut-off time for uploading of GST, ICEGATE and TIN 2.0 luggage files](#)**

### **RBI Update: Reporting and Accounting of Central Government transactions for March 2024**

1. RBI has advised to refer to Circular DGBA.GBD.No.S1469/42-01-029/2022-2023 dated March 16, 2023 advising the procedure to be followed for reporting and accounting of Central Government transactions (including CBDT, CBIC, Departmentalized Ministries and Non-Civil Ministries) at the Receiving/Nodal/Focal Point branches of your bank for the Financial Year 2022-23.

2. The Government of India has decided that the date of closure of residual transactions for the month of March 2024 be fixed as April 10, 2024. In view of the ensuing closing of Government accounts for the financial year 2023-24, receiving branches including those not situated locally, should adopt special arrangements such as courier service etc., for passing on challans/scrolls etc., to the Nodal/Focal Point branches so that all payments and collections made on behalf of Government towards the end of March are accounted for in the same financial year. These instructions regarding special messenger arrangements may please be informed to all branches concerned.

3. As regards reporting of March 2024 transactions by Nodal/Focal Point branches in April 2024, the branches may be advised to follow the procedure as outlined in the Annex. To sum up, the nodal/Focal Point branches will be required to prepare separate set of scrolls, one pertaining to March 2024 residual transactions and another for April transactions during the first 10 days of April 2024. The Nodal/Focal Point branches should also ensure that the accounts for all transactions (revenues/tax collections/payments) are effected at the receiving branches up to March 31, 2024 in the accounts for the current financial year itself and are not mixed up with the transactions of April 2024. Also, while reporting transactions pertaining to March 2024 up to April 10, 2024, the transactions of April 2024 should not be mixed up with the residual transactions relating to March 2024.

# RESERVE BANK OF INDIA UPDATES

Link of the Circular:

## **Reporting and Accounting of Central Government transactions for March 2024**

### **RBI Update: Omnibus Framework for recognising Self-Regulatory Organisations (SROs) for Regulated Entities (REs) of the Reserve Bank of India**

1. RBI has decided to issue an omnibus framework for recognizing Self-Regulatory Organisations (SROs) for the REs of the Reserve Bank. In order to fulfil this objective, the omnibus SRO framework prescribes the broad objectives, functions, eligibility criteria and governance standards, which will be common for all SROs, irrespective of the sector. The framework also lays down the broad membership criteria and other terms and conditions to be followed by the SROs for grant of recognition by the Reserve Bank. It may be noted that guidelines contained in the framework are the minimum requirement and the recognised SROs will be encouraged to develop their best practices. Reserve Bank may prescribe sector-specific additional conditionalities, if warranted, at the time of calling for applications for recognising SROs for a category/ class of REs, within the broad contours of this framework.

2. Existing SROs already recognized by the Reserve Bank shall continue to be governed by the terms and conditions under which they were recognized, unless this framework is specifically extended to such SROs.

### **Link - Omnibus Framework for recognising Self-Regulatory Organisations (SROs) for Regulated Entities (REs) of the Reserve Bank of India**

### **RBI Update: All Agency Banks to remain open for public on March 31, 2024 (Sunday)**

1. The Government of India has made a request to keep all branches of the banks dealing with Government receipts and payments open for transactions on March 31, 2024 (Sunday) so as to account for all the Government transactions relating to receipts and payments in the FY 2023-24 itself. Accordingly, Agency Banks are advised to keep all their branches dealing with government business open on March 31, 2024 (Sunday).

2. Banks shall give due publicity about the availability of above banking services on this day.

### **Link - All Agency Banks to remain open for public on March 31, 2024 (Sunday)**

### **RBI Update: Reassignment of Lead Bank Responsibility**

RBI has decided to reassign the lead bank responsibility in the certain districts as mentioned in the circular.

The changes will be effective from April 01, 2024.

Link of the Circular:

### **Reassignment of Lead Bank Responsibility**

## RESERVE BANK OF INDIA UPDATES

### **RBI Update: Annual Closing of Government Accounts – Transactions of Central / State Governments – Special Measures for the Current Financial Year (2023-24)**

1. All Government transactions done by agency banks for the Financial Year 2023-24 must be accounted for within the same financial year. Accordingly, the following arrangements are put in place to report and account for Government transactions for March 31, 2024.

2. All Agency banks should keep their designated branches open for over the counter transactions related to government transactions upto the normal working hours on March 30 and March 31, 2024.

3. Transactions through National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) System will continue upto 2400 hours as hitherto on March 31, 2024.

