MEHTA & MEHTA
Corporate Legal Firm

VEDANAM वेदनम्

March 2025

Why Vedanam?

Mehta & Mehta proudly presents VEDANAM, our monthly newsletter designed to equip legal professionals, Company Secretaries, Chartered Accountants, and all stakeholders navigating complex regulatory and legal environments. VEDANAM delivers meticulously curated:

- Timely regulatory updates
- Comprehensive case law analysis
- Strategic knowledge article

With the release of our March 2025 issue, we reaffirm our commitment to providing you with the actionable knowledge needed to proactively navigate and thrive in today's dynamic business and legal landscapes.

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SEBI UPDATE – AMENDMENTS AND CLARIFICATIONS TO CIRCULAR DATED JANUARY 10, 2025 ON REVISE AND REVAMP NOMINATION FACILITIES IN THE INDIAN SECURITIES MARKET

The Securities and Exchange Board of India (SEBI) issued a circular detailing amendments and clarifications to its January 10, 2025, circular on revising and revamping the nomination facilities in the Indian securities market.
The representations received from various stakeholders and discussions held thereafter, it is clarified that

1. (Clause 2.1.1)
The circular clarifies that, in the event of the demise of one or more joint holders, the assets held in a joint account will be transmitted to the surviving joint holder(s) by deleting the deceased holder(s)' name. However, it also provides flexibility by offering the surviving holder(s) the option to transfer these assets into a new or existing account or folio, enhancing the flexibility of asset management after such events.

2. (Clause 2.8)
Investors who hold a single account or folio now have the ability to opt out of the nomination process. This can be done either through online or physical modes, depending on the investor's preference. This provision offers an alternative for those who do not wish to designate a nominee for their holdings. The ease of opting out through online channels has been emphasized for both new and existing account holders.

3. (Clause 3.5)
Another notable change is the introduction of a mechanism that allows an investor with a single holding or account to empower a nominee to operate the account in the event of the investor being physically incapacitated but still mentally competent. This empowerment can be given to a nominee (excluding minor nominees), and the investor can make changes to this designation as often as needed, without any restrictions. This ensures that the nominee has the authority to manage the account in times of need.

4. (Clause 3.8)
In cases where the account becomes a single holding following the demise of a joint holder, SEBI clarified that the regulated entities are not required to request KYC documentation from the surviving holder(s) for transmission purposes, provided that the KYC information was already collected earlier. This minimizes delays in the transmission process. However, the surviving holder(s) have the

option to update their KYC details, such as residential address, mobile number, and email address, at the time of transmission or later.

5. (Clause 3.9)

The circular emphasizes that credit transactions, including those resulting from corporate actions, will continue to be permitted in such accounts or folios that undergo transmission due to the death of a joint holder. This ensures that the transmission process does not disrupt the account's ability to receive credits from corporate actions.

6. (Clause 3.10)

The final clarification deals with the opt-out process for both new and existing accounts. For new accounts opened online, the opt-out process must also be completed online, whereas new offline accounts will require the opt-out to be completed offline. Existing account holders have the flexibility to opt out either online or offline, based on their convenience. For demat accounts, Depository Participants (DPs) will handle the online opt-out process, not the depositories themselves.

SEBI Update – Amendments and clarifications to Circular dated January 10, 2025 on Revise and Revamp Nomination Facilities in the Indian Securities Market

SEBI UPDATE – INDUSTRY STANDARDS ON KEY PERFORMANCE INDICATORS ("KPIS") DISCLOSURES IN THE DRAFT OFFER DOCUMENT AND OFFER DOCUMENT

In order to facilitate a uniform approach in identification and disclosure practices of Key Performance Indicators (" KPIs"), the Industry Standards Forum ("ISF") comprising of representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the Stock Exchanges, has formulated industry standards, in consultation with SEBI, for effective implementation of the requirement to disclose KPIs in the draft offer document and offer document as per the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"). The industry associations which are part of ISF (ASSOCHAM, FICCI, and CII) and the stock exchanges shall publish the industry standards on their websites.

The Issuer Companies and Merchant Bankers shall follow the aforesaid industry standards to ensure compliance with the requirement to disclose KPIs in the draft offer document and offer document as per the provisions of ICDR Regulations.

This circular shall be applicable for all draft offer documents / offer documents filed with SEBI / Stock Exchanges on or after April 1, 2025.

SEBI Update – Industry Standards on Key Performance Indicators ("KPIs") Disclosures in the draft Offer Document and Offer Document

SEBI UPDATE – RELAXATION IN TIMELINE FOR REPORTING OF DIFFERENTIAL RIGHTS ISSUED BY AIFS

The Securities and Exchange Board of India(Alternative Investment Funds) Regulations, 2012 have been amended and notified on November 18, 2024, with respect to maintaining pro rata and pari passu rights of investors in a scheme of an AIF. A one time reporting requirement has been mandated for AIFs/schemes of AIFs whose PPMs were filed with SEBI on or after March 01, 2020, and have issued differential right(s) which do not fall under the implementation standards formulated by Standard Setting Forum for AIFs. Such information was to be submitted to SEBI in the prescribed format, on or before February 28, 2025.

Based on representation received from the AIF industry requesting additional time to meet the reporting requirement, it has been decided to extend the timeline to March 31, 2025, for ease of compliance.

This circular shall come into force with immediate effect.

SEBI Update – Relaxation in timeline for reporting of differential rights issued by AIFs

SEBI UPDATE – FASTER RIGHTS ISSUE WITH A FLEXIBILITY OF ALLOTMENT TO SPECIFIC INVESTOR(S)

Securities and Exchange Board of India (SEBI) has taken a significant step towards expediting the capital-raising process for companies by reducing the timeline for completing rights issues to 23 days.

A major highlight of the new rule is the reduction of the subscription period for rights issues. Under the revised guidelines:

- Rights issues must remain open for a minimum of 7 days and can be kept open for a maximum of 30 days.
- The validation of application bids for subscribing to shares in the rights issue and the finalisation of the basis of allotment will now be carried out by stock exchanges, depositories, and the registrar to the issue.

The provisions of this circular shall come into force from April 07, 2025 and shall be applicable to the Rights Issues that are approved by the Board of Directors of the Issuer from the

date of coming into force of this circular.

SEBI Update – Faster Rights Issue with a flexibility of allotment to specific investor(s)

SEBI UPDATE – FRAMEWORK ON SOCIAL STOCK EXCHANGE ("SSE")

The Securities and Exchange Board of India (SEBI) has announced a reduction in the minimum investment amount for Zero Coupon Zero Principal (ZCZP) instruments listed on the Social Stock Exchange (SSE).

Key Changes Announced

Previous Minimum Investment Amount: ₹10,000
Revised Minimum Investment Amount: ₹1,000
Effective Date – Immediately

SEBI Update – Framework on Social Stock Exchange ("SSE")

SEBI UPDATE – HARNESSING DIGILOCKER AS A DIGITAL PUBLIC INFRASTRUCTURE FOR REDUCING UNCLAIMED ASSETS IN THE INDIAN SECURITIES MARKET

SEBI has directed its efforts towards minimizing the creation of Unclaimed Assets (UA) in the securities market to strengthen investor protection and reduce Unclaimed Assets (UA), SEBI has introduced several measures, including:

Guidelines for inactive/dormant accounts and folios,
Mandatory furnishing of contact and bank details,
Requirement for investors to either nominate a beneficiary or formally opt out,
Simplified transmission norms, and
A centralized system for reporting investor demise.

DigiLocker

To further address unidentified UA, SEBI proposes leveraging DigiLocker—a Government of India digital document wallet.

Key aspects:
Stores important documents like Aadhaar, PAN, Driving License, and Death Certificate.

Recognized as equivalent to original documents under Section 9A of the IT Act, 2000.

Facilitates easy access and verification of investor documents.

Additional details on DigiLocker's functionalities and benefits are provided in Annexure – A of the circular
The Government of India, through an office memorandum dated December 28, 2020, has mandated that all entities delivering citizen services must integrate with DigiLocker. Currently, documents such as bank account statements, insurance policies, and NPS statements are available in DigiLocker.

To enhance financial accessibility, SEBI proposes the inclusion of Mutual Fund (MF) and demat holding statements in DigiLocker, allowing individuals to consolidate all financial holdings within a single account.

DigiLocker Nominee

Users can nominate individuals to access their digital information after their demise.

While adding a nominee, the user must provide their mobile number and email ID.

This feature ensures that nominees can seamlessly retrieve critical financial documents, aiding in asset transmission.

Updation of status of DigiLocker User upon demise

DigiLocker will update a user's demise status based on:

Register of Deaths maintained by the Registrar General and Census Commissioner (RGI).

Verified demise information and death certificate available with KRA systems, which manage the centralized reporting mechanism for deceased investors.

However, information shared by KRAs with DigiLocker will not be considered an 'Issued document'.
Intimation to DigiLocker Nominee/s upon demise of DigiLocker User

Upon a user's demise, DigiLocker will automatically notify the nominee(s) via SMS and email.

Nominees can access the deceased user's digital information through their own DigiLocker account after identity authentication.

This mechanism helps nominees access financial asset details, aiding in the smooth transmission of assets.

Note: The nomination facility in DigiLocker does not override the transmission norms for Mutual Funds (MFs) or demat accounts. Illustrations on transmission differences are provided in Annexure – C

Directions to Securities Market Intermediaries

AMCs (Asset Management Companies), RTAs (Registrar & Transfer Agents), and Recognized Depositories must register with DigiLocker as 'Issuers'.

