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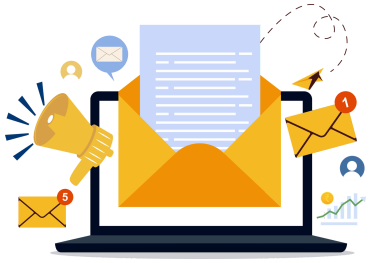
Monthly Newsletter

by Mehta & Mehta



VEDANAM वेदनम्

TABLE OF CONTENTS

WHY VEDANAM?

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

We hereby release our **June 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.

Mehta & Mehta

Corporate Legal firm

Find the latest updates about our webinars and circulars, notifications and updates published by SEBI, MCA, RBI, IBBI and other official government sites.

SEBI UPDATE: ENHANCEMENT OF OPERATIONAL EFFICIENCY AND RISK REDUCTION - PAY-OUT OF SECURITIES DIRECTLY TO CLIENT DEMAT ACCOUNT

SEBI issued circular mandating direct payout of securities to client demat accounts for operational efficiency and risk reduction.

The circular is effective from 14th Oct 2024.

The implementation standards shall be formulated by the Broker's Industry Standards Forum (on a pilot basis), under the aegis of the stock exchanges and in consultation with SEBI by August 05, 2024.

Link: Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account.

SEBI UPDATE: DISCLOSURES OF MATERIAL CHANGES AND OTHER OBLIGATIONS FOR FOREIGN PORTFOLIO INVESTORS

SEBI has amend the master circular for Foreign Portfolio Investors to relax timelines for disclosure of material change and events

'Type I' material changes shall be informed by FPIs as soon as possible and within seven working-days of the occurrence of the change and the supporting documents (if any) shall be provided within 30 days of such change.

'Type II' material changes, i.e., any material changes other than those considered as 'Type I' material changes, shall be informed and supporting documents (if any) shall be provided by FPIs as soon as possible and within 30 days of such change.

Link: Disclosures of Material Changes and Other Obligations for Foreign Portfolio Investors

SEBI UPDATE: FRAMEWORK FOR PROVIDING FLEXIBILITY TO FOREIGN PORTFOLIO INVESTORS IN DEALING WITH THEIR SECURITIES POST EXPIRY OF THEIR REGISTRATION

SEBI (Foreign Portfolio Investors) (Amendment) Regulations, 2024 were notified on June 03, 2024, amending the SEBI (Foreign Portfolio Investors) Regulations, 2019, inter alia, for providing flexibility to Foreign Portfolio Investors (FPIs) in dealing with their securities post expiry of their registration.

Continuance of Registration:

FPIs who wish to continue with their registration for the subsequent block of three years, should pay the fees to their DDPs

and inform change in information, if any, as submitted earlier.

Reclassification:

If an FPI registered under a particular category/sub-category fails to comply with applicable eligibility requirements, it shall notify this change to its DDP to be reclassified under appropriate category/sub-category in accordance with Para 14(i) below. FPI may be required to provide to the DDP with additional KYC documents, as applicable. The concerned DDP / Custodian shall not allow such FPI to make fresh purchases till additional KYC requirements (if any) are complied with. However, such FPI shall be allowed to continue to sell the securities already purchased by it until expiry of its existing registration block or 180 days from the date of notification of change by the FPI, whichever is later

Change in Status of a Compliant Jurisdiction:

If a jurisdiction, which was a compliant jurisdiction at the time of grant of registration to FPI, becomes non-compliant i.e. a) ceases to be a member of IOSCO/ Bilateral Memorandum of Understanding with SEBI/ BIS or b) becomes listed in FATF public statement as a "high risk" and "non-cooperative" jurisdiction, then the Custodian shall not allow such FPIs to make fresh purchases until the jurisdiction/ FPI is compliant with the Regulations.

Link: Framework for providing flexibility to Foreign Portfolio Investors in dealing with their securities post expiry of their registration

SEBI UPDATE: FRAMEWORK OF "FINANCIAL DISINCENTIVES FOR SURVEILLANCE RELATED LAPSES" AT MARKET INFRASTRUCTURE INSTITUTIONS

Market infrastructure Institutions (i.e. Stock Exchanges, Clearing Corporations and Depositories) are systemically important institutions for the development of the securities market.

Since any lapse in monitoring to detect and deter manipulative or abusive trading would show lacking adequate actions for surveillance related activity on the part of MIIs that may have an adverse effect on the investors' trust and confidence in the securities market, it has been decided by SEBI, after consultation with MIIs, for MIIs to implement a framework for Surveillance Related Lapses at MIIs.

Framework of Financial Disincentives for Surveillance Related Lapses at MIIs:

Surveillance Related Lapses:
Surveillance Related Lapse

("SRL"), shall mean and include the following:

Any lapse observed in the implementation of decisions taken during the Surveillance Meetings including any non-implementation or partial implementation or delayed implementation of any decision or communication of SEBI relating to surveillance as per agreed scope and timelines.

Any lapse observed in discharge of surveillance activities as per agreed scope and timelines; and

Any inadequate reporting or non-reporting of surveillance related activity as per agreed timelines.

Link: Framework of "Financial Disincentives for Surveillance Related Lapses" at Market Infrastructure Institutions

SEBI UPDATE: UPLOADING OF KYC INFORMATION BY KYC REGISTRATION AGENCIES (KRAS) TO CENTRAL KYC RECORDS REGISTRY (CKYCRR)

The KYC record of a client is uploaded on the system of KRAs by the intermediaries performing client due diligence as per the provisions of SEBI KRA Regulations, 2011. Additionally, the KYC information is uploaded on CKYCRR by the intermediaries in terms of SEBI master circular.

Based on the feedback received from stakeholders in securities market and to enable ease of doing business, the following clauses of the SEBI master circular on KYC norms stand modified

Registered intermediaries shall continue to upload/ download/ modify the KYC information with proper authentication on the systems of KRA, as per the provisions of SEBI KRA Regulations, 2011.

KRAs shall upload the verified/ validated KYC information onto the system of CKYCRR within 7 days of receiving the same from intermediaries or any other timeline as notified under PML Rules. The KRAs shall integrate their systems with CKYCRR and commence the uploading of KYC records on CKYCRR from August 01, 2024.

KRAs shall ensure that existing KYC records of legal entities and of individual clients are uploaded on to CKYCRR within a period of 6 months from August 01, 2024.

