



SIRC MYSURU CHAPTER

December, 2024

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eMagazine

Vision

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From the Desk of Chairman

Dear Professional Colleagues!

I am happy to interact with you all again through this eMagazine.

The Chapter has conducted 5 Career Awareness Programs during the month of November 2024 and was successful in creating awareness about our Company Secretary course and we have addressed nearly 500 PUC, Degree students.

We are organizing a Two-day seminar preferably in the second week of January 2025. The flyer of the same will be circulated to all members and students soon. We invite all members and students to attend this 2-day seminar and make it a grand success.

We are planning to commence Classroom Teaching (Oral Coaching) classes in January 2025 for the Executive Programme for the June 2025 attempt. All students are advised to make use of the same.

I extend my best wishes to all students who are appearing for the December exams. May you perform to the best of your abilities and come out successful. Stay focused, confident, and calm.

We have reached the end of the calendar year 2024, let's cherish the memories and accomplishments of the past year. I wish all my professional colleagues and students a joyous Christmas and a happy, prosperous New Year 2025.

Thanking you,

Career Awareness Program

During the month of November CS Shashidhar R - Practicing Company Secretary and CS Harsha A -Former Chairperson of the Chapter and Practicing Company Secretary were the Faculty for the Career Awareness Programme held in KR Nagara and Mysore. There were total of five programs held during the month. Details of which are as given below.

DATE	College / University Name	Speakers / Guest	No of Persons Attended	Place
07.11.2024	Govt. First Grade College	CS Shashidhar R Practicing Company Secretary	200	KR Nagara
07.11.2024	Alpha PU College	CS Shashidhar R Practicing Company Secretary	100	KR Nagara
07.11.2024	Bright PU College	CS Shashidhar R Practicing Company Secretary	75	KR Nagara
07.11.2024	Bright PU College	CS Shashidhar R Practicing Company Secretary	75	KR Nagara
08.11.2024	Hindustan First Grade College	CS Harsha A Former Chairperson of the Chapter	60	Mysuru



02

Articles



A Peek into SEBI Consultation Paper on the Legal Framework of SME IPO!

CS Mathruka B M

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“This leap in numbers is attracting more retail investors and the offer is being oversubscribed, causing concerns among regulators about the protection investors interest. In line with the same, the SEBI has come up with a consultation paper to amend SEBI (ICDR) Regulations, 2018, and SEBI (LODR) Regulations, 2015 to strengthen pre-listing and post-listing SME provisions. This write-up is an effort to cover the recommendations of the SEBI to amend SEBI (ICDR) Regulations, 2018.”

India has the third largest start-up ecosystem in the World, the Country is thriving to provide all facilities to give a vibrant platform to budding entrepreneurs of the Country. One such remarkable effort was the introduction of separate listing platforms for small and medium enterprises (SMEs). In the last three years, the country has witnessed a significant leap in the number of SMEs that were listed. In the year 2024, to date more than 230 SMEs are listed.

This leap in numbers is attracting more retail investors and the offer is being oversubscribed, causing concerns among regulators about the protection investors interest. In line with the same, the SEBI has come up with a consultation paper to amend SEBI (ICDR) Regulations, 2018, and SEBI (LODR) Regulations, 2015 to strengthen pre-listing and post-listing SME provisions. This write-up is an effort to cover

the recommendations of the SEBI to amend SEBI (ICDR) Regulations, 2018.

Below mentioned are proposals of SEBI to amend SEBI (ICDR) Regulations, 2018 in relation to the SME IPO Process.

Proposal 1: To Increase the Minimum Application Size

The proposal is to increase the minimum application size from INR One Lakh to INR Two/Four Lakhs.

Proposal 2: Alignment of Allocation for Non-institutional Investors (“NII”) Between Main Board IPOs and SME IPOs.

At present the allotment procedure for NIIs is different for SME IPO, it is proposed by the Board to make it uniform for both main board and SME IPO.

Proposal 3: Allotment Process and Basis of Allotment

As per the existing provision, there should be a minimum 50 allottees in SME IPO, it is now proposed to increase the bar from 50 to 200

Proposal 4: Offer for Sale

There are no restrictions on offers for sale in SME IPO as on date, it is proposed that offers for sale in SME IPO may be restricted to 20% of the issue size and Shares offered for sale in SME IPO shall not exceed more than 20% of their pre-issue shareholding on a fully diluted basis.