4. Special clearing will be conducted for Government cheques both on March 30 & 31, 2024. Agency Banks are hereby advised that all cheques related to Government accounts may be presented on such clearing. The timing for presentation and return clearing of instruments for these special clearing sessions for government cheques will be intimated in due course.

5. Regarding reporting of Central and State Government transactions to RBI, including uploading of GST/ TIN 2.0/ ICEGATE/ e-receipts luggage files, the reporting window of March 31, 2024 will be kept open till 1200 hours noon on April 1, 2024.

6. Agency banks may take note and give adequate publicity to the special arrangements made as above.

### **[Link - Annual Closing of Government Accounts – Transactions of Central / State Governments – Special Measures for the Current Financial Year \(2023-24\)](#)**

### **RBI Update: Currency Chests (CCs) operations on March 31, 2024**

1. The Government of India has advised to keep all branches of the banks dealing with Government receipts and payments to be kept open for transactions on Sunday, March 31, 2024 so as to account for the Government transactions relating to receipts and payments in FY 2023-24 itself. Since such transactions might necessitate operations at currency chests, hence the currency chest holding banks are advised to keep their CCs open on March 31, 2024 akin to a normal working day.

2. The CC holding banks shall keep the linked branches suitably informed.

### **[Link - Currency Chests \(CCs\) operations on March 31, 2024](#)**

### **RBI Update: Reassignment of Lead Bank Responsibility**

RBI has decided to reassign the lead bank responsibility in the certain districts as mentioned in the circular.

The changes will be effective from April 01, 2024.

Link of the Circular:

### **[Reassignment of Lead Bank Responsibility](#)**

### **RBI Update: Special Clearing Operations on March 30 & 31, 2024**

## RESERVE BANK OF INDIA UPDATES

1. RBI has advised to refer to the circular issued by Department of Government and Bank Accounts (DGBA) vide [CO.DGBA.GBD.No.S1252/42-01-029/2023-2024](#) dated March 22, 2024 addressed to all the agency banks on Annual Closing of Government Accounts – Transactions of Central/State Governments – Special Measures for the Current Financial Year (2023-24).

2. Normal clearing timings under Cheque Truncation System (CTS) as applicable to any working “Saturday” shall be followed on March 30, 2024. Further, to facilitate accounting of all the Government transactions for the current financial year (2023-24) by March 31, 2024, it has been decided to conduct Special Clearing under CTS exclusively for Government Cheques on March 30 & 31, 2024 as detailed below:

Date	Presentati on Session	Return Session
March 30, 2024 (Saturday)	17:00 Hours to 17:30 Hours	19:00 Hours to 19:30 Hours
March 31, 2024 (Sunday)	17:00 Hours to 17:30 Hours	19:00 Hours to 19:30 Hours

3. It is mandatory for all banks to participate in the special clearing operations on March 30 & 31, 2024. All the member banks of CTS are also required to keep their inward clearing processing infrastructure open during the Special Clearing hours and maintain sufficient balance in their clearing settlement account to meet settlement obligations arising out of the Special Clearing.

**[Link- Special Clearing Operations on March 30 & 31, 2024](#)**



# Insolvency & Bankruptcy Case Laws

## **Can claim of Homebuyer paid in cash to Promoters of Real Estate Company be admitted even no records found in the books of Corporate Debtor about the cash portion paid by Allottee – K. Amutha Vs. RP of Ambojini Property Developers Pvt. Ltd. – NCLT Chennai Bench**

### **Background of the case**

- The Applicant had booked a 2 BHK apartment in the Project costing Rs.82,23,072/- and is required to pay Rs.20,00,000/- as advance to the Corporate Debtor.
- The Applicant paid Rs.2,50,000/- through cheque and remaining Rs.17,50,000/- in cash as booking advance. The receipts of the said transactions is attached in this application.
- The Corporate Debtor was admitted to CIRP vide order dated 10.09.2019.
- The applicant had submitted claim with the IRP for a sum of Rs.35,20,000/-. However, she has not received any reply from the IRP.
- The Applicant came to understand that several members of the Association had filed claims before the Respondent and were waiting for the confirmation. The Applicant was under the bona fide belief that her claim would also be considered and admitted by the Respondent.
- On 05.01.2021 the list of admitted claims published by RP and her claim was admitted only to the extent of Rs.3,77,178/-.
- On enquiry, the Resolution Professional stated that there is no entry in the books of the Corporate Debtor that it has received cash payment from the Applicant for the purchase of residential units from the Project.
- Some of the homebuyers made payments to the account of Real Value Promoters for the project being developed by the Corporate Debtor.
- The RP had preferred an application under Section 66 of IBC, 2016 to secure the interest of the Corporate Debtor.
- The erstwhile promoter of the Corporate Debtor had provided an Affidavit along with a list of homebuyers which provides the details of some homebuyers who paid in cash under the instruction of the erstwhile management. Applicant name is not found in that affidavit.
- A Resolution Plan approved by the 95% of the CoC is filed before this Tribunal for approval