This enables investors to retrieve:Holding statements (as of the previous day).Transaction statements (for the last 30 days).Consolidated Account Statement (CAS) (latest or from the last 12 months).

DigiLocker will allow users to automatically retrieve CAS every January 1st each year. Intermediaries may provide additional financial information through DigiLocker, beyond the

mandatory requirementsKRAs (KYC Registration Agencies) must electronically share demise details of investors with DigiLocker. Data sharing must follow strict data safety measures, with technical details and modalities decided mutually between NeGD (National e-Governance Division), SEBI, and KRAs.

Advisory to InvestorsInvestors may consider becoming users of DigiLocker and also consider specifying nominee/s for the DigiLocker (over and above the nomination/s, if any, made in their demat account and MF folio).

Investors holding securities in physical mode, can also avail the beneficial measures envisaged in this circular by opting to de-materialize their holdings.

This circular shall come into effect from April 01, 2025.

SEBI Update – Harnessing DigiLocker as a Digital Public Infrastructure for reducing Unclaimed Assets in the Indian Securities Market

SEBI UPDATE – ONLINE FILING SYSTEM FOR REPORTS FILED UNDER REGULATION 10(7) OF SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011

Securities and Exchange Board of India (SEBI) issued a circular regarding the filing process for reports under Regulation 10(7) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Key Features and Timeline for the Transition

In the first phase of implementation, companies will continue to have the option to file reports both via email and through the SI Portal. This dual filing system will be in place until May 14, 2025, allowing stakeholders a grace period to transition to the new system.

From May 15, 2025, onwards, filing through the SI Portal will become the only accepted method for submitting reports under Regulation 10(7) for the specified exemptions. This shift to a fully online system will ensure a more streamlined and transparent process for all stakeholders involved.

Another important feature of the new system is the integration of fee payments within the SI Portal. As of the circular's release, payments for the two reports covered under the new system will no longer be processed via the SEBI website's payment link (https://eservices.sebi.gov.in/paymentmodule). Instead, all payments must be made directly through the SI Portal, and the filing process will only be considered complete once the fee payment is made through this platform.

Any queries or concerns related to filing reports or fee payments can be directed to the SI Portal helpdesk at +9122-2644-9364 or via email at portalhelp@sebi.gov.in.
The provisions of this circular shall come into effect from the date of this circular.

SEBI Update – Online Filing System for reports filed under Regulation 10(7) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

SEBI UPDATE – DISCLOSURE OF HOLDING OF SPECIFIED SECURITIES AND HOLDING OF SPECIFIED SECURITIES IN DEMATERIALIZED FORM

SEBI issued circular regarding Disclosure of holding of specified securities and Holding of specified securities in dematerialized form

Based on the requests received from Depositories, Stock Exchanges and in the interest of providing further clarity and transparency in the disclosure of shareholding pattern to the investors in the securities market, the Annexure 2 of section II-A of chapter II to the Circular is being partially modified as under:

a. Table I-IV of the shareholding pattern has been amended as under:
i. details of Non-Disclosure Undertaking, Other encumbrances, if any and total number of shares pledged or otherwise encumbered including NDU shall be disclosed by the listed entities.

ii. It is clarified that underlying outstanding convertible securities also includes ESOPs i.e. the existing header of column X as “No. of Shares Underlying Outstanding convertible securities (including Warrants, ESOP etc.)

iii. adding one additional column in the existing shareholding pattern format to capture the details of total number of shares on fully diluted basis (including warrants, ESOP, Convertible Securities etc.)

b. Table II of the shareholding pattern has been amended as under:

i. A footnote has been added to the table II, which provides the details of promoter and promoter group with shareholding “nil”, can be accessed
This Circular shall come into force with effect from the quarter ending June 30, 2025.

SEBI Update – Online Filing System for reports filed under Regulation 10(7) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

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This Circular shall come into force with effect from the quarter ending June 30, 2025.

SEBI Update – Disclosure of holding of specified securities and Holding of specified securities in dematerialized form

SEBI CIRCULAR ON EXTENSION OF APPLICABILITY INDUSTRY STANDARDS FOR APPROVAL OF A RELATED PARTY TRANSACTION TILL 1ST JULY, 2025

SEBI vide its circular dated 21st March, 2025 has extended timeline for applicability of the Industry Standard for approval of a related party transaction till 1st July, 2025 which earlier was going to be effective from 1st April, 2025.

SEBI in the circular stated that, the extension has been provided

basis feedback from various stakeholders.

SEBI further stated that, the Industry Standards Forum ("ISF"), which had formulated the Industry Standards, shall take into consideration the feedback received for simplification of the Industry Standards and release the same in a time-bound manner to meet the revised timelines.

The extension provides relief to listed entities, giving them additional time to adapt and will bring ease with the compliance.

SEBI UPDATE – FACILITATING EASE OF DOING BUSINESS RELATING TO THE FRAMEWORK ON "ALIGNMENT OF INTEREST OF THE DESIGNATED EMPLOYEES OF THE ASSET MANAGEMENT COMPANY (AMC) WITH THE INTEREST OF THE UNITHOLDERS

SEBI issued a circular regarding the Facilitating ease of doing business relating to the framework on "Alignment of interest of the Designated Employees of the Asset Management Company (AMC) with the interest of the unitholders.

The Master Circular for Mutual Funds dated June 27, 2024 ('Master Circular') has been modified as under:

After Clause 6.10.1.5 of the Master Circular, Clause 6.10.1.5 (A) shall be inserted as:

"Provided that for Designated Employees managing liquid fund schemes, up to 75 percent of the minimum investment amount required to be invested in liquid fund schemes may be invested in schemes, managed by the AMC, with higher risk as compared to liquid fund schemes. This shall be applicable for Designated Employees associated with only liquid fund scheme and also for Designated Employees associated with other schemes in addition to liquid fund scheme, only with respect to the quantum required to be invested in liquid fund schemes.

For this purpose the risk value based on the risk-o-meter of the immediate preceding month shall be considered."

Clause 6.10.2.2. modified as:

In case of retirement on attaining the superannuation age as defined in the AMC service rules, the units shall be released from the lock-in and the Designated Employee shall be free to redeem the units, except for the units in close ended schemes where the units shall remain locked in till the tenure of the scheme is over. However, on resignation or retirement of the Designated Employee from the AMC before

attaining the age of superannuation as defined in the AMC service rules, the lock-in period, for the investments made under Clause 6.10 of the Master Circular, shall be reduced to 1 year from the end of the employment or completion date of 3 year lock-in period, whichever is earlier, except for the units in close ended schemes where the units shall remain locked in till the tenure of the scheme is over.

Clause 6.10.2.3 modified as: "Deleted"
Clause 6.10.2.4. modified as:
Open Ended Schemes: After the expiry of the mandatory lock-in period, Designated Employee can redeem their units in open ended schemes, subject to compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015. Such redemption transactions shall also be subject to the restriction on trade in closure period and the requirement of pre-clearance from compliance officer when closure period is not applicable, in terms of Clause 6 of Schedule B1 of SEBI (Prohibition of Insider Trading) Regulations, 2015.

For mandatory subscription/investment in the units of mutual funds under Clause 6.10 of the Master Circular, the requirements specified under Clause 6 of Schedule B1 of SEBI (Prohibition of Insider Trading) Regulations, 2015 shall not be applicable."

This circular shall come into effect from April 1, 2025.

SEBI Update – Facilitating ease of doing business relating to the framework on "Alignment of interest of the Designated Employees of the Asset Management Company (AMC) with the interest of the unitholders

SEBI CIRCULAR ON ONLINE FILING SYSTEM FOR REPORTS FILED UNDER REGULATION 10(7) OF SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011– 20TH MARCH, 2025

SEBI vide its circular dated 20 th March, 2025 has introduced an Online Filing System for reports filed under Regulation 10(7) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SEBI SAST Regulations, 2011 & Regulations").

Under Regulation 10(7) of SEBI SAST Regulations, 2011, an acquirer is required to submit a report to SEBI along with supporting documents and a non-refundable fee for acquisitions as prescribed under Regulation 10 that are exempted to make an open offer under regulation 3 and 4.

1. New Online Filing System via SI Portal:
Currently, these reports are submitted via email at cfddcr@sebi.gov.in.

This circular introduces an online filing mechanism through the SEBI Intermediary Portal at https://siportal.sebi.gov.in. for filing of these reports.

2. Phased Implementation:

In first phase, filing of reports as provided under Regulation 10(1)(a)(i) and Regulation 10(1)(a)(ii) of SEBI SAST Regulations, 2011 has been enabled through SI Portal.

Filing of reports in respect of other exemptions provided under Regulation 10 shall continue as per the existing system of filing, i.e., through email.

3. Filing Mechanism:

Filing of reports through SI Portal in respect of exemptions provided for in Regulation 10(1)(a)(i) and Regulation 10(1)(a)(ii) shall run in parallel with the existing system of filing these reports through email.

The simultaneous filing of these reports through e-mail and SI Portal shall commence from the date of issuance of this circular and the same shall continue till 14th May, 2025.

With effect from 15th May, 2025, only the online system for filing these reports through SI Portal shall be the permissible mode for compliance with aforesaid Regulations.

4. Mandatory Online Fee Payment:

Fee payment will be processed only through SI Portal from the date of issuance of this circular

Payment via the earlier SEBI e-payment link will be discontinued for these two exemptions.