Proposal 5: Monitoring of Issue Proceeds

At present Monitoring agency is required to be appointed if the fresh size issue is more than Rs. 100 crores for SME issues, the proposal is to mandate the appointment of a monitoring agency if the fresh issue size is higher than 20 crores.

Proposal 6: Lock-in of Specified Securities held by the Promoters

At present Minimum Promoter Contribution by promoters is locked in for 3 years and holding in excess of minimum promoter contribution is locked in for 1 year post IPO.

The proposal is to lock in on minimum promoter contribution (MPC) in SME IPO shall be increased to 5 years. Additionally, lock-in on promoters' holding held in

excess of MPC shall be released in a phased manner i.e. lock-in for 50% of promoters' holding in excess of MPC shall be released after 1 year and lock-in for the remaining 50% of promoters' holding in excess of MPC shall be released after 2 years

Proposal 6: General Corporate Purpose (GCP) Portion of the Issue Size

It is proposed that the General Corporate Purpose (GCP) amount in SME IPO may be restricted to 10% of the issue size or Rs. 10 crores (whichever is lower), against existing provisions in which the GCP amount can be 25% of the issue size. Also, the GCP + amount for unidentified acquisition should not exceed 35%.

These are proposed amendments in relation to the SME IPO process. However, amendments are also proposed in the following areas;

- Eligibility criteria for an SME IPO
- Migration of SME Companies to Main Board

It is also proposed to streamline the applicability of Corporate Governance provisions under LODR regulations to SMEs with main board-listed Companies.

These amendments will make the SME Board more regulated and provide a more reliable, less volatile platform. Thus, the interests of both companies and investors will be assured.

National and Festival Holidays

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As per Rule 5 of the said Rules, the employer shall display the list of holidays (both in Kannada and English Language) on the Notice Board and in any other conspicuous place of the establishment before 31st December of every year. A new Industrial establishment shall display the list of holidays within thirty days from the date of commencement of its work, and subsequent years, before 31st December of every year.

December is the month when the cold winter has embraced its wind. The most common discussion in any establishment during break time is celebrating the new year and the list of holidays for the coming calendar year. At the same time, the concerned department is trying to finalize the list of holidays and publish it!

Is it mandatory to finalize the list of holidays for each calendar year? The answer is 'Yes'. Let us discuss this in relation to the Acts and Rules pertaining to the subject for the State of Karnataka.

Applicable Legislation:

1. Karnataka Industrial Establishments (National and Festival Holidays) Act, 1963
2. Karnataka Industrial Establishments (National and Festival Holidays) Rules, 1964.

Grant National and Festival Holidays:

As per Section 3 of the said Act, the following are the total number of Holidays to which every employee is entitled in each calendar year.

- 26th January
- 15th August
- 2nd October,
- 1st May
- 1st November
- 5 Festival Holiday

Out of the 52 holidays listed in the scheduled to the said Act, five (5) festival holidays will be declared by the employer in consultation with the trade unions (if any) or with the employees or their authorized representatives

As per section 3A of the said Act, a day's paid holiday is to be provided on the election days as below. This

election holiday is mandated under the Representation of the People Act, 1951 as well.

- House of the People
- State Legislative Assembly
- To fill up any casual vacancy in the House of People or State Legislative Assembly.

Where an employee works on holidays as per Section 3 or 3A as above shall, at his option, be entitled to:

- Twice the wages; or
- Wages of such day and a compensatory leave on another day with wages.

Display of list of Holidays and Submission:

As per Rule 5 of the said Rules, the employer shall display the list of holidays (both in Kannada and English Language) on the Notice Board and in any other conspicuous place of the establishment before 31st December of every year. A new Industrial establishment shall display the list of holidays within thirty days from the date of commencement of its work, and subsequent years, before 31st December of every year.