# Insolvency & Bankruptcy Case Laws

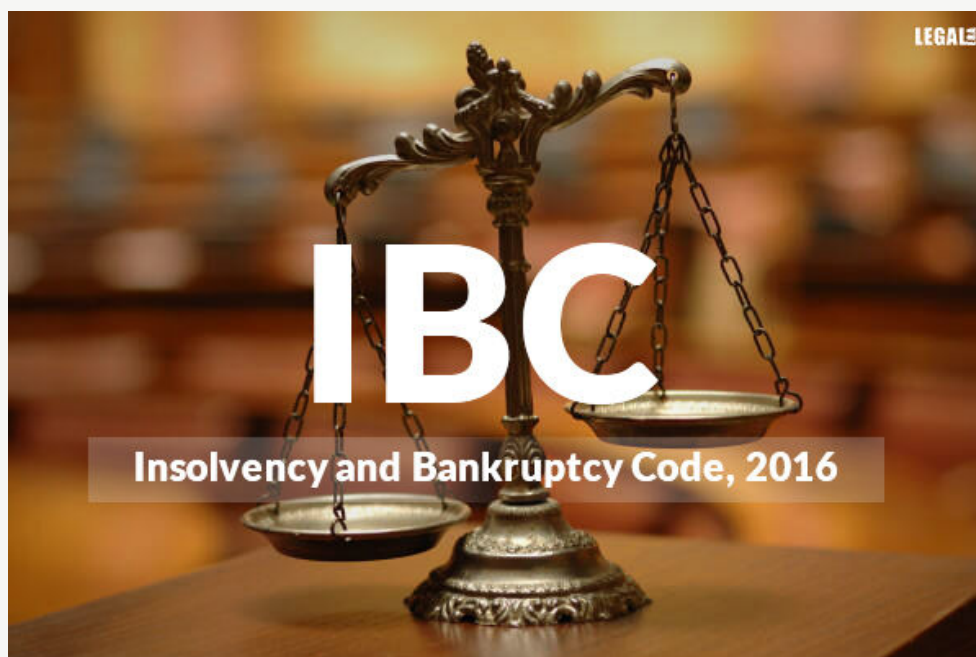
## Decision of Adjudicating Authority

### Hon'ble Tribunal observes that:

- The cheques for the amount of Rs.1,00,000/- and Rs.1,50,000/- have been drawn in the name of the Corporate Debtor. Further, the cash receipt for Rs.12,50,000/- and Rs.5,00,000/- dated 02.05.2013 and 06.05.2013 respectively in the name of Applicant is placed at pages 12-13 of this application.(p16)
- Amount totaling Rs.20,00,000/- has been paid by the Applicant to the Corporate Debtor. All the Cheques and receipts were in the name of the Corporate Debtor. The transaction of the Applicant is not reflected in the books of the Corporate Debtor, and the name of the Applicant is not in the affidavit submitted by erstwhile management before the Hon'ble High Court of Bombay.

### Conclusion:

- The copy of the receipts and the cheques produced by the Applicant are bona fide. The Corporate Debtor had Received Rs .20,00,000/- from the Applicant as a booking advance. Accordingly, the Resolution Professional is directed to admit the claim of the Applicant with the applicable interest rate and include her in the respective class of creditors. (p19)
- With the aforesaid directions this Application stands allowed and disposed of. (p20)





# Insolvency & Bankruptcy Case Laws

**The rights of State Land Development Authorities on assets cannot be overridden by provisions of IBC, 2016 and any transfer to Successful Resolution Applicant/Successful Auction Purchaser has to be in accordance with the terms and conditions of the original allotment or lease deed or policy of the Authority | The Clean Slate Principle will not apply where prior demand – SEL Manufacturing Company Ltd. Vs. Punjab Small Industries & Export Corporation Ltd. – NCLAT New Delhi**