SECURITIES AND EXCHANGE BOARD OF INDIA (CREDIT RATING AGENCIES) (AMENDMENT) REGULATIONS, 2025

SEBI vide its notification dated 20th March, 2025 (Published on 21st March, 2025) has amended SEBI Credit Rating Agencies, Regulations, 1999 by inserting a new Chapter after Chapter II and before Chapter III:

“CHAPTER IIA – PAST RISK AND RETURN VERIFICATION AGENCY

Recognition of an eligible credit rating agency as a Past Risk and Return Verification Agency

12A. (1) Notwithstanding anything contained in these regulations, the activity of a Past Risk and Return Verification Agency as referred to in Regulation 16E of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008, may be carried out by a credit rating agency, with the approval of the Board, on such terms and conditions as may be specified by the Board.

(2) The Past Risk and Return Verification Agency shall engage

a recognised stock exchange as a Past Risk and Return Verification Agency Data Centre on such terms and conditions as may be specified by the Board."

SEBI (INTERMEDIARIES) (SECOND AMENDMENT) REGULATIONS, 2025

SEBI vide its notification dated 20th March, 2025 (Published on 21st March, 2025) has amended SEBI (Intermediaries) Regulations, 2008 by inserting a new Chapter after Chapter IIIB and before Chapter IV:

"CHAPTER IIIC – VERIFICATION OF PAST RISK AND RETURN METRICS

Applicability

16D. The provisions of this chapter shall be applicable only to Investment Advisers, Research Analysts, Algo Providers empaneled with a recognised stock exchange, and intermediaries permitted by the Board to provide the services of Investment Advisers, Research Analysts and Algorithmic Trading.

Explanation – For the purposes of this Chapter, an algo provider shall mean a person empaneled with a recognised stock exchange for providing the facility of algorithmic trading services, in the manner specified by the recognised stock exchange.

Verification of risk-return metrics

16E (1). The persons referred to in Regulation 16D shall be permitted to make claim of returns or performance in the form of risk and return metrics, which have been verified by a credit rating agency recognized by the Board to carry out the activity of a Past Risk and Return Verification Agency.

(2) Any claim in the form of verified risk or return metrics as referred to in sub-regulation (1) shall be made in the manner specified by the Board.

Action for Violation

16F. The Board may, in case of violation of sub-regulations (1) or (2) of Regulation 16E, take such action as it may deem fit including action under Chapter V of these regulations."

SEBI (INTERMEDIARIES) (SECOND AMENDMENT) REGULATIONS, 2025

RBI UPDATE – REPORTING AND ACCOUNTING OF CENTRAL GOVERNMENT TRANSACTIONS FOR MARCH 2025

RBI has issued notification regarding Reporting and Accounting of Central Government transactions for March 2025

The following has been stated

The Government of India has decided that the date of closure of residual transactions for the month of March 2025 be fixed as April 10, 2025. In view of the ensuing closing of Government accounts for the financial year 2024-25, 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.

The Nodal/Focal Point branches will be required to prepare separate set of scrolls, one pertaining to March 2025 residual transactions and another for April transactions during the first 10 days of April 2025.

The Nodal/Focal Point branches should also ensure that all transactions (revenues/tax collections/payments) at the receiving branches up to March 31, 2025 are effected in the accounts for the current financial year itself and are not mixed up with the transactions of April 2025. Also, while reporting transactions pertaining to March 2025 up to April 10, 2025, the transactions of April 2025 should not be mixed up with the residual transactions relating to March 2025.

RBI Update – Reporting and Accounting of Central Government transactions for March 2025

RBI UPDATE – ANNUAL CLOSING OF GOVERNMENT ACCOUNTS – TRANSACTIONS OF CENTRAL / STATE GOVERNMENTS – SPECIAL MEASURES FOR THE CURRENT FINANCIAL YEAR (2024-25)

All Government transactions done by agency banks for the Financial Year 2024-25 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, 2025:

(a) All agency banks should keep all branches dealing with Government receipts and payments open for over the counter transactions related to Government transactions up to the normal working hours on March 31, 2025.

(b) Special clearing will be conducted for collection of Government cheques on March 31, 2025 for which the Department of Payment and Settlement Systems (DPSS), RBI will issue necessary instructions.

(c) Regarding reporting of Central and State Government transactions to RBI, including uploading of GST/ TIN 2.0/ ICEGATE/ State e-receipts luggage files, the reporting window of March 31, 2025, will be kept open till 1200 hours noon on April 1, 2025.

RBI Update – Annual Closing of Government Accounts – Transactions of Central / State Governments – Special Measures for the Current Financial Year (2024-25)

RBI UPDATE – ASIAN CLEARING UNION (ACU) MECHANISM – INDO-MALDIVES TRADE

Attention of Authorised Dealer Category – I (AD Category-I) banks is invited to Subclause (a) (ii) of Clause (I) of Sub regulation 2 of Regulations 3 of Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023 in terms of which trade transactions between ACU member countries are to be routed through the ACU mechanism or as per the directions issued by the Reserve Bank of India.

In the wake of signing of Memorandum of Understanding (MoU) between RBI and Maldives Monetary Authority in November 2024 for establishing a framework to promote the use of local currencies i.e., Indian Rupee (INR) and Maldivian Rufiyaa (MVR) for bilateral transactions, it has been decided that India's bilateral trade transactions with Maldives may also be settled in INR and/or MVR in addition to the ACU mechanism, as hitherto.

The above instructions shall come into force with immediate effect.

RBI Update – Asian Clearing Union (ACU) Mechanism – Indo-Maldives trade

RBI UPDATE – RESERVE BANK OF INDIA (FINANCIAL STATEMENTS – PRESENTATION AND DISCLOSURES) DIRECTIONS, 2021: CLARIFICATIONS

The Reserve Bank has received queries and suggestions from banks and Indian Banks' Association (IBA) on certain aspects of disclosures in the

notes to accounts to the financial statements as well as on the notes and instructions for compilation of balance sheet specified in the Annex II Part A of the Reserve Bank of India (Financial Statements – Presentation and Disclosures) Directions, 2021.

The below are the queries and suggestions received, and the clarifications

Sr. No.	Queries / Suggestions	Clarification
1.	Reference is invited to Notes and Instructions for Compilation of Balance Sheet specified in Part A of Annex II with respect to Schedule 5: Other Liabilities and Provisions: Others (including provisions) of the Directions ibid in terms of which certain types of deposits where the repayment is not free, shall also be included under this head. We have received queries from banks on the classification in the balance sheet, of margin money received in the form of deposits, where lien is marked by banks in the ordinary course of business.	It is clarified that lien marked deposits shall continue to be classified under Schedule 3: Deposits with suitable disclosures.
2.	In terms of Notes and Instructions for Compilation for Balance Sheet in Annex II Part A for Schedule 9 (B) (ii): Advances Covered by Bank/Government Guarantee of the Directions ibid, whether advances guaranteed by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) should be disclosed under Schedule 9 (B) (ii) (i.e., advances covered by bank/government guarantees) or under Schedule 9(B) (iii) (i.e., unsecured advances)?	It is clarified that advances, to the extent they are covered by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) and Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd. (NCGTC), which are backed by explicit Central Government Guarantee, in terms of paragraph 5.2.3 and 5.2.4 of Master Circular DOR.CAP.REC.4/21.06.201/2024-25 on Basel III Capital Regulations dated April 1, 2024, as amended from time to time, shall also be disclosed under Schedule 9 (B) (ii) i.e. 'Advances Covered by Bank/Government Guarantee'.
3.	Whether market value of repo and reverse repo transactions would better reflect the financials of banks instead of face value in terms of disclosures prescribed in Paragraph C. 3(e) of Annex III Disclosure in Financial Statements: Notes to Accounts to the Directions ibid ?	It is clarified that disclosures on repo/ reverse repo transactions shall be done in market value terms as well as face value terms.

These instructions are applicable to all commercial and cooperative banks for preparation of financial statements for the financial year ending March 31, 2025 and onwards.

RBI Update - Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021: Clarifications

RBI UPDATE – AMORTISATION OF ADDITIONAL PENSION LIABILITY – IMPLEMENTATION OF PENSION SCHEME IN REGIONAL RURAL BANKS WITH EFFECT FROM NOVEMBER 1, 1993 – PRUDENTIAL REGULATORY TREATMENT

In terms of NABARD circular NB.DoS.Pol.HO/2533/J-1/2019-20 dated December 12, 2019, Regional Rural Banks (RRBs) were earlier permitted to amortise their pension liability on account of RRB (Employee) Pension Scheme 2018 over a period of five years, beginning

with financial year ending March 31, 2019. RRBs are now required to implement the pension scheme with effect from November 1, 1993. However, in view of the difficulties expressed in absorbing the increased liability in a single year, it has been decided that RRBs may take the following course of action in the matter:

1. The liability on account of applicability of pension scheme shall be fully recognised as per the applicable accounting standards.

2. The expenditure, on account of revision in the pension, may, if not fully charged to the Profit and Loss Account during the financial year 2024-25, be amortised over a period not exceeding five years beginning with the financial year ending March 31, 2025, subject to a minimum of 20 per cent of the total pension liability involved being expensed every year.

3. Appropriate disclosure of the accounting policy followed in this regard shall be made in the 'Notes to Accounts' to the financial statements. Banks shall also disclose the amount of unamortised expenditure and the consequential net profit if the unamortised expenditure had been fully recognised in the Profit & Loss Account.

4. Pension related unamortised expenditure would not be reduced from Tier 1 Capital of the RRBs.

This circular is applicable to all the RRBs with effect from financial year 2024-25.