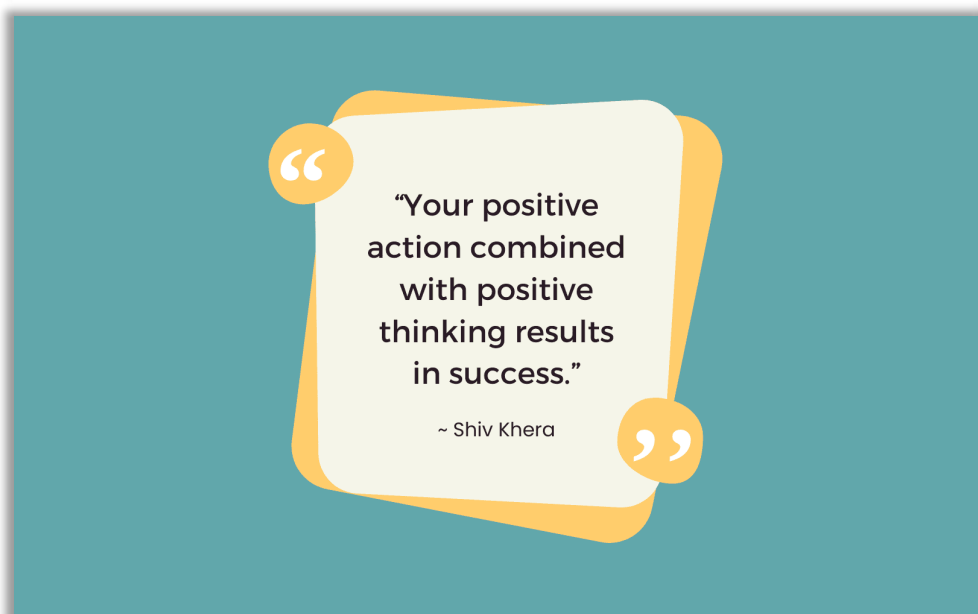
As per Section 4 of the said Act, the employer shall send a copy of the list of holidays to the Inspector having jurisdiction over the area in which the industrial establishment is situated.

Above are the important provisions to be considered while preparing a list of holidays in the state of Karnataka.

While preparing a list of holidays for other state/s, that particular State Act and Rules shall be referred to.

References:

- https://www.indiacode.nic.in/bitstream/123456789/7599/1/24_of_1963_%28e%29.pdf
- <https://karmikaspandana.karnataka.gov.in/storage/pdf-files/Acts%20and%20Rules/37.pdf>



Importance of the Prevention of Sexual Harassment at Workplace (PoSH)

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This statute was enacted to fill the legislative void which had been partially addressed by the judiciary in *Vishaka and Others v. State of Rajasthan and Others* (1997 (7) SCC 323). In this seminal public interest litigation verdict, the Supreme Court of India had framed a set of guidelines ("Vishaka Guidelines") for dealing with instances of sexual harassment at the workplace, which has now been codified in the PoSH Act.

Importance

POSH compliance is not just a legal obligation but a moral responsibility for the organization. It encompasses policies, procedures, and practices designed to prevent and address sexual harassment in the workplace. It is an obligation to understand the importance of POSH compliance for workplaces. By adhering to POSH compliance guidelines, organizations demonstrate their commitment to creating a safe and inclusive environment where everyone is treated with dignity and respect.

In Digital Era

Sexual harassment has evolved with the digital era, extending beyond physical workplaces to virtual environments. The proliferation of digital communication tools has given rise to new forms of harassment, including cyberstalking, online abuse, and inappropriate messaging. This report explores the dynamics of sexual harassment in the digital era, its

challenges, and how legal frameworks, specifically the POSH Act, address these issues.

The advent of digital communication has revolutionized the way we interact, both in our personal lives and professional environments. Platforms such as social media, email, and instant messaging have become indispensable tools, enabling instant connectivity and collaboration across the globe. The rise of these technologies has facilitated a shift towards more flexible work arrangements, including remote work and virtual meetings, which have become increasingly prevalent, especially in recent years.

e.g., Unsolicited Explicit Messages, Cyberstalking, Online Sexual Advances

Applicability

The Act does not contain the provisions of applicability of this Act however as per the interpretation of ancillary provision it is implied that every employer of a workplace having minimum 10 number of shall constitute an 'Internal Committee' for each of their administrative

units and accordingly the provision of POSH gets applicable to the Company.

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 ("POSH Act") was enacted as a comprehensive legislation to provide a safe, secure and enabling environment, free from sexual harassment to every woman. This statute was enacted to fill the legislative void which had been partially addressed by the judiciary in Vishaka and Others v. State of Rajasthan and Others (1997 (7) SCC 323). In this seminal public interest litigation verdict, the Supreme Court of India had framed a set of guidelines ("Vishaka Guidelines") for dealing with instances of sexual harassment at the workplace, which has now been codified in the POSH Act.