## **Facts of the case**

- A Lease Deed dated 22.12.2008 was executed between the Corporate Debtor (Appellant) and Punjab Small Industries & Export Corporation Ltd. (Respondent) and the plot was allotted to the Corporate Debtor (Appellant) on lease hold basis for 99 years.
- One of the conditions of the allotment was that the price of the plot is subject to variation with reference to the actual measurement of the plot and cost of acquisition of land and in case of enhancement of compensation on account of acquisition of land by the Court or otherwise, the allottee was required to pay the additional price of the plot within 30 days from the date of demand, as per the Clause 2(iii) of Allotment Letter dated 01.12.1995.
- The respondent written to the Corporate Debtor to make payment of enhanced land price due to enhancement in respect of said plot, in view of enhanced compensation confirmed in the judgment of Hon'ble Punjab and Haryana High Court dated 25.08.2008 and Judgment of Hon'ble Supreme Court of India dated 25.03.2015.
- After the judgment of the Hon'ble Supreme Court, the Corporate Debtor was informed vide letter dated 15.03.2016 and was asked to pay the enhanced cost.
- CIRP were initiated against the SEL Manufacturing Company Ltd. (Appellant/Corporate Debtor) vide order dated 11.04.2018.
- The adjudication against demand notice issued by it was pending before the Civil Judge (Senior Division), Ludhiana in the Civil Suit filed by the Corporate Debtor, at the time of initiation of CIRP.
- No claim was filed by the respondent before the Resolution Professional during the CIRP proceedings.
- The resolution plan submitted by Consortium of Arr Ess Industries Pvt. Ltd. and Leading Edge Commercial FZE (Successful Resolution Applicant or SRA), was approved by the Adjudicating Authority on 10.02.2021.
- Litigation before Civil Judge (Senior Division), Ludhiana relating to the subject plot is not listed in Schedule 8 of the Resolution Plan, though otherwise it is a list running into 17 pages regarding all pending litigation matters.
- The pending demand regarding the cost of land is nowhere mentioned in the Resolution Plan, though mortgage of the said plot with financial creditor, and its release by the financial creditor against payment is mentioned.
- On 05.03.2021, the respondent issued a demand notice pertaining to Plot whereby it claimed an amount of Rs.1,12,97,128/-. The demand was raised in term of Clause 2(iii) of the Allotment Letter dated 01.12.1995 and Clause 2(i) of the Lease Deed dated 22.12.2008.
- The Corporate Debtor had filed an IA before NCLT, Chandigarh seeking quashing of the said demand, which was dismissed vide impugned order dated 03.06.2022.

# Insolvency & Bankruptcy Case Laws

## Decision of Appellate Tribunal

- The transfer of the lease hold land could not have been done without the approval of the respondent. The land is not owned by the Corporate Debtor and it is leased out to it by the respondent. The transfer of land to the successful resolution applicant is governed by the terms and conditions of the lease deed.(p16)
- It is clear from the lease deed that the subject plot shall remain the property of the respondent; that the Corporate Debtor only has leasehold right over the subject asset; that the lessee would be required to pay the enhancement of land cost within 30 days of the demand and that without consent of the Corporation/ Respondent, the lessee will have no right to transfer the lease rights of the land. The Respondent also has the right to cancel the allotment in case of breach of any terms and conditions.(p17)
- The demand for enhanced land cost was raised by the Respondent on 15.03.2016 and was payable much before the initiation of CIRP.(p18)

## Judgments referred:

- Municipal Corporation of Greater Mumbai vs. Abhilash Lal and Ors. (2019) [ibclaw.in 28 SC](#)
- Maharashtra Industrial Development Corporation Vs. Santanu T. Ray & Ors. (2022) [ibclaw.in 420 NCLAT](#)
- New Okhla Industrial Development Authority Vs. Abhishek Anand Liquidator of Mega Soft Infrastructure Pvt. Ltd. (2022) [ibclaw.in 306 NCLAT](#)
- From the perusal of the aforesaid judgments, it follows that the rights of the Public Sector/ State Land Development Authorities on assets owned by them cannot be overridden by provisions of IBC, 2016 and any transfer to the successful Auction Purchaser or Successful Resolution Applicant has to be in accordance with the terms and conditions of the original allotment or lease deed or policy of the Authority. (p19)
- In our opinion, the protective umbrella of IBC, 2016 for CIRP cannot be extended to an extent that public authorities are asked to part with their assets without full payment of their dues or without compliance to terms and conditions of the sale or lease deed or their transfer policy. The 'clean slate principle' will not apply to the factual matrix of the present case, where there was prior demand from public sector land authority which was also not disclosed during CIRP to the IRP or the CoC. (p21)
- The Adjudicating Authority in the impugned order has rightly noted that the payment demanded by the respondent is to clear the defect in the title of the land itself, and is not linked to the CIRP proceedings. (p22)
- In the result, we do not find any reason to interfere in the order of the Adjudicating Authority. The Company Appeal is dismissed. All IAs pending, if any, are closed. No orders as to cost. (p24)