Link: Uploading of KYC information by KYC Registration Agencies (KRAs) to Central KYC Records Registry (CKYCRR)

SEBI UPDATE: EASE OF DOING INVESTMENTS- NON-SUBMISSION OF 'CHOICE OF NOMINATION' (I) DOING AWAY WITH FREEZING OF DEMAT ACCOUNTS AND MUTUAL FUND FOLIOS FOR EXISTING INVESTORS; (II) TO REMOVE FREEZE ON PAYMENT OF CORPORATE BENEFITS AND SERVICE OF PHYSICAL FOLIOS; (B) ONLY 3 FIELDS TO BE PROVIDED MANDATORILY FOR UPDATING NOMINATION DETAILS

SEBI, vide circular no. SEBI/HO/MIRSD/POD-1/CIR/2023/193 dated December 27, 2023 extended the last date for submission of 'choice of nomination' for demat accounts and mutual fund folios to June 30, 2024 failing which demat accounts/folios shall be frozen for debits.

Based on representations received from the market participants, for ease of compliance and investor convenience, the following has been decided for existing investors/ unitholders:

Non-submission of 'choice of nomination' shall not result in freezing of Demat Accounts as well as Mutual Fund Folios.

Securityholders holding securities in physical form shall be eligible for receipt of any payment including dividend, interest or redemption payment as well as to lodge grievances or avail any service request from the RTA even if 'choice of nomination' is not submitted by these securityholders.

Payments including dividend, interest or redemption payment withheld presently by the Listed Companies/RTAs, only for want of 'choice of nomination' shall be processed accordingly.

To encourage the existing investors to provide 'choice of nomination', a popup shall be provided on web/mobile application/platform to the investors by Depositories and Depository Participants while logging into the Demat Account and by AMCs (including MF RTAs, other platforms providing online execution services) while logging into their MF account. This pop-up may be shown only to those clients whose MF Folios/demat account(s) do not have 'choice of nomination'.

Link: (a) Ease of Doing Investments- Non-submission of 'Choice of Nomination' (i) Doing away with freezing of Demat Accounts and Mutual Fund Folios for existing investors

SEBI UPDATE: MODIFICATION IN FRAMEWORK FOR OFFER FOR SALE (OFS) OF SHARES TO EMPLOYEES THROUGH STOCK EXCHANGE MECHANISM

SEBI vide Master Circular dated October 16, 2023 at paragraph 19 of Chapter 1 has specified the comprehensive framework on Offer for Sale (OFS) of shares through stock exchange mechanism. Further, SEBI vide Circular dated January 23, 2024 issued Framework for Offer for Sale (OFS) of Shares to Employees through Stock Exchange Mechanism.

Paragraph 5 of SEBI Circular dated January 23, 2024 prescribed the procedure for offering of shares to the employees in OFS through stock exchanges.

Paragraphs 5 (i) and (vi) of the said circular states as under:

"5. (i) OFS to employees shall be on T+1 day along with the retail category under a new category called as "Employee".

(vi) Employees shall place bids only at the cut-off price of T+1 day. The allotment price shall be based on the Cut-off of the retail category, subject to discount, if any."

Based on the feedback received from certain stakeholders and deliberations in the Secondary Market Advisory Committee of SEBI (SMAC), it has been decided that employees shall place bids on T+1 day at a cut-off price of T day.

Accordingly, paragraph 5(vi) of SEBI Circular dated January 23, 2024 shall be read as under:

"5. (vi) Employees shall place bids only at cut-off price of T day. The allotment price shall be based on the Cut-off of the T day, subject to discount, if any."

The provisions of this circular shall come into effect from 30th day of issuance of this circular

Link: Modification in Framework for Offer for Sale (OFS) of Shares to Employees through Stock Exchange Mechanism

SEBI UPDATE: CONTRIBUTION TO CORE SETTLEMENT GUARANTEE FUND AND DEFAULT WATERFALL FOR LIMITED PURPOSE CLEARING CORPORATION (PLCC)

SEBI notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2023 (SECC Amendment Regulations, 2023) on July 24, 2023 to enable direct participation by participants in the LPCC for transacting in tri-party repo for corporate bonds. Accordingly,

following Para (6.5.1.4) shall be included and Para 6.8.2 and 6.11.1 shall be revised and read as follows:
Contribution to Core SGF of Limited Purpose Clearing Corporation

6.5.1.4. Participants contribution:
Contribution of Participants who desire direct participation and not through a clearing member to Core SGF shall be risk based and equivalent to deficit in MRC post contribution by Issuers and Clearing Members. The said contribution by Participants shall be subject to the following conditions:
that no exposure shall be available on Core SGF contribution of any Participant (exposure-free collateral of participants available with CC can be considered towards Core SGF contribution of Participants), and that required contributions of individual Participants shall be pro-rata based on the risk they bring to the system.

Link: Contribution to Core Settlement Guarantee Fund and Default Waterfall for Limited Purpose Clearing Corporation (PLCC)

SEBI UPDATE: MODIFICATION IN DURATION FOR CALL AUCTION IN PRE-OPEN SESSION FOR INITIAL PUBLIC OFFER (IPO) AND RELISTED SCRIPS

It was observed that during the call auction in pre-open session for certain IPO and relisted scrips, orders were placed at higher price in large volumes and significant portion of such orders were cancelled just before the closure of the call auction session.

In order to curb the misuse of the call auction session, based on the report of Working Group of Stock Exchanges and recommendations of Secondary Market Advisory Committee of SEBI, it has been decided to modify the current provisions related to call auction session for IPO & relisted scrips.

Master Circular has been modified as under:

Duration of Session:

The session shall be for a duration of 60 minutes i.e. from 9:00 a.m. to 10:00 a.m., out of which 45 minutes shall be allowed for order entry, order modification and order cancellation, 10 minutes for order matching and trade confirmation and the remaining 5 minutes shall be the buffer period to facilitate the transition from pre-open session to the normal trading session.

The session shall close randomly during last ten minutes of order entry i.e. anytime between 35th and 45th minute of the order entry window. Such random closure shall be system driven.

The provisions of this circular

shall be applicable from 90th day of issuance of the circular.

Link: Modification in duration for Call auction in pre-open session for Initial Public Offer (IPO) and Relisted scrips

SEBI UPDATE: INTRODUCTION OF A SPECIAL CALL AUCTION MECHANISM FOR PRICE DISCOVERY OF SCRIPS OF LISTED INVESTMENT COMPANIES (ICS) AND LISTED INVESTMENT HOLDING COMPANIES (IHCS)

It is observed that scrips of a few listed ICs and IHCs are being traded infrequently and at a price which is significantly lower than the book value disclosed by these companies in their latest audited financial statements. Moreover, these companies generally have no day-to-day operations and hold investments in different asset classes including in scrips of other listed companies.