RBI Update – Amortisation of additional pension liability – Implementation of Pension Scheme in Regional Rural Banks with effect from November 1, 1993 – Prudential Regulatory Treatment

RBI UPDATE – TREATMENT OF RIGHT-OF-USE (ROU) ASSET FOR REGULATORY CAPITAL PURPOSES

RBI has issued notification regarding treatment of Right-of-Use (ROU) Asset for Regulatory Capital Purposes

The following has been stated

The Reserve Bank of India clarifies that for regulatory capital purpose entities are required to deduct Right-of-Use (ROU) Asset asset created under in terms of Ind AS 116-Leases from Owned Fund/ CET 1 capital/ Tier 1 capital as the case may beThe ROU asset shall be risk-weighted at 100 per cent, consistent with the risk weight applied historically to the owned tangible assets.This circular is applicable, with immediate effect, to all NBFCs (including HFCs) and Asset Reconstruction Companies implementing Companies (Indian Accounting Standards) Rules, 2015.

RBI Update – Treatment of Right-of-Use (ROU) Asset for Regulatory Capital Purposes

RBI UPDATE – CURRENCY CHEST OPERATIONS ON MARCH 31, 2025

All branches of the banks dealing with Government receipts and payments are to be kept open for transactions on March 31, 2025 (Monday-Public Holiday), so as to account for the Government transactions in FY 2024-25 itself. Since such transactions might necessitate operations at CCs, the banks are advised to keep their CCs open on March 31, 2025, akin to a normal working day.

RBI Update – Currency Chest operations on March 31, 2025

RBI UPDATE – REVIEW OF PRIORITY SECTOR LENDING (PSL) TARGET – URBAN CO-OPERATIVE BANKS (UCBS)

The guidelines also revise the overall PSL target for Urban Co-operative Banks (UCBs). The new target mandates that UCBs must ensure that 60 percent of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), whichever is higher, is allocated to the priority sector. This revision underscores the importance of ensuring that UCBs play an active role in providing financial services to the priority sectors, which includes small businesses, agriculture, and other underserved areas of the economy.

RBI Update – Review of Priority Sector Lending (PSL) Target – Urban Co-operative Banks (UCBs)

RBI UPDATE – MASTER DIRECTIONS – RESERVE BANK OF INDIA (PRIORITY SECTOR LENDING – TARGETS AND CLASSIFICATION) DIRECTIONS, 2025

The Reserve Bank of India (RBI) has unveiled its revised guidelines on Priority Sector Lending (PSL), which will come into effect on April 1, 2025.

The revised guidelines come with several important changes, each aimed at expanding the reach of PSL and ensuring that more individuals and businesses benefit from priority sector financing.

1. Enhancement of Loan Limits

One of the most significant updates in the revised guidelines is the enhancement of several loan limits. This includes an increase in the loan limit for housing loans, which will now fall under the PSL category for larger loan amounts. This adjustment is expected to allow more individuals to access home loans, thus promoting affordable housing and contributing to the government's vision of "Housing for All." By broadening the scope of PSL coverage, the RBI aims to

make housing loans more accessible to a larger population, thereby stimulating the real estate sector and supporting the overall economy.

2. Broadening of Renewable Energy Loans
Another key change is the expansion of loan classifications under the 'Renewable Energy' category. The RBI now allows a wider range of purposes to qualify for PSL under renewable energy, which is in line with India's commitment to sustainable energy practices and the global push towards combating climate change. This revision is crucial as it encourages financial institutions to support green energy initiatives, such as solar, wind, and other renewable energy projects, thus helping India achieve its renewable energy goals and reduce its carbon footprint.

3. Revised PSL Target for Urban Co-operative Banks (UCBs)
The guidelines also revise the overall PSL target for Urban Co-operative Banks (UCBs). The new target mandates that UCBs must ensure that 60 percent of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), whichever is higher, is allocated to the priority sector. This revision underscores the importance of ensuring that UCBs play an active role in providing financial services to the priority sectors, which includes small businesses, agriculture, and other underserved areas of the economy.

4. Expansion of Borrower Eligibility Under 'Weaker Sections'
In a move aimed at promoting social inclusivity, the revised guidelines expand the list of eligible borrowers under the 'Weaker Sections' category. This expansion will include more individuals and groups who are economically disadvantaged and need access to credit. Additionally, the existing cap on loans extended by UCBs to individual women beneficiaries has been removed. This change is expected to increase financial inclusion by empowering women and other marginalized groups, providing them with better opportunities to access credit for entrepreneurship, education, and housing

RBI Update – Master Directions – Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025

RBI UPDATE – GOLD MONETIZATION SCHEME (GMS), 2015 – AMENDMENT

RBI has issued the notification regarding the Gold Monetization Scheme (GMS), 2015 – Amendment
The following has been stated Reference Update – The amended provisions include an additional reference to a press release dated March 25, 2025,

regarding the Gold Monetization Scheme (GMS).

Discontinuation of MLTGD – The mobilization and renewal of Medium Term and Long Term Government Deposit (MLTGD) have been discontinued effective March 26, 2025.

Deposit Mobilization – Clarified that deposits under MLTGD will not be accepted after March 25, 2025, but existing deposits will be governed by prior provisions.

Handling Charges & Commission – Banks will receive commission until deposits are accepted, and renewals on or before March 25, 2025, will have the same commission structure.

Gold Deposit Accounts – The amended provisions specify that MLTGD deposit receipts must be dated on or before March 25, 2025.

Renewal Guidelines – Renewal of MLTGD is no longer permitted from March 26, 2025.Redemption Process – Depositors must provide their preference for redemption within 120 days of maturity; otherwise, the default redemption mode will apply.

Gold Stock Requirement – Banks must maintain gold stock for redemption until March 25, 2025, after which they must notify the Government of India in case of shortages.
Deleted Provisions – The modalities for renewal and partial renewal/redemption have been removed.

RBI Update – Gold Monetization Scheme (GMS), 2015 – Amendment

RBI UPDATE – MASTER DIRECTION – RESERVE BANK OF INDIA (PRUDENTIAL NORMS ON CAPITAL ADEQUACY FOR REGIONAL RURAL BANKS) DIRECTIONS, 2025

RBI has issued Master Directions on Reserve Bank of India (Prudential Norms on Capital Adequacy for Regional Rural Banks) Directions, 2025

These Directions shall apply to all Regional Rural Banks (RRBs).

This Master Direction covers instructions regarding the capital required to be provided for by banks commensurate with their risks and the components thereof. These Directions serve to specify the prudential norms from the point of view of capital adequacy. Permission for RRBs to undertake transactions in specific instruments/products/ activities shall be guided by the regulations, instructions and guidelines on the same issued by Reserve Bank from time to time.

RBI Update – Master Direction – Reserve Bank of India (Prudential Norms on Capital Adequacy for Regional Rural Banks) Directions, 2025

RBI UPDATE – SPECIAL CLEARING OPERATIONS ON MARCH 31, 2025

It has been decided to conduct Special Clearing under CTS exclusively for Government Cheques on March 31, 2025 as detailed below:
Date : March 31, 2025 (Monday)

Presentation Session
17:00 Hours to 17:30 Hours

Return Session
19:00 Hours to 19:30 Hours

It is mandatory for all banks to participate in the special clearing operations on March 31, 2025. 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.

RBI Update – Special Clearing Operations on March 31, 2025

RBI UPDATE – REVISED NORMS FOR GOVERNMENT GUARANTEED SECURITY RECEIPTS (SRS)

he Master Direction on Transfer of Loan Exposures, 2021 dated September 24, 2021 (“MD-TLE”), prescribes, inter alia, prudential treatment for transfer of loans by the eligible transferors to Asset Reconstruction Companies (ARCs).

With a view to adopting a differentiated approach in respect of SRs guaranteed by the Government of India, the prudential treatment relating to valuation of such SRs shall be as under:
If a loan is transferred to an ARC for a value higher than the net book value (NBV), the excess provision can be reversed to the Profit and Loss Account in the year of transfer if the sale consideration comprises only of cash and SRs guaranteed by the Government of India. However, the non-cash component in the form of SRs shall be deducted from CET 1 capital, and no dividends shall be paid out of this component.

Such SRs shall be valued periodically by reckoning the Net Asset Value (NAV) declared by the ARC based on the recovery ratings received for such instruments. However, any unrealised gains recognised in the Profit and Loss Account on account of fair valuation of such investments shall be deducted from CET 1 capital, and no dividends shall be paid out of such unrealized gains.

Any SRs outstanding after the final settlement of the government guarantee or the expiry of the guarantee period, whichever is earlier, shall be valued at one rupee (₹1).

In the event of the SRs being converted to any other form of instruments as part of resolution, then the valuation and provisioning thereof, for such instruments shall be governed by the provisions.

The provisions of this circular shall be applicable with immediate effect.

RBI Update – Revised norms for Government Guaranteed Security Receipts (SRs)

IBBI UPDATE – DISCLOSURE OF INFORMATION RELATING TO CARRY FORWARD OF LOSSES IN INFORMATION MEMORANDUM (IM)

All Insolvency Professionals shall include a dedicated section in the IM explicitly detailing the carry forward of losses under the Income Tax Act, 1961. This section shall prominently highlight, but is not limited to, the following aspects:

a) The quantum of carry forward losses available to the corporate debtor ;

b) A breakdown of these losses under specific heads as per the Income Tax Act,1961;

c) The applicable time limits for utilizing these losses; and

d) If there are no carry forward of losses available to the Corporate debtor , the Information Memorandum should explicitly specify the fact

IBBI Update – Disclosure of information relating to carry forward of losses in Information Memorandum (IM)

MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES NOTIFICATION – 21ST MARCH, 2025

Ministry of Micro, Small and Medium Enterprises ("MSME") vide its notification dated 21st March, 2025 amended the classification criteria for MSMEs, revising the investment and turnover thresholds as provided under Ministry of MSME Notification dated 26th June, 2020. The changes will take effect from 1st April, 2025.