## **RD grants relief for delayed filing of board resolutions in Form MGT-14 due to COVID-19 Pandemic - A Case Study**

### **Background of the case**

1. This is a case relating to the non-filing of the specified board resolutions passed by M/s Stanley Lifestyles Limited to the Registrar of Companies in the specified form MGT-14 requiring filing as per the provisions of section 117(1) of the Companies Act 2013. The company had passed three resolutions vide its board meetings dated 20th May 2019, 16th December 2019 and 27th September 2021 and these resolutions ought to have been filed in e-form MGT-14 as per the provisions of section 117(1) of the Companies Act 2013 within 30 days of passing of the resolutions. All these resolutions had been filed by the company only on 13th October 2023 with a delayed period of 1577 days, 1367 days and 716 days respectively. The company filed suo-moto applications for these delayed compliance and the Registrar of Companies, Bangalore after following the due procedure of law, passed an adjudication order levying penalty upon the company, its directors and its KMPs to the tune of Rs. 10.74 lakh.

Against the order of the Registrar of Companies of Bangalore, the company filed an appeal challenging the penalty of RS. 10.74 lakh levied, before the Regional Director (South Eastern Region) Ministry of Corporate Affairs, Hyderabad. Upon hearing the appeal, the Regional Director slashed the penalty amount from Rs.10.75 lakh to Rs.2.15 lakh based on his observations and considerations that the default committed by the company was due to over sightedness and the disruptions caused by the Covid-19 pandemic, the company's business was affected and the main focus of the company was to maintain its existing turnover and profits of the company coupled with the fact that the company's employees were working from home which had its limitations. Considering the above fact and the request made by the to consider these facts and grant relief from the maximum penalty imposed upon the company, its directors, chief financial officer and the company secretary would be burdensome and harsh, the Regional Director granted the appropriate relief. Let us go through the case in detail to understand the intricacies, related provisions, the stand taken by the company and the consideration by the Regional Director while deciding the appeal.

# Knowledge Sharing Article

## **Details of the company**

2. M/s Stanley Lifestyles Limited was incorporated on 11 th October 2007 under the provisions of the Companies Act 1956 and the company falls under the jurisdiction of the Registrar of Companies, Karnataka and the office of the Registrar is situated at Bangalore. This company has its registered office situated at SY No.16/2 and 16/3 Part, Hosur Road, Veerasandra village, Attibele Hobli, Anekal Taluk, Bangalore in the state of Karnataka. The company, as per the details shown at the MCA portal has six directors on its board and one of them is a managing director and one of them is a whole-time director. The company also have a chief financial officer and a company secretary in whole time employment. The company manufactures home furniture products such as sofa sets, beds, coffee and dining tables, chairs and other products.

## **Default committed by the company**

3. The company passed three board resolutions which were mandatorily required to be filed with the Registrar of Companies within the stipulated time as per the provisions of section 117 (1) of the Companies Act 2014 in e-form no MGT-14 for filing of resolutions and the agreements to the Registrar pursuant to section 94(1), 117(1) of the Companies Act, 2013. The following table explains the default committed by the company in brief.

## Knowledge Sharing Article

Sr. No	Event	Relevant section	Date of resolution	Filing of MGT 14		Delay in filing (days)
				Due date	Actual date	
1	Borrowing power of the Board (Kotak Mahindra Bank)	179(3)(d)	20/5/2019	19/6/2019	13/10/2023	1577
2	Variation in terms of appointment i.e. remuneration of managing director	117(3)(c)	16/12/2019	15/1/2020	13/10/2023	1367
3	Borrowing power of the Board (HDFC Bank)	179 (3) (d)	27/9/2021	27/10/2021	13/10/2023	716

The company upon realizing the default committed had filed three suo-motu adjudication applications on 7 th September 2023 and the company admitted the default committed by them in filing the e-form MGT-14 as per the provisions of section 117(1) of the Companies Act 2013 and made a prayer to the Registrar of Companies to adjudicate the matter.

Pursuant to the adjudication applications filed by the company, the Registrar of Companies issued an adjudication notice to the company and its directors on 15 th November 2023 fixing up a personal hearing on 5 th December 2023. The personal hearing was attended by an authorized representative of the company - a practising company secretary and made submissions as stated in the application. The authorised representative was asked to provide the details of the offences as to whether they have been made good, and a written submission was made on the date of the hearing itself stating that MGT-14 forms have been filed for all the three resolutions under consideration on the 13 th October 2023. The Registrar of Companies, after having considered the facts and circumstances of the case and the submissions made by the company and directors through their authorised representatives, admitting the violation committed by them in respect of section 117(1) of the Companies Act 2013, imposed the penalty on the company and the directors/officers who were in default of the offence committed under three instances stated above

**Penalty levied by the Registrar of Companies / Adjudication Officer:**

4. The Registrar of Companies / Adjudicating Officer, in the exercise of the power vested on him under section 454(3) of the Companies Act 2013 imposed the penalty in the following manner on the company and the directors/officers who were in default of the offence committed.