Requirement to Constitution of ICC

The POSH Act 2013 mandates that an organization has to implement a few measures to stay compliant to the Act. Any organization with ten or more employees should constitute an Internal Committee (IC) or Internal Complaints Committee (ICC) by an order in writing. The IC will investigate the complaints regarding sexual harassment and redress them. If the organization has multiple administrative divisions in different locations, an IC has to be constituted in each administrative division

Constitution of Internal Committee

The Internal Committee shall consist of the following members:

1. Presiding Officer who shall be women at senior level amongst the employees
2. Atleast Two Members among employees (preferably committed to this cause or with legal or social work expertise)

3. Atleast One Member (One Person from an NGO or Associations familiar with sexual harassment issues)

Functions of Internal Committee

The Internal Complaints Committee has two major functions:

- a) Preventive
- b) Remedial

Other Important Points

- Section 21 of Sexual Harassment (Prevention, Prohibition and Redressal) Act, 2013 mandates submission of annual report in each calendar year to employer and the District Officer.
- The IC need to regularly conduct awareness sessions for all employees and ensure a well set up Complaint mechanism is in place so that irrespective of gender the aggrieved person does not feel obscure in complaining about his/her concern
- All Sexual harassment complaints need to be addressed with full confidentiality and appropriate action should be taken in timely manner against the Respondent if found guilty, irrespective of the position in the organization.
- The Rule 8 of the Companies (Accounts) Rules, 2014 requires companies to incorporate a statement disclosing their compliance with the provisions relating to constitution of an Internal Complaints Committee under the POSH Act in their Board Report.
- Implementation of the Internal Committee Policy relating to the prevention of sexual harassment.
- The Indian Ministry of Women and Child Development ("WCD") had launched an online complaint platform named "SHe-Box", which stands for "Sexual Harassment Electronic Box"

Consequences of Non-Compliance

If an employer fails to constitute an IC or does not comply with the requirements prescribed under the POSH Act, a monetary penalty of up to INR 50,000 may be imposed. A repetition of the same offence could result in the punishment being doubled and/or de-registration of the entity or revocation of any statutory business licenses. It is however unclear as to which business licenses are being referred to in this case. It is also pertinent to note that all offences under POSH Act are non-cognizable.

Recent Case Laws

In this rapid changing era we have witnessed that our young generation i.e., men and women are now preferring quick and easiest way to commute to their office and to their home as well. The pattern of the young mind choice has now been cracked by the startup who are logistics and transportation business and we have seen that so many startups have entered into this field wherein they are providing bike taxi, car pooling etc., service. Which they are acclaiming that it is most promising, comfortable, convenient and relatively cost effective to the pocket of the commuters. Resulting which companies like OLA, UBER, Rapido have become integral part of commuters in urban life style.

Considering the revolution coming in commutation through these service providers safety comes at utmost priority, in many instances it has been observed that women have to face sexual harassment while using

these app for transport purposes. Recently the Hon'ble High Court of Karnataka in the case Writ Petition No. 8127 OF 2019 (GM-RES) in the matter of Ms. X v. ANI Technologies Private Limited & Others have observed that whether the cab drivers falls under the category of "employee" under the POSH Act, and it was also been observed that whether ANI Technologies Private Limited ('OLA') could be classified as 'intermediary' or not.

In the said matter the Hon'ble Court have perused the subscription agreement between OLA, transport provider and the driver and have noted that the OLA do not have limited role but it is extensive and have found that OLA have an active role in the management, supervision and control of the entire business and the driver and therefore have come at a firm view that these cab driver falls under the ambit of "employee".