Summary of Amendments: The notification revises the limits for classification of Micro, Small, and Medium enterprises as follows:

Enterprise Category	**Investment limit (In Rupees)**		**Turnover limit (In Rupees)**	
	Previous Investment Limit	**Revised Investment Limit**	**Previous Turnover Limit**	**Revised Turnover Limit**
Micro Enterprise	≤ 1 crore	≤ 2.5 crore	≤ 5 crore	≤ 10 crore
Small Enterprise	≤10 crores	≤ 25 crores	≤ 50 crores	≤ 100 crores
Medium Enterprise	≤ 50 crores	≤ 125 crores	≤ 250 Crores	≤ 500 Crores

Key Implications:

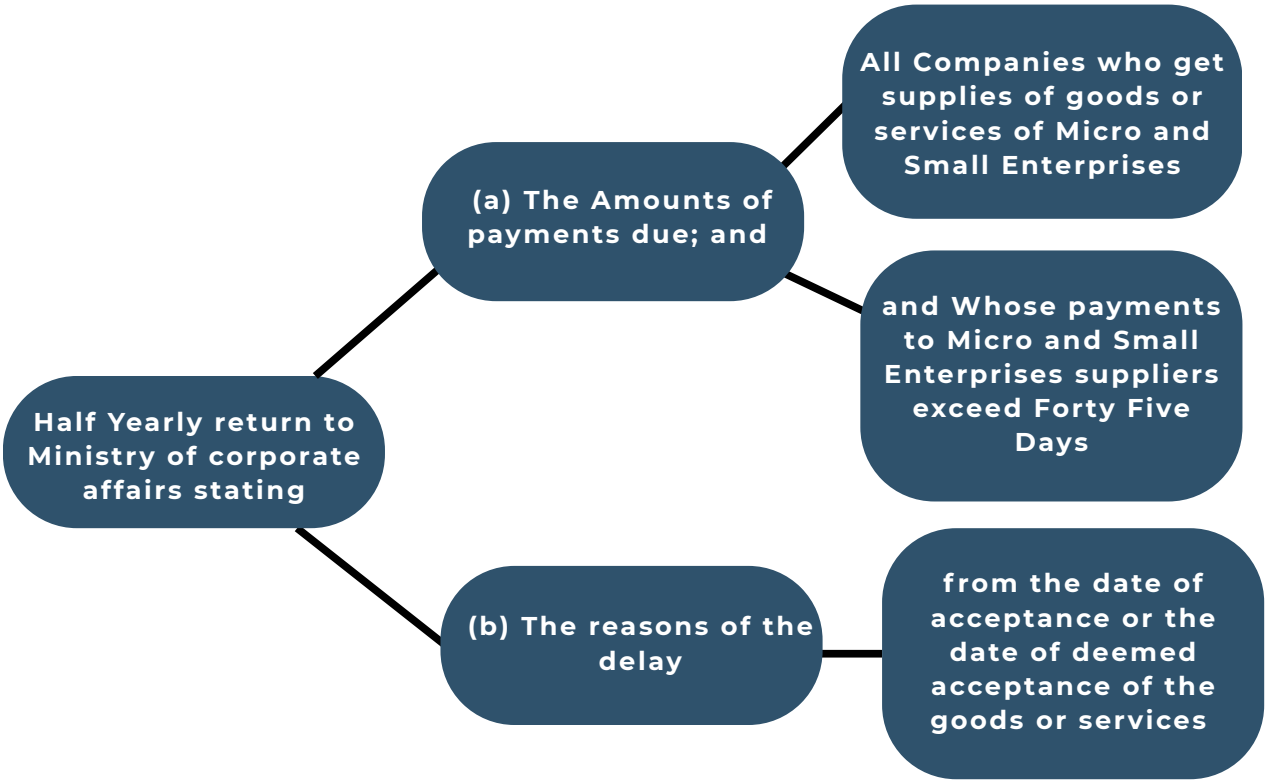
➢ The increase in investment and turnover limits allows more businesses to qualify as MSMEs, enabling them to avail of various government benefits.

➢ Enterprises that were previously classified above the threshold can now access MSME incentives and reduced compliance burdens.

➢ The revised limits encourage investment in businesses by allowing them to scale operations without losing MSME status.

➢ Larger enterprises falling within the new MSME limits can avail of better credit facilities, government-backed loans, and financial assistance programs.

MINISTRY OF MICRO, SMALL AND MEDIUM ENTERPRISES ("MSME") VIDE ITS NOTIFICATION DATED 25TH MARCH, 2025, DIRECTED THAT ALL COMPANIES:



This notification enhances transparency and protects MSMEs from delayed payments, ensuring compliance with Section 15 of the MSME Act, 2006.

IF CIRP IS INITIATED AGAINST JUDGMENT DEBTOR DURING A PENDING APPEAL AGAINST A DECREE AND DECREE HOLDER FAILS TO FILE ITS CLAIM, APPROVED RESOLUTION PLAN EXTINGUISHES THE DECREE HOLDER'S CLAIM AND ANY BANK GUARANTEE FURNISHED BY CORPORATE DEBTOR TO SECURE THE DECREE AS A CONDITION FOR STAY CAN BE RELEASED, AND NO FURTHER PROCEEDINGS CAN BE CONTINUED – GARDEN SILK MILLS LTD. VS. GAYATRI INDUSTRIES AND ORS. – BOMBAY HIGH COURT

Brief about the decision:

Facts of the case

- Vide judgment and decree dated 20.01.2003, the Court decreed the suit for sum of Rs.28,97,629/- together with interest @ 24% per annum, in favour of Respondent No.1.
- Pursuant to the filing of First Appeal in May 2003, vide order dated 17.06.2003, this Court granted stay to the impugned judgment and decree on the Appellant's (Corporate Debtor) furnishing bank guarantee for sum of Rs.29,00,000/-, to be kept alive during the pendency and disposal of the Appeal.
- The Appellant (Corporate Debtor) is complying with the said order and bank guarantee was regularly renewed and is presently valid till 16.08.2025.
- During the pendency of Appeal proceedings, on 24.06.2020, the CIRP was initiated against the Appellant (Corporate Debtor) under the provisions of Insolvency and Bankruptcy Code, 2016 by NCLT.
- The Respondent No. 1 failed to lodge their claim with the Resolution Professional.
- Vide order dated 01.01.2021, NCLT approved the Resolution Plan of the Appellant under Section 31 of IBC.
- First Appeal was permitted to be withdrawn by order of 25.02.2025.
- The instant Interim Application seeks release of the Bank Guarantees with a declaration that the claim stood extinguished due to default on part of Respondent No.1 to lodge their claim with the Resolution Professional and not being part of Resolution Plan.

Decision of the High Court

A. Respondent being a decree holder fell within the definition of creditor to whom debt is owed

Section 3(6) of IBC defines the expression "Claim". Section 2(10) of IBC defines the expression "creditor" to mean any person to whom a debt

- is owed and a financial creditor, an operational creditor, a secured creditor, an unsecured credit and a decree holder. Section 2(11) defines "debt" to mean a liability or obligation in respect of a claim which is due from any person and includes a financial debt and operational debt. Conjoint reading of the aforesaid provisions makes it evident that the Respondent being a decree holder fell within the definition of creditor to whom debt is owed.
- The issue is no longer res integra and all claims which are not part of the Resolution Plan shall stand extinguished and no person will be entitled to initiate or continue any proceedings in respect of any such claim. [Ghanshyam Mishra & Sons (P) Ltd. v. Edelweiss Asset Reconstruction Co.
- In view of the settled position of law, the Appellants have withdrawn the First Appeal and the Interim Application seeks relief of release of bank guarantees. The bank guarantees were submitted to secure the decree as condition of stay.

B. Whether the bank guarantees constitute asset of the Corporate Debtor?

- The issue as to whether the bank guarantees constitute asset of the Corporate Debtor or not is immaterial as the debt itself stands extinguished and once the Respondent's debt stands extinguished, no right can be claimed by the Respondents in the bank guarantee. Permitting the Respondent No.1 to stake a right to the bank guarantees would amount to satisfying the debt of Respondent No.1 which is precisely prohibited, once the claim does not form part of the Resolution Plan.
- **In fact, the position in *Rajendra Prasad Bansal v. Reliance Communication Ltd.* could have been considered at the stage where the Corporate Resolution Process is underway and the Resolution Plan has not yet been approved.** The decision has been rendered in completely different factual scenario and is clearly distinguishable. In the present case, the fate of the money deposited in this Court is no longer subject to the decision in Appeal as the fate has been sealed by the approval of Resolution Plan on 01.01.2021 which does not include the claim of Respondent No. 1.
- Even in case of *Siti Networks Ltd. v. Rajiv Suri*, the position was the same as in the case of *Rajendra Prasad Bansal v. Reliance Communication Ltd.* (supra), i.e. theCIRP being underway. It is not necessary to consider either of the decisions in facts of present case.

C. Conclusion

- Resultantly, the inevitable conclusion is that as the Respondent No.1's claim did not form part of the Resolution Plan due to failure of the Respondent No.1 to lodge its claim with the Resolution Professional,

upon approval of the Resolution Plan by NCLT vide order dated 01.01.2021, the debt stood extinguished. Upon extinguishment of debt, no right vests in the Respondent No.1 in respect of the bank guarantees or to oppose the release of bank guarantees.