Sr. No	Company Directors KMPs	Penalty imposed for			Total Penalty
		Default no.1	Default no.2	Default no.3	
		Rs.	Rs.	Rs.	Rs.
1	Company	1,67,600	1,46,600	81,500	3,95,700
2	Managing Director	50,000	50,000	50,000	1,50,000
3	Whole time Director	50,000	50,000	50,000	1,50,000
4	Chief Financial Officer	43,000	43,000	43,000	1,29,000
5	Company Secretary	50,000	50,000	50,000	1,50,000
6.	Ex. Company Secretary	50,000	50,000	-----	1,00,000
Total penalty levied		4,10,600	3,89,600	2,74,500	10,74,700

### **Appeal filed by the company**

5. The adjudication order was passed by the Registrar of Companies, Bangalore on 28 th December 2023 on this matter. As per provisions of section 454(6), an appeal under sub-section (5) of section 454 was to be filed within a period of 60 days from the date on which the copy of the order made by the adjudicating officers was received by the aggrieved person. The company had filed an appeal under Section 454 (5) of the Companies Act, 2013 in Form ADJ on 31 st January 2024. On examination of the Application/Appeal it was seen that the said appeal was filed within sixty days from the date of passing adjudication order by the Registrar of Companies, Bangalore in terms of provisions of section 454(6) of the Companies Act 2013

## **The Main Contention of the appeal:**

### **6. The main contention of the appeal was that:-**

a. The company stated that it had failed to file the e-form MGT-14 for the resolution passed for exercising by the board for availing credit card facility of online payments up to Rs. 5,00,000 from Kotak Mahindra Bank vide resolution dated 20th May 2019 as required under section 117 (1) and 117(3) read with section 179(3)(d) of the Companies Act 2013. The form MGT-14 was filed by the company on 13th October 2023 by a delayed period of 1577 days.

b. The company stated that it had failed to file the e-form MGT-14 for the resolution passed for the variation in terms of appointment of directors i.e., remuneration of the managing director / whole time director vide resolution dated 16th December 2019 as required under section 117 (1) and 117(3) read with section 179 (3) (d) of the Companies Act 2013. The form MGT-14 was filed by the company on 13th October 2023 by a delayed period of 1367 days.

c. The company further stated that it had failed to file the e-form MGT-14 for the resolution passed for exercising by the board for availing auto loan of Rs 75,00,000 from HDFC Bank vide resolution dated 27th September 2021 as required under section 117 (1) and 117(3) read with section 179 (3) (d) of the Companies Act 2013. The form MGT-14 was filed by the company on 13th October 2023 by a delayed period of 716 days.

d. The company admitted that the company had failed to file the e-form MGT-14 within the due date specified by the provisions of the Companies Act 2013 and subsequently the company filed all the resolutions on 13th October 2013 at one go making the delayed compliance by paying an additional fees as per the Companies (Registration and Offices Fees) Rules 2014.

e. The company stated in its application that the delay was due to over sightedness and the disruptions caused by the Covid-19 pandemic, the company's business was affected and the main focus of the company was to maintain its existing turnover and profits of the company coupled with the fact that the company's employees were working from home

f. The company ended up with the adjudication application stating that imposing the maximum penalty upon the company, its directors, chief financial officer and the company secretary would be burdensome and harsh.

The appeal ended with a prayer to the Regional Director that the above factors be considered leniently which had happened beyond the control of the company due to the Covid-19 pandemic situation and requested to grant the relief by taking a lenient view.

### **Personal hearing:**

7. Upon receipt of the appeal, the Regional Director granted an opportunity to be heard and the the personal hearing date was fixed as on 1 st February 2024. Accordingly, the company and its directors and KMPs were asked to be present for the personal hearing before the appeal was being heard.



## **The day of the personal hearing**

**8.** M/s Stanley Lifestyles Limited and the concerned director had appointed an authorized representative – a practising company secretary – who had appeared on behalf of the company and its director and represented the matter and made the submissions on the day of personal hearing i.e. on 1st February 2024 and made the following submissions on behalf of the company and its directors and KMPs.

(a) The learned practising company secretary during the personal hearing once again reiterated all the grounds taken which were taken at the time of filing the appeal.