It has been decided to put in place a framework for "special call auction with no price bands" for effective price discovery of scrips of such ICs and IHCs.

Criteria for identification of ICs or IHCs eligible for special call-auction:
i. The ICs or IHCs shall be identified based on the uniform industry classifications provided by stock exchanges.

ii. The scrip of ICs or IHCs should have been listed and available for trading for a period of at least 1 year and the said scrips are not suspended for trading.

iii. Total assets of the company invested in scrips of other listed companies shall be at least 50%;

iv. The 6-month Volume Weighted Average Price (VWAP) of the scrip shall be less than 50% of the book value per share of such company based on present value of their investments in shares of other listed companies. In case the scrips of such ICs or IHCs are not traded during the previous 6- months, the 6-months VWAP of the scrip shall be taken as zero.

Link: Introduction of a special call auction mechanism for price discovery of scrips of listed Investment Companies (ICs) and listed Investment Holding Companies (IHCs)

SEBI UPDATE: SYSTEM AUDIT OF PROFESSIONAL CLEARING MEMBERS (PCMS)

It has been decided to devise the framework for system audit of Professional Clearing Members (PCMs).

The Systems Audit report including compliance with SEBI/CCs circulars/guidelines and exceptional observation format along with compliance status of previous year observations shall

be placed before the Governing Board of the PCM and then the report along with the comments of the Management of the PCM shall be communicated to CCs within one month of completion of audit.

All CCs are jointly advised to devise the appropriate uniform penalty structure for PCMs to ensure that system audit reports are submitted to them within defined timelines as well as audit observations are closed within defined timelines.

The provisions of the Circular shall come into force with immediate effect. The first audit shall be conducted for FY 2023-24.

Link: System Audit of Professional Clearing Members (PCMs)

SEBI UPDATE: STATUTORY COMMITTEES AT MARKET INFRASTRUCTURE INSTITUTIONS (MIIS)

Regulation 29 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (hereinafter referred as "SECC Regulations, 2018") & Regulation 30 of Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 (hereinafter referred as "D&P Regulations, 2018"), inter alia, state that, MIIs shall have the following statutory committees:

Member Committee (MC):

The Committee may include two Key Management Personnel (KMP) including the Managing Director (MD), Non-Independent Directors (NIDs) (other than Executive Director), Independent External Professionals (IEPs) along with Public Interest Directors (PIDs). b. The committee shall be chaired by the PID with expertise in Capital Markets.

Nomination & Remuneration Committee (NRC):

a. The Committee may include NIDs (other than Executive Director and MD), IEPs along with PIDs. b. IEPs may be part of the committee for the limited purpose of recommendation relating to selection of the MD.

Oversight Committees:

Standing Committee on Technology (SCOT)
Regulatory Oversight Committee (ROC) and
Risk Management Committee (RMC)

The Chairperson of each statutory committee at MII shall be a PID.

The voting on a resolution in the meetings of the statutory committees at MIIs shall be valid only when the number of PIDs that have casted their vote on such resolution is not less than the total number of other members put together who have casted their vote on such resolution.

Link: Statutory Committees at Market Infrastructure Institutions (MIIs)

SEBI UPDATE: PARTICIPATION BY NON-RESIDENT INDIANS (NRIS), OVERSEAS CITIZENS OF INDIA (OCIS) AND RESIDENT INDIAN (RI) INDIVIDUALS IN SEBI REGISTERED FPIS BASED IN INTERNATIONAL FINANCIAL SERVICES CENTRES IN INDIA

SEBI (Foreign Portfolio Investors) Second Amendment Regulations, 2024 were notified on June 26, 2024, amending the SEBI (Foreign Portfolio Investors) Regulations, 2019 ("FPI Regulations, 2019"), to inter alia, provide flexibility of having up to hundred percent aggregate contribution by NRIs, OCIs and RI individuals in the corpus of FPIs based in International Financial Services Centres ("IFSCs") in India and regulated by International Financial Services Centres Authority ("IFSCA"). In view of the amendments to the FPI Regulations, 2019, the FPI Master Circular stands modified as follows:

At the time of seeking registration, the applicant shall submit a declaration stating its intent to have aggregate contribution, of NRIs, OCIs and RI individuals, of fifty per cent or more in its corpus, to its DDP. Existing FPIs may submit this declaration within 6 months from the date of this circular. The said declaration can be reviewed only at the time of renewal of registration by providing a suitable declaration to that effect.

The applicant shall provide to its DDP, copies of PAN card of all their NRI/OCI/RI individual constituents, along with the economic interest of such NRIs/OCIs/RI individuals in its corpus. In case any such constituent does not have PAN, the applicant shall submit the following documents to the DDP:

I. A declaration from such NRI/OCI constituents to the effect that they neither have a PAN nor any taxable income in India;
II. A declaration from such RI individuals to the effect that they are exempted from obtaining PAN by the Indian tax authorities and the legal provision under which they are exempt;
III. A copy of Indian passport, in case of NRIs;
IV. A copy of the OCI card, in case of OCIs;
V. A copy of any identity document issued by Government of India (such as Aadhaar, passport, etc.), in case of RI individuals. Any change in such details/documents submitted by the FPI shall be considered a 'Type II" material change.

Link: Participation by Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and Resident Indian (RI) individuals in SEBI registered FPIs based in International Financial Services Centres in India

RBI UPDATE: AMENDMENT TO MASTER DIRECTION - RESERVE BANK OF INDIA (INTEREST RATE ON DEPOSITS) DIRECTIONS, 2016

It has been decided to revise the definition of bulk deposits for all Scheduled Commercial Banks (excluding RRBs), Small Finance Banks and Local Area Banks. The term "Bulk Deposit" would now mean:

Single Rupee term deposits of Rupees three crore and above for Scheduled Commercial Banks (excluding RRBs) and Small Finance Banks.

Single Rupee term deposits of Rupees one crore and above for Local Area Banks as applicable in case of Regional Rural Banks.