- Consequently, the Interim Application stands allowed in terms of prayer clauses (a) and (b) as under:

(a) That this Hon'ble Court be pleased to direct that the Order and Decree dated 20.01.2023 stands extinguished and no proceeding in respect thereto can be continued and / or initiated.

(b) That this Hon'ble Court be pleased to release all Bank Guarantees issued by the Appellants' Banks in favour of Registrar pursuant to the order dated 17.06.2003.

IF CIRP IS INITIATED AGAINST JUDGMENT DEBTOR DURING A PENDING APPEAL AGAINST A DECREE AND DECREE HOLDER FAILS TO FILE ITS CLAIM, APPROVED RESOLUTION PLAN EXTINGUISHES THE DECREE HOLDER'S CLAIM AND ANY BANK GUARANTEE FURNISHED BY CORPORATE DEBTOR TO SECURE THE DECREE AS A CONDITION FOR STAY CAN BE RELEASED, AND NO FURTHER PROCEEDINGS CAN BE CONTINUED – GARDEN SILK MILLS LTD. VS. GAYATRI INDUSTRIES AND ORS. – BOMBAY HIGH COURT

Brief about the decision:

Facts of the case

- A Loan Agreement had been executed between the IL&FS Financial Services Ltd. (Financial Creditor) and the Adhunik Meghalaya Steels Pvt. Ltd. (Corporate Debtor) on 27.02.2015 for a loan of Rs 30 Cr. against which an amount of Rs 24.44 Cr. was disbursed on 17.03.2015.
- This loan was also secured by way of pledge of 8,10,804 shares of Adhunik Metals Ltd. (Adhunik) in favour of the Financial Creditor. This pledge of share was reflected both in the Charge Form and in the Pledge Agreement.
- The Balance Sheet of the Corporate Debtor for the FY 2016- 17 acknowledged the loan from the Financial Creditor amounting to Rs 24.57 Cr. secured by the pledge of 8,10,804 shares of Adhunik.
- Since the Corporate Debtor failed to repay the outstanding debt in terms of the loan facility documents, the Financial Creditor declared the account of the Corporate Debtor as NPA on 01.03.2018.
- The Balance sheet for FY 2017-18 similarly recorded the pledge of same number of shares besides reflecting an amount of Rs 23.68 Cr. under the heading of "secured borrowings".
- Subsequently, on 10.07.2018, the Financial Creditor issued a notice of default to the Corporate Debtor and followed it up with a Recall Notice on 10.08.2018.

- The Balance Sheet of the Corporate Debtor for FY 2018-19 had not been filed by the Corporate Debtor with the Registrar of Companies.
- The Balance Sheet of the Corporate Debtor for the subsequent FY 2019-20 recorded an amount of Rs 24.41 Cr. under "secured borrowings". The F.Y. 2019-20 Balance Sheet was approved by the Board of Directors and signed by the authorised signatory on 12.08.2020 and uploaded on the portal of MCA on 14.02.2021.
- The Financial Creditor filed a Section 7 application on 15.01.2024 for a claim amount of Rs 55.45 Cr.
- The Section 7 application was rejected by the Adjudicating Authority on the grounds of being time-barred.

Questions

- Whether the Balance sheets of the Corporate Debtor from 2016-17 onwards constitute sufficient ground for allowing extension of the period of limitation and the applicability of the suo moto orders of the Hon'ble Supreme Court?
- Whether acknowledgment in Balance sheet for the purpose of limitation has to be counted from the date of signing of the Balance sheet or from the date of its uploading with the RoC on the MCA portal?

Decision of the Appellate Tribunal

A. A Balance Sheet as acknowledgement of debt as per Section 18 of the Limitation Act, 1963

- Be that as it may at this stage, the Hon'ble Appellate Tribunal does not wish to enter into the issue as to whether the entries in the Balance sheet of FY 2019-20 clearly established a jural relationship between the Appellant and Respondent as Financial Creditor and Corporate Debtor.(p15)
- It is well settled that if a corporate debtor acknowledges its debt in writing before the expiration of the three-year period, the limitation period would be extended by another three years. This is in conformity with Section 18 of the Limitation Act, which allows for the revival of the limitation period based on the acknowledgment of debt.(p16)
- The question of acknowledgement of liability made in a Balance sheet as acknowledgement of debt has been considered by the Hon'ble Supreme Court in Asset Reconstruction Company (India) Ltd. v. Tulip Star Hotels Ltd. and Ors. wherein it has been held that balance sheet entry can be regarded as an acknowledgment of liability for the purpose of limitation law.
- A plain reading of the provision of Section 18 of the Limitation Act,1963, shows that the conditionalities required for attracting Section 18 of the Limitation Act, 1963 are

- (i) an admission or acknowledgement of liability;
- (ii) such acknowledgement must be in respect of a property or right;
- (iii) that the acknowledgement must be made before the expiry of limitation and
- (iv) that it should be in writing and signed by the party against whom such property or right is claimed.
- The Explanation clause thereto, however, provides that an acknowledgment may be sufficient though it may omit to specify the exact nature or the specific character of the said liability. However, the person acknowledging must be conscious of his liability and commitment should be made towards that liability. The plea of acknowledgment must relate to a present subsisting liability and indicate the existence of jural relationship between the parties such as that of debtor and creditor or the intention to admit such jural relationship. Any writing to be an acknowledgment of liability must entail an admission of a subsisting jural relationship between the parties and there should be a conscious affirmation of an intention of continuing such relationship in respect of this existing liability.

B. Whether acknowledgment in Balance sheet for the purpose of limitation has to be counted from the date of signing of the Balance sheet or from the date of its uploading with the RoC on the MCA portal?

- The argument of the Appellant that the acknowledgement of liability in the Balance sheet for the FY 2019-20 is not to be computed from the date of signing of the Balance sheet but from the date on which the Balance sheet was filed with the RoC. Since the Balance sheet of FY 2019-20 was uploaded in the MCA website on 14.02.2021, the balance sheet could come to notice of the Appellant only on that date and hence this should be the effective date for computing limitation.
- In G.S. Buildtech Pvt. Ltd. v. Ardree Infrastructure Venture Pvt. Ltd., the fresh period of limitation was allowed in respect of Balance sheet for FY ending on 31.03.2017 when the same was signed by the Corporate Debtor on 01.09.2017. Thus, this Tribunal has already held in the affirmative in the above judgment that the acknowledgement of liability in the balance sheet arises once the balance sheet is signed by an authorised signatory.(p24)
- Hon'ble High Court of Andhra Pradesh in Vijaya Kumar Machinery & Electrical Stores Versus Alaparthi Lakshmikanthamma [29.01.1968], held that that the date on which the balance-sheet was signed is material to constitute an acknowledgment. (p26)
- Basis the above precedent, the Hon'ble Appellate Tribunal does not find any error on the part of the Adjudicating Authority to have relied on the date of signing of the Balance sheet for extension of limitation period. It therefore does not find any substance in the contention of

the Appellant that the period of limitation is to be counted from 14.02.2021. There is no merit in the argument of the Appellant that the Adjudicating Authority had wrongly calculated the extension of limitation from the date of signing of the Balance sheet by the Corporate Debtor i.e. on 12.08.2020 instead of calculating it from the date it was uploaded on the MCA website i.e. on 14.02.2021.

- There is no mandatory requirement for factorising the date of uploading of the balance sheet on the MCA portal for computing the period of limitation.

C. Present Case: Balance Sheet for FY2017-18 and 2019-20

- Even if the argument of the Appellant is accepted that the acknowledgement of the liability in the balance sheet of the Corporate Debtor of FY 2017-18 extended the period of limitation, even in such an event, since the balance sheet was signed on 02.09.2018, the three years period would have ended on 01.09.2021. Since the date 01.09.2021 fell within the excluded period as provided under the suo moto orders, this would clearly have attracted para 5.III of the suo moto orders and the last date for filing for Section 7 petition would still have been a date on or before expiry of 90 days from 01.03.2022. Thus, the limitation period would have extended until 30.05.2022 and therefore the Section 7 application filed on 05.01.2024 would have been hit by limitation.
- The argument canvassed by the Appellant that there is acknowledgement of debt in the balance sheet for FY 2019-20, the said balance sheet of FY 2019-20 was signed on 12.08.2020, Even in this case, para 5.III of the suo moto orders would have been attracted and the last date for filing of Section 7 petition would have continued until expiry of 90 days from 01.03.2022. Since the Section 7 petition was filed on 15.01.2024, it, therefore, stood clearly time-barred. The Adjudicating Authority has correctly held that the exclusion period under suo moto orders does not come to the rescue of the Appellant even in this case.

D. Conclusion

- Having already noted in the preceding paragraphs that the Balance sheet of FY 2019-20 having been signed on 12.08.2020, the filing of Section 7 petition on 15.01.2024 was clearly time-barred, the Hon'ble Appellate Tribunal does not consider it necessary to dwell upon the question as to whether the entries appearing in the Balance sheet of the Corporate Debtor clearly established a jural relationship between the two parties as debtor and creditor.
- For the foregoing reasons, the Hon'ble Appellate Tribunal does not find any merit in the Appeal. The Appeal is dismissed and the impugned order is upheld. No costs.