(b) The learned practising company secretary also emphasized the point that the penalty imposed by the Registrar of Companies / Adjudication officer was burdensome and harsh to the company and its directors and KMPs.

(c) He further made a prayer that the matter may be considered leniently, and appropriate relief be granted on this matter.

## **Conclusions reached by the Regional Director**

**9.** Upon carefully considering the impugned order passed by the Registrar of Companies / Adjudication Officer, Bangalore and after taking into the grounds put forward in the appeal made out by the company and considering the submission of the learned practising company secretary on the day of personal hearing i.e. 1st February 2024 on behalf of the company and its directors, the Regional Director decided to allow the appeal. The Regional Director, after considering all the grounds put forward by the company felt that there was a ground in interfering with the impugned adjudication order of the Registrar of Companies based on the grounds and submissions made by the learned practising company secretary as elaborated in the earlier paragraphs, though there was a default committed by the company. Hence, the Regional Director, after taking into consideration the facts of the appeal and the submissions made by the representative of the company decided to reduce the quantum of penalty imposed by the Registrar of Companies as it would deem fit to meet the end of justice and allowed the appeal by reducing the quantum of penalty to 20% of the total penalty.

## **Order passed by the Regional Director**

**10.** The Regional Director after allowing the appeal revised the penalties imposed by the Registrar of Companies, Bangalore as under:-

Sr. No	Company Directors KMPs	Penalty Imposed	Penalty Imposed
		Imposed by ROC	Revised by RD
		Rs.	Rs.
1	Company	3,95,700	79,140
2	Managing Director	1,50,000	30,000
3	Whole time Director	1,50,000	30,000
4	Chief Financial Officer	1,29,000	25,800
5	Company Secretary	1,50,000	30,000
6.	Ex. Company Secretary	1,00,000	20,000
Total penalty levied		10,74,700	2,14,940

The order passed by the Regional Director, directed the company and its directors to comply with this order and also provisions of section 454(8) of the Companies Act 2013 read with Companies (Adjudication) Rules 2014.

**Details of the penalty payment made by the company / its directors**

**11.** As directed by the order of the Regional Director, the penalty amount was paid by the company and its directors on 2nd February 2024 and the details of payment made along with the SRN numbers were informed by the company and its directors to the office of the Regional Director.

### **Issue of the order by the Regional Director**

**12.** The Regional director, upon receipt of the payment details of the penalty by the company and its directors, incorporated the same in the order and issued the order on 19th February 2024.

### **Despatch of the order**

**13.** The order in appeal was sent by the Regional Director to the company, its directors and KMPs with a copy marked to the Registrar of Companies at Bangalore. The order copy was also sent to the Officer in Charge, e-Gov. Cell, Ministry of Corporate Affairs, A-Wing, Shastri Bhavan, Dr. Rajendra Prasad Road, New Delhi with a request to upload this order on the website of the Ministry. Further, a copy of the order was also sent to the Assistant Director and Deputy Director of MCA at Delhi

### **The complete order for reading**

**14.** The readers may like to read the complete details of the order in appeal passed by the Regional Director (South Eastern Region) Hyderabad on 1 st February 2024 and the order was issued on 19 th February 2024 bearing no. F. No 9/11/ADJ/Sec-117 of 2013/Karnataka/ RD (SER)/2024/6930 in the matter of Companies Act 2013 and in the matter M/s. Stanley Lifestyles Limited and the relevant website is <https://www.mca.gov.in/content/mca/global/en/data-and-reports/rd-roc-info/rd-adjudication-orders.html> (file name adjudication order for violation of section 117 of the Companies Act 2013 in the matter of Stanley Lifestyles Limited under RD-South East uploaded on 23 rd February 2024). The reader may also like to read the complete order passed by the Registrar of Companies, Bangalore on this matter on 28 th December 2023 – order bearing no. RoC/(B)/Adj/ord.454-117(1)/Stanley Lifestyles/Co.No.044080/2023- order of adjudication of penalty under section 454 of the Companies Act, 2013 read with rule 3 of the Companies (Adjudication of Penalties) Rules 2014 for violation of provisions of section 117(1) of the Companies Act 2013 by Stanley Lifestyles Limited and the relevant website is <https://www.mca.gov.in/content/mca/global/en/data-and-reports/rd-roc-info/rd-adjudication-orders.html> (file name adjudication order for violation of section 117 of the Companies Act 2013 in the matter of Stanley Lifestyles Limited under ROC Bangalore on 21 st February 2024)