Link: Amendment to Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016

RBI UPDATE: FOREIGN EXCHANGE MANAGEMENT (OVERSEAS INVESTMENT) DIRECTIONS, 2022 - INVESTMENTS IN OVERSEAS FUNDS

The following amendments are carried out in the Foreign Exchange Management (Overseas Investment) Directions, 2022:

(a) Existing Paragraph 1(ix)(e) of FEM (OI) Directions, 2022 is replaced with the following:

"The investment (including sponsor contribution) in units or any other instrument (by whatever name called) issued by an investment fund overseas, duly regulated by the regulator for the financial sector in the host jurisdiction, shall be treated as OPI. Accordingly, in jurisdictions other than IFSCs, listed Indian companies and resident individuals may make such investment. Whereas in IFSCs, an unlisted Indian entity also may make such OPI in units or any other instrument (by whatever name called) issued by an investment fund or vehicle, in terms of schedule V of the OI Rules subject to limits, as applicable.

Explanation: 'investment fund overseas, duly regulated' for the purpose of this para shall also include funds whose activities are regulated by financial sector regulator of host country or jurisdiction through a fund manager."

(b) Existing Paragraph 24(1) of FEM (OI) Directions, 2022 is replaced with the following:

"A person resident in India, being an Indian entity or a resident individual, may make investment (including sponsor contribution) in units or any other instrument (by whatever name called) issued by an investment fund or vehicle

set up in an IFSC, as OPI. Accordingly, in addition to listed Indian companies and resident individuals, unlisted Indian entities also may make such investment in IFSC."

Foreign Exchange Management (Overseas Investments) Directions, 2022 issued vide A.P. (DIR Series) Circular No.12 dated August 22, 2022, shall accordingly be updated to reflect the above changes.

Link: Foreign Exchange Management (Overseas Investment) Directions, 2022 - Investments in Overseas Funds

RBI UPDATE: INTERNATIONAL TRADE SETTLEMENT IN INDIAN RUPEES (INR) – OPENING OF ADDITIONAL CURRENT ACCOUNT FOR SETTLEMENT OF TRADE TRANSACTIONS

Authorised Dealer Category – I (AD Category – I) banks is invited to FED Circular No. 08 dated November 17, 2023, in terms of which, AD Category-I banks maintaining Special Rupee Vostro Account vide A.P. (DIR Series) Circular No.10 dated July 11, 2022 on International Trade Settlement in Indian Rupees (INR) were permitted to open an additional special current account for its constituents, exclusively for settlement of export transactions.

On a review, and to provide operational flexibility, the facility of opening an additional special current account by the AD Category-I banks (maintaining Special Rupee Vostro Account in terms of the RBI circular dated July 11, 2022 referred above) for its constituents may be extended for settlement of their export as well as import transactions.

Link: International Trade Settlement in Indian Rupees (INR) – Opening of additional Current Account for settlement of trade transactions

RBI UPDATE: PRIORITY SECTOR LENDING – AMENDMENTS TO THE MASTER DIRECTIONS

Please refer to Master Directions (MD) on Priority Sector Lending (PSL) dated September 04, 2020 as updated from time to time.

The following paras of the Directions stand amended in view of factors detailed thereunder.

Para no. of MD on PSL	Extracts of existing paras	Extracts of revised paras
7	To address regional disparities in the flow of priority sector credit at the district level, it has been decided to rank districts on the basis of per capita credit flow to priority sector and build an incentive framework for districts with comparatively lower flow of credit and a dis-incentive framework for districts with comparatively higher flow of priority sector credit. Accordingly, from FY 2021-22 onwards, a higher weight (125%) would be assigned to the incremental priority sector credit in the identified districts where the credit flow is comparatively lower (per capita PSL less than ₹6000), and a lower weight (90%) would be assigned for incremental priority sector credit in the identified districts where the credit flow is comparatively higher (per capita PSL greater than ₹25,000). The list of both categories of districts is given in Annex IA & IB. This list will be valid for a period up to FY 2023-24 and will be reviewed thereafter. The districts other than those mentioned in Annex IA and IB will continue to have existing weightage of 100%.	To address regional disparities in the flow of priority sector credit at the district level, it was decided to rank districts on the basis of per capita credit flow to priority sector and build an incentive framework for districts with comparatively lower flow of credit and a dis-incentive framework for districts with comparatively higher flow of priority sector credit. With effect from FY 2024-25, a higher weight (125%) shall be assigned to the incremental priority sector credit in the identified districts where the credit flow is comparatively lower (per capita PSL less than ₹9,000), and a lower weight (90%) will be assigned for incremental priority sector credit in the identified districts where the credit flow is comparatively higher (per capita PSL greater than ₹42,000). The list of both categories of districts is given in Annexes IA and IB and will be valid up to FY 2026-27. The districts other than those mentioned in Annexes IA and IB will continue to have existing weightage of 100%.

9	The definition of MSMEs will be as per Government of India (GoI), Gazette Notification S.O. 2119 (E) dated June 26, 2020 read with circular RBI/2020-2021/10 FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 read with FIDD.MSME & NFS. BC. No.4/06.02.31/2020-21 dated July 2, 2020, August 21, 2020 respectively on 'Credit flow to Micro, Small and Medium Enterprises Sector' and updated from time to time. Further, such MSMEs should be engaged in the manufacture or production of goods, in any manner, pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951 or engaged in providing or rendering of any service or services. All bank loans to MSMEs conforming to the above guidelines qualify for classification under priority sector lending.	The definition of MSMEs shall be as given in the Master Direction – Lending to Micro, Small & Medium Enterprises (MSME) Sector FIDD.MSME&NFS.12/06.02.31/2017-18 dated July 24, 2017 as updated from time to time. All bank loans to MSMEs shall qualify for classification under priority sector lending.
27	In respect of UCBs, the data on priority sector advances in the reporting formats 'Statement I' and 'Statement II (Part A to D)' shall be furnished at quarterly and annual intervals, to the Regional Office of DoS, RBI.	UCBs shall be guided by Master Direction – Reserve Bank of India (Filing of Supervisory Returns) Directions – 2024 dated February 27, 2024, as updated from time to time, as regards submission of data on priority sector advances.