CAN A DECREE HOLDER FILE AN APPLICATION UNDER SECTION 9 OF THE IBC?, NCLAT SETS ASIDE NCLT ORDER – VENUS BUILDTECH INDIA PVT. LTD. VS. SENBO ENGINEERING LTD. – NCLAT NEW DELHI

Brief about the decision:

Facts of the case

- Appellant has completed the work and written a letter for release of the amount to the Respondent of Rs. 77,10,967/-.
- Due to non-receipt of the payment, a suit was filed before the Civil Court and which suit was decreed on 12.09.2017 by Additional District Judge, Patiala House Court, Delhi.
- Appellant has put the decree in the execution, however, the payments having not been received by the Appellant.
- Appellant filed an application under Section 9 of IBC on 17.02.2021.
- By the Impugned Order dated 04.08.2023, reported at Venus Buildtech India Pvt. Ltd. Vs. Senbo Engineering Ltd., the Application has been dismissed, holding that the Appellant being a decree holder, he is a distinct from the Operational Creditor.

Decision of the Appellate Tribunal

- Learned Counsel for the Appellant placed reliance on judgment of this Tribunal in Mukul Agarwal v. Royale Resinex Pvt. Ltd. and Ors. and Vishal Chelani v. Debashis Nanda.
- The Hon'ble Appellate Tribunal is of the view that the Adjudicating Authority committed error in rejecting Section 9 Application only on the ground that Appellant being a decree holder is not an Operational Creditor which observations of the Adjudicating Authority is unsustainable.
- The appeal is allowed, the order dated 04.08.2023 is set aside and Section 9 Application is revived before the Adjudicating Authority to be heard and decided in accordance with law.

THE CORPORATE DEBTOR WAS NOT ENTITLED TO BE PUT INTO INSOLVENCY WHEN ENTIRE DEBT WAS LIQUIDATED BY THE CORPORATE DEBTOR- UNITED FUTURISTIC TRADE IMPEX PVT. LTD. VS. VARAHA INFRA LTD. – NCLAT NEW DELHI

Brief about the decision:

Facts of the case

- Application was filed under Section 9 by the Appellant claiming an amount of Rs.5,54,29,101/- including interest of Rs.92,59,040/-. In the Section 9 application notices were issued and parties appeared.
- The Corporate Debtor have paid the entire Principal Amount and interest part is remaining of which substantial part will be paid by the next month.
- This Appeal has been filed against order dated 22.01.2025 passed by NCLT, Jaipur Bench by which order Section 9 application filed by the Appellant was closed observing that entire amount as mentioned in Part IV has been received by the Appellant.
- Learned counsel for the Appellant submits that during pendency of the Section 9 proceeding further Consent Terms were entered between the parties. It is submitted that payment which was made by the Corporate was not in accordance with the Consent Terms, hence, Section 9 application ought not to have been rejected.
- When Section 9 application was filed for an amount of Rs.5,54,29,101/- which entire amount has been paid by the Corporate Debtor, the Hon'ble Appellate Tribunal does not find any infirmity in the order of the Adjudicating Authority rejecting Section 9 application. The Corporate Debtor was not entitled to be put into insolvency when entire debt was liquidated by the Corporate Debtor. The submission of the Appellant that Consent Terms ought to have been enforced, does not commend us since the Consent Terms dos not got approval of the Court so as to become enforceable.

WHEN ONLY THE LAST TRANCHE UNDER THE OTS REMAINS TO BE PAID, AND THE LAST POST-DATED CHEQUE IS STILL RETAINED, THE IBC CANNOT BE USED AS A RECOVERY FORUM BY THE FINANCIAL CREDITOR – IFCI LTD. VS. PATIL CONSTRUCTION & INFRASTRUCTURE LTD. – NCLT MUMBAI BENCH

Brief about the decision:

Background

This Company Petition is filed by IFCI Limited (Petitioner/Financial Creditor) on 20.02.2023 seeking to initiate CIRP against Patil Construction & Infrastructure Ltd. (Respondent/Corporate Debtor) by invoking the provisions of Section 7 of the Insolvency and Bankruptcy code, 2016 for a Financial Debt of Rs. 26,28,12,037/-, with the date of default as 09.01.2018 (interest amount) and 15.07.2019 (Principal amount).

Decision of the Adjudicating Authority

- Accepting payments made by the Respondent as per the OTS proposal, retaining / managing post-dated cheques according to the OTS arrangement, and returning post-dated cheques upon receipt of the corresponding payment, creates a deemed acceptance of the OTS proposal on part of the Financial Creditor.
- Further, the OTS Proposal was rejected by the Applicant only after a substantial amount had already been paid by the Corporate Debtor, however, the Financial Creditor cannot now be permitted to abandon this re-payment arrangement (OTS) when substantial compliance has already been achieved.
- Furthermore, the conduct of the Financial Creditor in accepting substantial OTS payments while simultaneously pursuing CIRP proceedings and rejecting the said OTS proposal at a later stage is clearly an attempt on part of the Financial Creditor to use the IBC as a recovery mechanism, which goes against the very spirit and objectives of the Code.
- The Hon'ble Supreme Court and Hon'ble NCLAT have consistently held that the IBC is not intended to be used as a mechanism for debt recovery but rather as a process for resolution of the Corporate Debtor.
- Therefore, considering the judgment GLAS Trust Company LLC v. BYJU Raveendran & Ors. (2024) ibclaw.in 275 SC and the totality of circumstances, including the fact that the Financial Creditor seeks to proceed with CIRP when only the last tranche under the OTS remaining to be paid, while still retaining the last post-dated cheque, and the use of IBC as a recovery forum by the Financial Creditor, this

Bench is of the considered opinion that this is not a fit case for admission. Moreover, the doctrine of Legitimate Expectation, becomes particularly relevant here as the Financial Creditor is a Government of India undertaking. The judgments of the Hon'ble High Court of Madhya Pradesh in Shri Mohanlal Patidar v. Bank of Maharashtra [W.P. No. 22127/2021] and Pawan Agarwal v. Small Industries Development Bank of India [W.P. No. 8213/2022], as relied upon by the Corporate Debtor, emphasize the higher standards of fair dealing expected from public sector institutions. However, in the present case, the Financial Creditor's conduct falls severely short of these standards.

- Therefore, keeping in view the above stated facts and circumstances, the Hon'ble Tribunal is of the considered view that this Petition deserves to be rejected. The conduct of the Financial Creditor in accepting substantial OTS payments while simultaneously pursuing CIRP proceedings represents an attempt to use the IBC as a recovery mechanism, which goes against the very spirit and purpose of the Code. The existence of a substantially performed OTS arrangement, evidenced by the Financial Creditor's own conduct and the significant payments already made, further renders this Petition unmaintainable. Hence, CP No. 142 of 2023 is hereby dismissed.

RD REDUCES ROC PENALTY ON COMPANY AND ITS DIRECTORS, CITING NO WILLFUL VIOLATION OR INJURY TO PUBLIC INTEREST

Brief about this case

1. This is a case, pertaining to non-maintenance of the registered office of an LLP firm known as M/s. Arles Maxent Associates LLP and its designated partners. As per section 13 of the Limited Liability Partnership Act 2008, every LLP must maintain its registered office. In this case, the LLP firm did not maintain the functional LLP registered office, with a result the Registrar of Companies, Chennai, has imposed a penalty of Rs. 1.5 lakh on Arles Maxent Associates LLP and its designated partners for violating the provisions of Section 13 of the Limited Liability Partnership Act 2008. The Registrar of Companies took action on a complaint received against the LLP firm alleging that the LLP was involved in fraudulent activities, including promising exorbitant returns to the public. Upon investigation, the Registrar of Companies discovered that the LLP was not operating from its registered address. Thereafter, the Registrar of Companies / Adjudication officer, after following the due procedure of law, passed the adjudication order penalizing
the LLP and its designated partners.

Let us go through this case in detail in order to understand the provisions of the LLP Act relating to the maintenance of
the registered office and the consequences of the default resulting in the adjudication process.

Relevant Provision relating to this case under the Companies Act 2013.

2. The relevant provisions pertaining to this case is that of section 13 of the Limited Liability Partnership Act 2008 and the extracts of the relevant provisions are as given below.

Limited Liability Partnership Act 2008 Chapter III – Incorporation of Limited Liability Partnership and matters incidental thereto. 9. Registered office of limited liability partnership and change therein.	
Section	**Provisions**
13	Registered office of limited liability partnership and change therein: -
13 (1)	Every limited liability partnership shall have a registered office to which all communications and notices may be addressed and where they shall be received.

13 (2)	A document may be served on a limited liability partnership or a partner or designated partner thereof by sending it by post under a certificate of posting or by registered post or by any other manner, as may be prescribed, at the registered office and any other address specifically declared by the limited liability partnership for the purpose in such form and manner as may be prescribed.
13 (3)	A limited liability partnership may change the place of its registered office and file the notice of such change with the Registrar in such form and manner and subject to such conditions as may be prescribed and any such change shall take effect only upon such filing.
Penal section for non-compliance / default if any	
13 (4)	If any default is made in complying with the requirements of this section, the limited liability partnership and its every partner shall be liable to a penalty of five hundred rupees for each day during which the default continues, subject to a maximum of fifty thousand rupees for the limited liability partnership and its every partner.

Consequences of default/violation

3. To understand the consequences of any default while in complying with the provisions of section 13 of the Limited Liability Partnership Act 2013 relating to maintenance of the registered office of the LLP firm under the provisions of the Limited Liability Partnership Act 2013, let us go through the decided case law by the Registrar of Companies, Chennai dated 10th December 2024 in the matter of M/s. M/s. Arles Maxent Associates LLP.

The relevant case law on this matter

4. We shall go through the adjudication order passed by the Registrar of Companies, Chennai dated 10th December
2024 bearing adjudication order No. F.NO.ROC/CHN/ARLES MAXENT /ADJ/S.13/2024 - adjudication order under
section 13 of the Limited Liability Partnership Act 2008 in the matter of M/s. Arles Maxent Associates LLP.