## **Conclusion:**

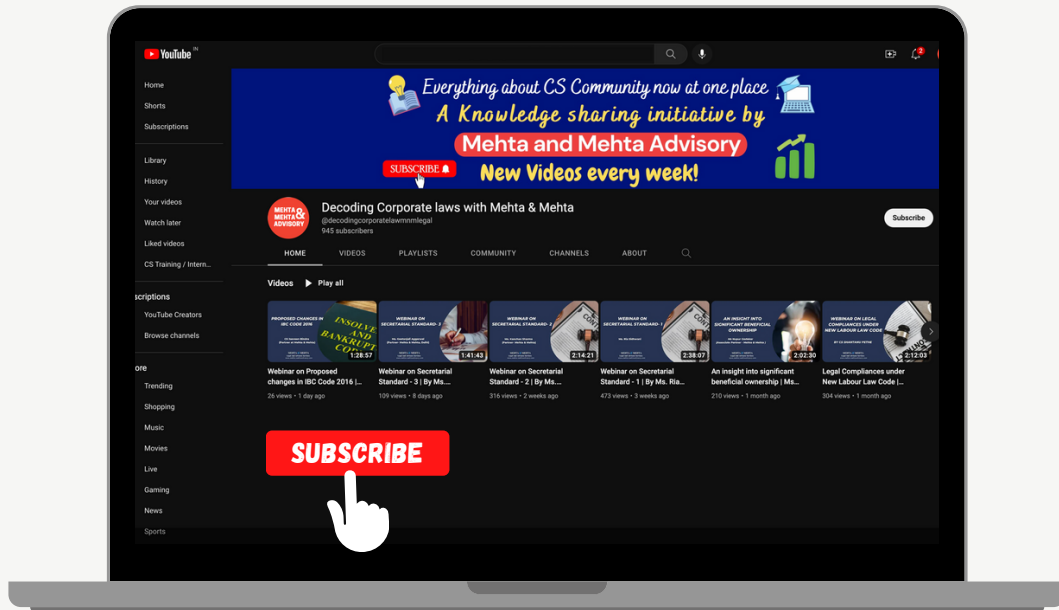
**15.** Companies hold meetings of the board of directors/shareholders/creditors of the company and pass resolutions. At the board meeting, the resolutions are passed by the board of directors while in the general meetings, the resolutions are passed by the shareholders of the company which could be either ordinary resolutions which are passed by simple majority or special resolutions which are passed with two-thirds of the majority. A company is required to file with the concerned Registrar of Companies certain resolutions and agreements. These are to be filed after being passed at the meeting of the board/shareholders/creditors of the company. The particulars of such resolutions and/or agreements are to be filed through the e-form MGT-14.

The provisions of section 117 of the Companies Act 2013 and the rules made thereunder, are applicable regarding registration of certain resolutions and agreements which are to be filed with the Registrar of Companies. The e-form MGT-14 is required to be filed with the Registrar of Companies within 30 days of passing the resolution or the making of the agreement. However, the private companies are exempted from filing board resolutions and the private companies are required to file the specified resolutions passed at the general meeting.

In the instant case, the company failed to file the board resolutions passed for specified items in e-form MGT 14 within the specified time. As a result, the company, its directors and KMPs were penalized by the Adjudication Officer to an extent of Rs. 10.75 lakh. The company filed an appeal against this order as per the provisions of section 454 (5) of the Companies Act 2013 with the Regional Director challenging the adjudication order and sought relief on grounds already discussed in the earlier paragraphs. The Regional Director (SER), Hyderabad decided the appeal to reduce the penalties imposed by the Registrar of Companies to 20 % for both i.e. for the company and as well as for the directors and KMPs (from Rs.10.75 lakh to Rs. 2.15 lakh) after carefully considering the grounds taken by the company and its directors and KMPs. As stated in the appeal petition and also based on the submissions made at the time of the personal hearing, the Regional Director accepted the grounds that the offences committed by the company were due to over sightedness and the disruptions caused due to by the Covid-19 pandemic, the company's business was affected and the main focus of the company was to maintain its existing turnover and profits of the company coupled with the fact that the company's employees were working from home while granting the relief.

It is evident from this case that the company and its directors and KMPs could appeal against the adjudication order based on genuine cases and prefer an appeal against the order since the appeal is decided based on the circumstances and the merits of the case. No doubt, if a company is having very valid reason by which the default has taken place, the appellate authorities would consider the same and the company could get the right justice. This particular case is one such example which is decided on the valid reasons and merits involving the grounds resulting into non-compliance which were beyond the control of the company due to disruptions caused due to Covid-19 pandemic situation.

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**ANALYSIS OF ADJUDICATION ORDERS PASSED BY ROC - ROLE OF COMPANY SECRETARY**