Link: Priority Sector Lending – Amendments to the Master Directions

THERE IS NO PROVISION IN INSOLVENCY CODE FOR EXTENSION OF PPIRP TIME LIMIT UNDER SECTION 54D OF IBC – VIKASH GAUTAMCHAND JAIN RP OF KETHOS TILES PVT. LTD. – NCLT AHMEDABAD BENCH

Brief about the decision:

Facts of the case:

- The Adjudicating Authority vide its order dated 04.01.2024 admitted M/s. Kethos Tiles Private Limited (Corporate Debtor) under Section 54C of the IBC, 2016 r.w. Rule 4 of Insolvency and Bankruptcy (Pre-Packaged Insolvency Resolution Process) Rules, 2021.
- While base resolution plan submitted by the Corporate Debtor is under consideration, the CoC noted that the period of PPIRP comes to an end on expiry of 120 days from the date of admission of PPIRP on 03.05.2024 and the CoC requested the RP to file an application seeking extension of PPRIP period of 60 days.
- The resolution for seeking extension of PPIRP period was passed with 91.75% voting on 02.05.2024 by E-voting.
- The Applicant has filed this application seeking extension of time of PPIRP period by 60 days after the date of completion of PPIRP (120 days) i.e., on 03.05.2024.

Decision of Adjudicating Authority

- A plain reading of Section 54D of Insolvency & Bankruptcy Code, 2016 reveals that a time period of 120 days from the date of commencement of PPIRP is provided in the Act. As per Section 54D(3), if no Resolution Plan is approved by CoC the RP shall file an Application for Termination of PPIRP. Contrary to the Section Resolution Professional in the present matter has filed an Application seeking extension of time.
- It is seen that the Counsel for the Applicant relied upon Section 12 of the IBC,2016 to be applied in the PPIRP matters. The Sections which shall be applies to Chapter III-A governing PPIRP mutatis mutandis are stated through Section 54P.
- The Resolution Professional has not complied with the direction given under the provisions of Section 54D and 54K (11) (12).
- In view of the above findings and as no resolution Plan has been approved within the specific time period which is 120 days, we are constrained to order Termination of Pre-Packaged Insolvency Resolution Process of the Corporate Debtor initiated by the order dated 04.01.2024.

- It is also seen that the RP has misled the Tribunal and has not performed the duties as mandated under the code. The Registry of this Tribunal is directed to send a copy of this order to IBBI and the Indian Institute of Insolvency Professionals of ICAI, the IPA of the RP for taking necessary action in this regard.
- In view of the above observations and averments, the present Application is Rejected, PPIRP initiated vide order dated 04.01.2024 is hereby terminated and Corporate Debtor is released from rigor of law. Hence IA/769(AHM)2024 is rejected and C.P.(IB) & Pre-Packaged)/1(AHM)2023 is dismissed accordingly.

MSME PROMOTER CAN BE RELAXED FROM NET WORTH CRITERION FOR SUBMITTING ITS RESOLUTION PLAN BUT NOT BE WAIVED OFF FROM DEPOSITING SECURITY DEPOSIT AND EMD – MR. MANISH KUMAR, SUSPENDED DIRECTOR OF WEARIT GLOBAL LTD. VS. RACHNA JHUNJUNWALA, RP AND ANR. – NCLT KOLKATA BENCH

Brief about the decision:

Facts of the case:

- The Corporate Debtor is a registered MSME under MSMED Act, 2006 from 14.12.2021 and on 08.04.2022, it was put into corporate Insolvency.
- The Resolution professional (RP) published the invitation for Expression of Interest (EoI) on 20.11.2023.
- The Applicant, being the suspended director of the Corporate Debtor, requested the RP through a letter dated 20.12.2023, to allow the relaxation in eligibility criterion i.e., the requirement of the minimum tangible net worth of Rs. 15 Crore, apropos the submission of the EoI as well as the Resolution Plan.
- However, the CoC did not agree to provide the relief as sought by the applicant. Further, the CoC noted that the applicant has also not submitted the requisite EMD. Thus, he has been excluded from the provisional list of Prospective Resolution Applicants.
- This instant application has been preferred by Mr. Manish Kumar under Section 60(5) of the IBC seeking the direction that the Respondents to relax the eligibility criterion requirement of the minimum tangible net worth of Rs. 15 crores for the applicant/ promoter of Corporate Debtor in view of the settled position of law.

Decision of Adjudicating Authority:

- In the Report of Insolvency Law Committee, 2018, (ILC Report), the rationale for the exempting MSME entity from competing with other Resolution Applicants as the MSMEs are the bedrock of the Indian economy. The intent is not to push them into Insolvency or liquidation and affect the livelihood of employees and workers of MSMEs rather promote their entrepreneurship by granting exemptions to corporate debtors which are MSMEs by permitting a promoter who is not a wilful defaulter, to bid for the MSME in insolvency. The rationale for this relaxation is that a business of an MSME attracts interest primarily from a promoter of an MSME and may not be of interest to other resolution applicants.(p16)

- **Hence, keeping the objective of the Code as well as the ILC Report and the decisions referred by the Learned Senior Counsel, that as various relaxations have already been provided under Section 240A of the Code, further, relaxation to satisfy the financial solvency possessed by the MSME Promoter will not serve the object of the code.** To ensure a feasible and viable resolution plan to revive the business of the Corporate Debtor and to attain the objective of value maximization of the asset of a corporate insolvent person especially where public money is involved, **an exemption of from satisfying the Net worth is uncalled for.(p17)**
- Further, the submission of the Learned Senior Counsel that the decision rendered in Rajesh Kumar Damani v. CoC of Pami Metals Pvt. Ltd. and Ors. (2024) ibclaw.in 89 NCLAT is wrongly interpretated as in that matter the promoter voluntarily furnishing the EMD and thus, the matter was reverted to the CoC.**(p18)**
- **As various exemptions and relaxations are catered to the MSME, including the exemption provided in Section 240A of the I&B Code to MSME sector, and furnishing EMD and Security Deposit, which is refundable in nature if the Plan of the Resolution Applicant including the MSME Promoter fails in the bid, denotes the seriousness and solemnity of the Resolution Applicant which indicates the affirmation that the Applicant is honestly interested in reviving the business of the Corporate Debtor but not merely participating as a probable attempt to regain the control over its business or vitiate the CIRP of the Corporate Debtor.(p19)**
- In the case in hand, **the MSME promoter who has already defaulted and subsequently, its company has undergone into CIRP for its default, can be relaxed from the net worth criterion for submitting its plan but not be waived off from depositing the Security Deposit at time of submission of its EoI and the EMD at time of submission of its Resolution Plan.(p19)**
- The Bench allows the relaxation to the eligibility criteria of “Net Worth” in respect of the Applicant is allowed and directs the RP to allow its EoI and Plan pursuant to the publication of the “Form – G” upon furnishing and depositing the required Security Deposit and EMD.**(p20)**
- In terms view above, the instant Interlocutory Application being I.A. (IB) No. 53/KB/2024 is disposed of accordingly.**(p21)**