Details of the Company

5. M/s. Arles Maxent Associates LLP is a limited liability partnership company incorporated on 25th October 2021
under the provisions of the Limited Liability Partnership Act 2008 and

having its registered office at No.404/141B, 1st Floor, Bajanai Koil Street, Vekatesapuram, Perumuchi Post, Arakkonam, Vellore, Ranipet in the state of Tamil Nadu. The company falls under the jurisdiction of Registrar of Companies of Tamil Nadu, Andaman & Nicobar Islands and the office of the Registrar of Companies is situated at Chennai. The Limited Liability Partnerhip is having 2 designated partners per the details available at the Ministry of Corporate Affairs portal. The LLP firm is in the industry of Management, Scientific, and Technical Consulting Services.

Financial and other details of the LLP

5.1. The financial and other details of M/s. Arles Maxent Associates LLP as available on the Ministry of Corporate
Affairs portal is as stated below: -

Sr.No.	Particulars	Details
1	LLP status	Active
2	Filing status	The LLP has not filed statement of Accounts and insolvency and Annual Return since its incorporation i. e on 25.10.2021
3	Paid up capital	Rs. 10,00,000
4	Number of Designated Partners	2

Designated Partners during the period of violation			
Sr. No	**Name**	**Date of appointment**	**Date of cessation**
1	----Name---------- 1	25-10-2021	----
2	----Name---------- 2	25-10-2021	----

The facts of the case and the default committed by the company

6. The Registrar of Companies of Chennai received a complaint from one of the individuals on 6th October 2023 against the subject LLP named M/s. Arles Maxent Associates LLP alleging that the LLP was involved cheating public and by promising exorbitant returns. On receipt of the complaint, the Registrar of Companies, Chennai had issued notices on 22nd March 2024 to the LLP and its Designated Partners under Section 38(1) of the Limited Liability Partnership Act 2008.

Notice returned back undelivered

7. The notice issued on 22nd March to the LLP was returned/undelivered, which denoted that the LLP was not functioning at its registered address and had failed to maintain its registered office as required under section 13 of the Limited Liability Partnership Act 2008. The Registrar of Companies, therefore, concluded that the LLP and its Designated Partners were liable for penal action under section 13(4) of the Limited Liability Partnership Act 2008.

Issue of show cause notice by the Registrar of Companies

8. Subsequently, the Registrar of Companies / Adjudicating Officer had issued show cause notice to the LLP and its
Designated Partners on 23rd October 2024.

Response for the show cause notice by the LLP / Designated Partners

9. In response to the show cause notice issued to the LLP and its Designated Partners, no reply/response or submissions
had been received from the LLP and its Designated Partners by the Registrar of Companies /Adjudication officer.

Issue of adjudication hearing notice

10. Having not received any response from the LLP /Designated partners, the Registrar of Companies / Adjudicating
Officer had issued adjudication hearing notice to the LLP and its Designated Partners on 13th August for a personal
hearing which was fixed on 20th October 2024.

The day of personal hearing

11. On the day of personal hearing, i.e. on 20th October 2024, no-one, either the Designated Partners or their authorized representatives, appeared for the personal hearing.

One more final personal hearing notice issued by the Registrar of Companies

12. The Registrar of Companies / Adjudicating Officer, in the interest of natural justice had issued final personal
hearing notice on 23rd October 2024 for a personal hearing on 5th November2024.

On the day of final personal hearing

13. Neither the Designated Partners nor their authorized representatives

had appeared on the said date of the final personal hearing also.

Decision taken by the Registrar of Companies / Adjudication officer

14. Since no one appeared for the personal hearing in spite of providing adequate opportunity, the Registrar of Companies / Adjudication officer decided to proceed on this matter in the absence of the LLP and its Designated Partners and pass an ex-parte order under the provisions of Rule 37A (11) of LLP (Amendment) Rules 2022.

Conclusion reached by the Registrar of Companies / Adjudication officer

15. The Registrar of Companies / Adjudication Officer had taken note that the notice issued to the LLP on 22nd March 2024 was returned /undelivered and the LLP had not submitted any notice to the Registrar of Companies regarding shifting of its registered office. Thus, it was evident that the LLP and its Designated Partners had failed to comply with the provisions of section 13 of the Limited Liability Partnership Act 2008, thereby attracting penal provisions mentioned under section 13(4) of the Limited Liability Partnership Act 2008.

Lesser levy on account of small LLP

The Registrar of Companies / Adjudication Officer observed and noted that the LLP had not filed its statutory returns since its incorporation and therefore the benefits of Small LLP were not ante datable to this LLP while adjudicating the penalty.

Adjudication order passed by the Registrar of Companies / Adjudication officer

The Registrar of Companies, Adjudication Officer in exercise of the powers vested upon him under section 76A of the Limited Liability Partnership Act 2008, after having considered the facts and circumstances of the case, concluded that, M/s. Arles Maxent Associates LLP had violated the provisions of section 13 of the Limited LP Act, 2008 for the period 22.03.2024 to 05.11.2024 (229 days). Accordingly, I am Limited Liability Partnership Act 2008 and therefore imposed a penalty as prescribed under sub-section 4 of section 13 of the Limited Liability Partnership Act 2008. The details of the penalty imposed on the LLP and its Designators Partners shown in the table below:

Sr. No.	Voilation	LLP / designated Partners	Delay	Penalty calculation	Max Penalty	Penalty Imposed
			Days	Rupees	Rupees	Rupees
1	Sec. 13 of LLP Act – non-maintenance of registered office	LLP firm	229	229*500 per day = 1,34,500	50,000	50,000
2		Designated Partner -1	299		50,000	50,000
3		Designated Partner -2	299		50,000	50,000
					Total	**1,50,000**

(a) The order directed the LLP firm and its Designated Partners to make the payment of the penalty amount as imposed in the above table.

(b) The order further directed that the said amount of penalty shall have to be paid online by using the website www.mca.gov.in (Misc. head) within 90 days of receipt of this order and intimated this office with proof of penalty paid.

(c) The order also spelled out that an appeal against this order may be filed with the Regional Director (SR), Ministry of Corporate Affairs, 5th Floor, Shastri Bhavan, 26 Haddows Road, Chennai-600006, Tamil Nadu within a period of sixty days from the date of receipt of this order, in Form ADJ [available on Ministry website www.mca.gov.in] setting forth the grounds of appeal and shall be accompanied by a certified copy of this order. [Section 76A (5) & 76A (6) of the LLP (Amendment) Act,2021 read with LLP Rules, 2009].

(d) The order ended up by drawing the attention of the LLP and its Designated Partners to section 76(A)(8) & 76(A)(9) of the LLP Act in the event of non-compliance of this order.

Despatch of the order

16. The order was sent by the Registrar of Companies, Chennai to the LLP i.e. M/s. Arles Maxent Associates LLP its designated partners and to the Regional Director of Southern Region at Chennai. The order also was sent to e-governance cell, Ministry of Corporate Affaris at New Delhi for uploading the order at the website of the Ministry's portal.

Complete order for reading

17. The readers may like to read the complete details of the adjudication order passed by the Registrar of Companies, Chennai dated 10th December 2024 bearing adjudication order No. F.NO.ROC/CHN/ARLES MAXENT /ADJ/S.13/2024 - adjudication order under section 13 of the Limited Liability Partnership Act 2008 in the matter of M/s. Arles Maxent Associates LLP and the relevant website is https://www.mca.gov.in/ content/ mca/global/en/data-and-reports/ rd-roc-info/rd-adjudication-orders.html (order uploaded under the ROC of Chennai 11

th February 2025
titled as adjudication order for violation of section 13 of the Limited Liability Partnership Act 2008 in the matter of M/s. Arles Maxent Associates LLP)

Conclusion

18. The Limited Liability Partnership Act 2008 mandates that every LLP needs to mandatorily maintain a physical official address in real which could be found by the stakeholders of the company and also by the general public and regulators in terms of section 13 of the Limited Liabilities Partnership Act 2008 as the section clearly provides to have a physical address for registration/incorporation of an LLP. In this case, the Registrar of Companies held that the LLP did not maintain the functional registered office, and this was a clear violation of the LLP Act. As seen in this case, the LLP firm did not maintain the functional registered office of the company. As a result, the regulators took action, which resulted in a Rs. 1,50 lakh penalty for the LLP and its designated partners.

The action taken by the Registrar of Companies / Adjudication Officer against the LLP firm underscores the importance of maintaining a functional registered office as mandated by law. No doubt, this decided case serves as a reminder to all the LLP firms that fail to comply with the provisions of the LLP Act, particularly those related to maintaining a proper registered office, which can result in significant financial consequences with penalties like the one we have seen in this case. Therefore, we could conclude by saying that compliance with the provisions of the LLP Act is imperative. Therefore, the designated partners and other responsible officers of the LLP are required to ensure absolute compliance in terms of the applicable Acts and Rules for the LLP.

Reference: -

1. Limited Liability Partnership Act 2008
2. Limited Liability Partnership Rules 2009

3. Limited Liability Partnership (Amendment) Rules 2022
4. Adjudication order passed by the Registrar of Companies Chennai dated 10th December 2024 bearing adjudication order No. F.NO.ROC/CHN/ARLES MAXENT /ADJ/S.13/2024 - adjudication order under section 13 of the Limited Liability Partnership Act 2008 in the matter of M/s. Arles Maxent Associates LLP

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