WHETHER, AFTER APPROVAL OF RESOLUTION PLAN AND ISSUANCE OF LOI, AN UNSUCCESSFUL RESOLUTION APPLICANT CAN QUESTION THE CONDUCT OF THE COMMITTEE OF CREDITORS(COC) AND CHALLENGE RESOLUTION PLAN OF SUCCESSFUL RESOLUTION APPLICANT(SRA) – DHANSAGAR DEALERS PVT. LTD. VS. MR. ANUBRATA GANGOLY, RP OF CARNATION INDUSTRIES LTD. – NCLT KOLKATA BENCH

Brief about the decision:

A. I.A. (IB) No. 969/KB/2024

- The Resolution Plans of the applicant and SRA were placed and discussed and the authorized representatives were called in at appropriate times for clarifications and explanations. Both the plans were put in for e-voting and the plan submitted by the SRA has been approved by the CoC by 100% voting share.
- In the instant application preferred under Section 60(5) of the IBC, the Applicant, Dhansagar Dealers Pvt. Ltd., is an unsuccessful resolution applicant, challenging the resolution plan of the successful resolution applicant as the same has been illegally and arbitrarily voted upon and approved by the Committee of Creditor (CoC). Thus, the applicant has prayed to consider its enhanced/ revised plan and direct the respondents to opt for a challenge mechanism procedure to enable the applicant and the other resolution applicants to improve their plans.

Hon'ble Adjudicating Authority holds that:

- As per section 30(6) of the I&B Code, the Resolution Professional shall submit the resolution plan as approved by the CoC to the Adjudicating Authority. Thus, any modifications or revisions of any plan after the approval of the plan by the CoC, even if undertaken as per directions of the CoC, shall not be entertained unless the CoC grants the subsequent approval.(p17)
- Further, in the context of challenging the approval of the resolution plan, Hon'ble Bench refers to the following judgment rendered by the Hon'ble NCLAT:
  - PNC Infratech Ltd. Vs. Deepak Maini reported in (2022) ibclaw.in 612 NCLAT.
  - Interups Inc v. Kuldeep Kumar Bassi, reported in (2021) ibclaw.in 141 NCLAT
  - Steel Strips Wheels Ltd. v. Shri Avil Menezes, (RP) & Ors. reported at (2022) ibclaw.in 297 NCLAT. (p18-19)

- In the present case in hand, the Committee of Creditors of the Corporate Debtor within its ambit of “Commercial Wisdom” has taken the decision and the Adjudicating Authority has very limited scope to interfere in their decision which is unanimously taken. To fortify the view, we would refer to the judgment of the Hon’ble Apex Court in Kalpraj Dharamshi & Anr. vs Kotak Investment Advisors Ltd. & Anr. (2021) ibclaw.in 40 SC wherein, it was observed that the legislative scheme, as interpreted by various decisions of this Court, is unambiguous. The commercial wisdom of CoC is not to be interfered with, excepting the limited scope as provided Under Sections 30 and 31 of the I&B Code.(p21)
- Thus, from the foregoing enumerations, an unsuccessful resolution applicant has no vested right to challenge the approval of a resolution plan.(p22)
- In the instant case, the plan value of the Unsuccessful Resolution Applicant is less than the plan value as proposed by the Successful Resolution Applicant and the resolution plan submitted by the SRA has unanimously been approved by the CoC with the majority voting share. Thus, the approval of the plan falls within the arena of “commercial wisdom” which cannot be questioned unless there is a violation of law as enshrined under Sections 30(2) and 31 of the I&B Code.(p22)
- Where are no irregulates in approval of the resolution plan by the CoC. Once a resolution applicant fails to succeed in the bid, it neither has a locus to question the action of the stakeholders qua members sitting in and controlling the CoC, nor the right to enhance or revise the monetary value of its Resolution Plan to compete with the plan of the Successful Resolution Applicant. Thus, the Applicant herein being an Unsuccessful Resolution Applicant cannot be allowed to cry foul.(p22)
- In terms of the view above, the Application is dismissed. No cost. (p23-24)

THE ELECTRICITY DUES FOR THE PERIODS PRIOR TO APPROVAL OF THE RESOLUTION PLAN AND ON NO CLAIM BEING MADE WOULD STAND EXTINGUISHED AND SECTION 56 OF THE ELECTRICITY ACT WILL NOT BE ATTRACTED – RELIANCE INFRATEL LTD. AND ANR. VS. STATE OF MEGHALAYA AND ORS. – MEGHALAYA HIGH COURT

Brief about the decision:

Facts of the case

- The petitioner No. 1 namely; Reliance Infratel Ltd. (formally Reliance Telecom Ltd.) a company that operates over 43,000 Mobile Towers in India of which 157 are situated in Meghalaya, was admitted to insolvency with effect from 07.05.2019.
- A resolution plan was submitted by Reliance Projects and Property Management Solutions Ltd. (RPPMSL), for takeover of the petitioner, and on the same being approved by the NCLT and thereafter by the Supreme Court, RPPMSL took over the petitioner company on 22.12.2022.
- The respondent No. 2 namely; Meghalaya Power Distribution Corporation Ltd. had vide letter dated 12.06.2023 sought recovery of electricity dues from the petitioner for the periods prior to the takeover under the Insolvency Code, and also from the affiliates of the petitioner No. 1 (i.e. the respondents No. 3 & 4) by threatening to disconnect the existing electricity connections for the mobile towers, and further refused to provide new electricity connections to the petitioner and its affiliates.

Decision of High Court

A. Section 31(1) of IBC

- Section 31(1) of the Insolvency and Bankruptcy Code, 2016 (IBC) which is relevant in this respect, provides that an approved resolution plan is binding on all creditors. Even in cases where the creditors include Central Government and such other authorities to whom statutory dues are owed, they shall be bound by the said resolution.
- By a letter dated 25.07.2019, the Resolution Professional, had addressed a letter to all the State Electricity Boards informing them of the CIRP and further, had invited any claims which had not yet been submitted against the Corporate Debtor. The respondent No. 2 did not submit any claims in respect of their dues as was done by the other creditors.(p13-14)

MERELY BECAUSE HUSBAND IS IN CORPORATE DEBTOR AS MANAGING DIRECTOR AND HIS WIFE IS DIRECTOR IN OPERATIONAL CREDITOR, WILL NOT ATTRACT SECTION 5(24)(D) OF IBC, 2016 – VISWAROOPA INFO SERVICES INDIA PVT. LTD. VS. SITI VISIONS DIGITAL MEDIA PVT. LTD. – NCLT NEW DELHI BENCH COURT-II

Brief about the decision:

Facts of the case

- M/s Viswaroopa Info Services India Pvt. Ltd. (Applicant/Operational Creditor) has filed the present application under Section 9 of the Insolvency and Bankruptcy Code, 2016 with a prayer to initiate the CIRP against M/s. SITI Vision Digital Media Private Limited (Respondent/Corporate Debtor).
- As per the contention of the Corporate Debtor, the Operational Creditor is its related party because Ms. M. Sujatha, the authorized representative/ Director of the Operational Creditor, and her husband (who is Managing Director of CD) are shareholders of Corporate Debtor Company holding together 9% of equity share capital.

Decision of the Adjudicating Authority

a. CIRP application field by Related party

- Both parties have not indicated under which specific Clause of Section 5(24), the Operational Creditor is a related party to Corporate Debtor. Since the Operational Creditor is a Private Limited Company, therefore, we would like to examine the criteria stipulated under Section 5(24)(d) of IBC. Applying Section 5(24) of IBC 2016, on the facts of the case, we found that none of the Directors of the Operational Creditor Company is a Director/Manager in the Corporate Debtor Company. Merely, because one of the Directors i.e., Ms. M. Sujatha in Operational Creditor Company and her husband, who is Managing Director in Corporate Debtor Company who together hold 9% of shares of CD, will not attract Section 5(24)(d) of IBC, 2016.(p8-9)

- However, we would still like to examine whether the Operational Creditor is a related party to the Corporate Debtor in terms of Section 5(24) (f) of IBC 2016. As disclosed by the Operational Creditor that one of its directors Ms. M. Sujatha is the wife of the Managing Director of the Corporate Debtor. However, in order to attract the provision of Section 5(24)(f) of IBC 2016, what is needed is that the said Director of the Operational Creditor Company was acting on the advice/ direction/instructions of the Director/MD of the Corporate Debtor. There is nothing on record that could suggest that in the ordinary course of business, the Directors of Operational Creditor Company or for that matter the Director Ms. M. Sujatha were acting on the instructions of the Directors/MD of the Corporate Debtor. In the absence of any corroborative material, this Adjudicating Authority cannot assume this fact merely on the basis of the relationship between two Directors as Husband and Wife. (p10-11)
- In view of the above, we find nothing on record, which could suggest that the Operational Creditor and Corporate Debtor Company are related in terms of Section 5(24) of IBC, 2016.(p12)

b. CIRP application

- In view of the above, there being pre-existing disputes between the parties, the Application is dismissed.(p28)

ROC PENALIZES CO. & DIRECTOR FOR FAILURE TO MENTION DIN WHILE COMMUNICATING TO THE REGULATOR - A CASE STUDY

Background of the case

1. This is the case where, the director of a company named M/s Wind World (India) Limited did not mention the director identification number (DIN) while sending a reply letter dated 9th August 2022 to the office of the Registrar of Companies, pursuant to an enquiry conducted by the inspecting officials under the provisions of sub-section (4) of section 206 of the Companies Act 2013. As per the framework of the Companies Act 2013, pursuant to section 158 of the Companies Act 2013, every person or company, while furnishing any return, information or particulars as are required to be furnished under this Act, shall have to mandatorily mention the director identification number (DIN) in such return, information or particulars in case such return, information or particulars relate to the director or contain any reference of any director. Since the reply submitted by the director of M/s Wind World (India) Limited, the Adjudication Officer of Goa, initiated the proceedings against the company and following the due process of law passed the adjudication order and penalized the company and director to a tune of rupees one lakh. Let us go through this case in order to understand the intricacies, requirement of the law and the consequences of default on this matter.

Relevant provision of the Companies Act relating to this case

2. As per the sub-section (1) of section 158 of the Companies Act, 2013 in Chapter XI, every person or company, while furnishing any return, information or particulars as are required to be furnished under the Companies Act2013, shall have to mention the Director Identification Number (DIN) in such return, information or particulars in case such return, information or particulars relate to the director or contain any reference of any director.

Penal provisions for default committed if any

3. Section 172 of the Companies Act 2013, spells out the punishment for any contravention committed in this chapter i.e. chapter XI. As per the provisions of section 172, if a company contravenes any of the provisions of this Chapter and for which no specific punishment is provided therein, the company and every officer of the company who is in default shall be liable to a penalty of rupees

Consequences of default/violation

4. To understand the consequences of any default / non-compliance while complying with the provisions of section 158 of the Companies Act 2013 relating to indicating the details of director identification number while communicating to the regulators by a director of a company, let us go through the decided case law by the Registrar of Companies of Goa, Daman & Diu on this matter on 15th April 2024 relating to M/s. Wind World (India) Limited.

The relevant case law on this matter

5. We shall go through the adjudication order bearing no. ROCGDD/Ao/ Sec-158/2024/04 passed by the Registrar of Companies, Goa, Damn & Diu on 15th April 2024 under section 454 of the Companies Act 2013 read with Companies (Adjudication of Penalties) Rules 2014 as amended by Companies (Adjudication of Penalties) Amendment Rules 2019 in respect of M/s. Wind World (India) Limited.

Details of the company

6. M/s. Wind World (India) Limited is a registered company under the provisions of the Companies Act, 1956 with effect from 22nd May 2003 and having its registered office situated at Plot no.33, Daman Patalia Road, Bhimpore, Daman. The company falls under the jurisdiction of Registrar of Companies, Goa, Daman &Diu and the office of the Registrar of Companies is situated at Goa. The company, as per the details shown at the MCA portal has three directors on its board and also a whole time company secretary (KMP).Wind World (India) Limited is majorly in manufacturing machinery &equipment business.

Facts of the case

7. The Registrar of Companies had conducted on the company M/s. Wind World (India) Limited through its inspecting officials under section 206(4) of the Companies Act 2013. During the inspection and enquiry, the inspecting officials had come across a reply letter written by one of the director of the company dated 9th August 2022 to the Registrar of Companies which did not contain the director identification number (DIN). The inspecting officials took up the matter with the company and the reply provided by the company was found to be unsatisfactory. Thereafter, the matter was referred to the competent authority at the Directorate of Ministry of Corporate Affairs.

Directions issued by the competent authority to the Registrar of Companies of Goa

8. The Registrar of Companies of Goa received directions from the competent authority of Ministry of Corporate Affairs to initiate penal action against the concerned director of the company.

Issue of show cause notice by the Registrar of Companies / Adjudication Officer

9. Subsequently, the Registrar of Companies / Adjudication Officer, as directed by the competent authority initiated the penal action against the company and its director. The Registrar of Companies / Adjudication Officer had issued show cause notice dated 28th February 2024 under section 454(4) of the Companies Act 2013 read with Rule 3(2) of the Companies (Adjudication of Penalties) Rules 2014 to the company and its director in default for the violation of section 158 of the Companies Act 2013. The show cause notice directed the company and its director to show cause as to why penal action could not be initiated against them for the violation committed for failure to mention the DIN details in the reply letter dated 9th August 2022 addressed to the Registrar of Companies.

Response from the company

10. In response to the show cause notice issued by the Registrar of Companies the company and its director not responded to the same and no reply was received by the Registrar of Companies / Adjudication Officer till the time of passing the adjudication order.

Conclusions arrived by the Registrar of Companies / Adjudication Officer

11. Since no response had been received from the company in respect of the show cause notice issued to the company and its directors, the Registrar of Companies / Adjudication Officer, decided to conclude the case with the available materials on record and on its merit basis. After carefully having considered the facts and circumstances of the case with the available documents on record concluded that the company and its director in default were liable for penalty as prescribed under section 172 of the Companies Act 2013 for default made in complying with the requirements of section 158 of the Companies Act 2013 – for failure to mention the DIN details while communicating with the Registrar of Companies.

Order passed by the Registrar of Companies / Adjudication Officer

12. The Registrar of Companies / Adjudication Officer in exercise of the powers vested upon him under section 454(1) & (3) of the Companies Act, 2013 and after having considered the facts and circumstances of the case and after taking into account the factors discussed above imposed penalty upon the company and its defaulting directors pursuant to Rule 3(12) of Companies (Adjudication of Penalties) Rules, 2014 and the proviso of the said Rule and Rule 3(13) of Companies (Adjudication of Penalties) Rules 2014 for the violation of section 134 of the Companies Act 2013.(filing the unsigned copies of the financial statements /other documents by the directors and auditors of the company)

The details of the penalty imposed on the company was shown in the table below:

Violation of section of Companies Act 2013	**Penalty levied upon company / Director**	**Penalty imposed**
		Rs.
Section 158 of the Companies Act 2013	Company	50,000
	Director	50,000
	Total Penalty	**1,00,000**

a. The order stated that the penalty imposed shall have to be paid by the company and its director through the Ministry of Corporate Affairs portal only under intimation to the office of the Registrar of Companies.
b. The order stated that an appeal against this order may be filed in writing with the Regional Director, Western Region, Ministry of Corporate Affairs, 100, Marine Drive, Everest Building, Mumbai within a period of sixty days from the date of receipt of this order in Form ADJ setting forth the grounds of appeal and the appeal shall have to be accompanied by a certified copy of this order. (Section 454(5) & 454(6) of the Act read with Companies (Adjudicating of Penalties) Rules 2014 as amended by Companies (Adjudicating of Penalties) Amendment Rules 2019.
c. The order also drawn the attention of the company to the provisions of section 454(8) of the Companies Act, 2013 regarding consequences of non-payment of penalty.

Despatch of the order

13. The order was sent by the Registrar of Companies, Goa, Daman &Diu in terms of the provisions of sub-rule (9) of Rule 3 of Companies (Adjudication of Penalties) Rules 2014 to the company and its defaulting director and to the Regional Director, Western Region, Ministry of Corporate Affairs, 100 Marine Drive, Everest Building, Mumbai. The order copy also was sent to E-Gov cell for uploading the order documents at the MCA site.

The complete order for reading

14. The readers may like to read the complete adjudication order passed by the Registrar of Companies / Adjudication Officer of Goa, Daman & Diu on 15th April 2024 adjudication order bearing no. ROCGDD/Ao/Sec-158/2024/04 under section 454 of the Companies Act 2013 read with Companies (Adjudication of Penalties) Rules 2014 as amended by Companies (Adjudication of Penalties) Amendment Rules 2019 in respect of M/s. Wind World (India) Limited at the MCA website at https://www.mca.gov.in/ content/ mca/ global/en/ data-and-reports/ rd-roc-info /roc- adjudication- orders.html.(the order is uploaded by the ROC of Goa on 4th June 2024 titled as orders adjudication of penalties passed by ROC, Goa, Daman & Diu under section 454 of the Companies Act 2013 for violation of section 158 of the Companies Act 2013 in the matter of M/s. Wind World (India) Limited)

Conclusion

15. We can conclude in saying that the company secretary, in the absence of the company secretary, the directors and other authorized officials of the company needs to ensure, that the DIN Number is mentioned beneath the signature of the director on information, documents and returns (including the financial statements) submitted to the regulator by the company whenever such documents are signed by the director for the submission to the regulator and as well as in all documents received from the director by the company in the capacity of a director.

The company secretary / director and other officials' needs to take every care to ensure that the DIN number is mentioned underneath the signature of the director upon signing since not mentioning the DIN number which appears to be a trivial matter would attract heavy penalty and fines, in view of the stringent provisions of the Companies Act 2013.

In this particular case, the company and directors ended up in paying a lakh of rupees for failure to mention the DIN in the communication letter addressed to the Registrar of Companies. In cases where the companies not required to have a company secretary, it is better to take the help of the practicing professional like a practicing company secretary and ensure the absolute compliance in order to avoid any penal action from the regulator. If the compliance is not taken care, as seen in this case, the company and the defaulting directors would face the penal actions and end up in spending the time and also face the monetary penalty. Needless to mention that the company directors need to be vigilant in ensuring the required compliance

References:

1. The Companies Act 2013
2. Companies (Adjudication of Penalties) Rules 2014
3. Companies (Adjudication of Penalties) Amendments Rules 2019
4. Adjudication order passed by the Registrar of Companies, of Goa, Daman & Diu on 15th April 2024 adjudication order bearing no. ROCGDD/Ao/Sec-158/2024/04 under section 454 of the Companies Act 2013 read with Companies (Adjudication of Penalties) Rules 2014 as amended by Companies (Adjudication of Penalties) Amendment Rules 2019 in respect of M/s. Wind World (India) Limited

- By Prof R Balakrishnan (FCS - FCWA)
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