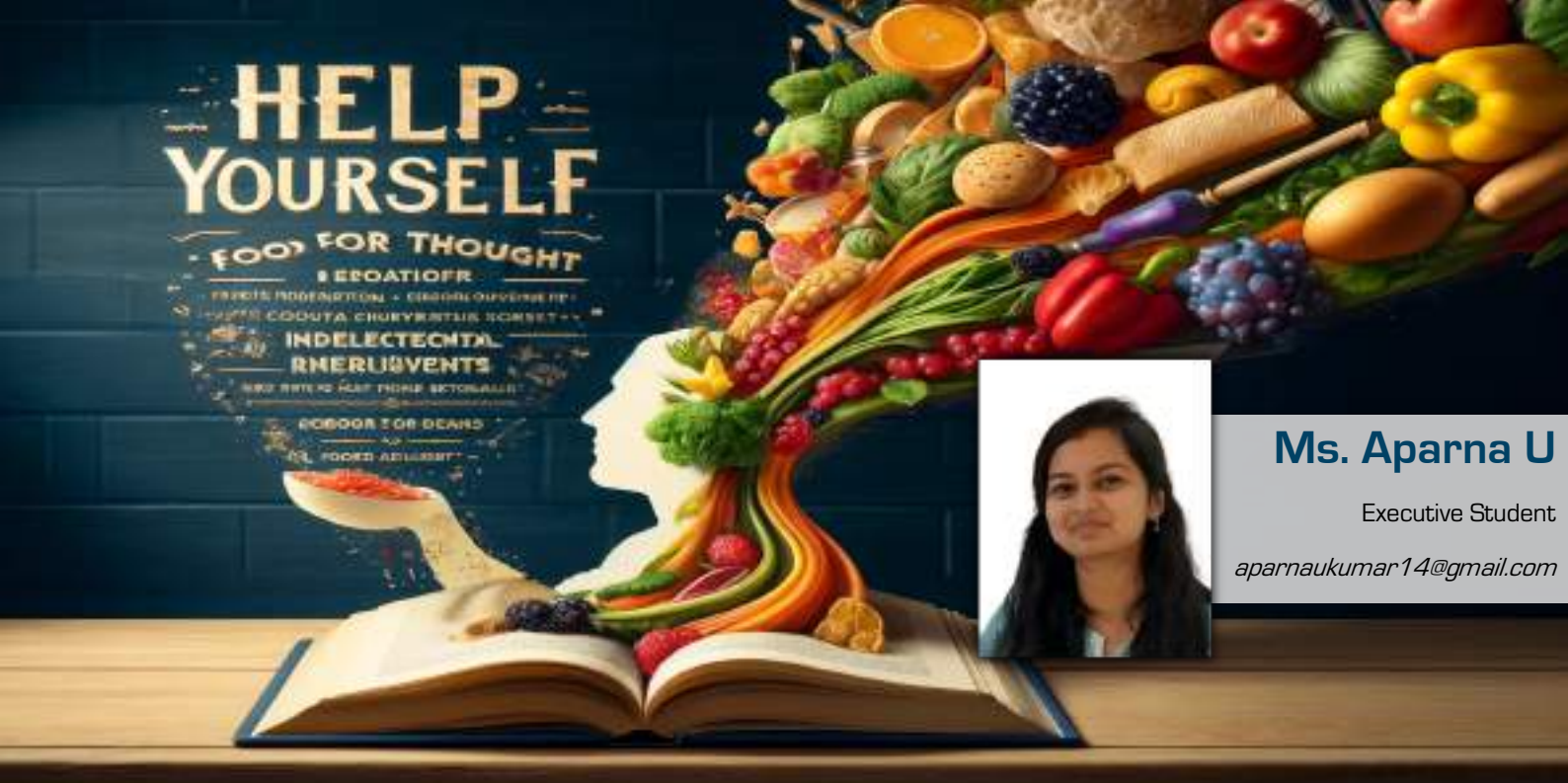
Further, in the said matter the court have narrated that as the ICC of OLA formed under POSH Act have made negligence by not taking into consideration of the plaintiff case which are not in correlation with the 'zero tolerance policy' of OLA under subscription policy.

The Hon'ble Court have based on the deliberation and facts analysed by them found that ICC and OLA were guilty of deliberate negligence and inaction, they have also mentioned that they would obligated to compensate the petitioner and liable to the penalty as prescribed under the POSH Act

03

Columns





Deep Work

by Cal Newport

Disclaimer: This article does not endorse any book and is not sponsored by any author or publication. Content shared here is for knowledge and learning purposes only.

Due to changing times and lifestyles, the world seems to be brimming with distractions. We find most of our day lost in screen time and something or the other that is of extreme value to us fails to get our focus.

This book is very valuable and insightful for anyone who wishes to devote their time to something valuable to them such as an online course, a PhD, learning a new instrument or a new language, and so on.

This book by Cal Newport talks about the best way to beat through distractions and achieve productivity- deep work. We had discussed in another book 'Eat that Frog by Brian Tracy' about deep work under the term 'flow state.' When I found an entire book that seemed to be on flow state, I wanted to look no further and I dived in.

If you are here for the first time, this column intends to impart bite sized knowledge from self-help books,

biographies, autobiographies and other related genres, relevant specifically to corporate professionals and aspiring professionals. Not every learning that a book enshrines can be fit in here, so writing a summary or a book review is not the aim of this column. The intent is to give you a touch of acquaintance to a book, in every issue of this e-magazine, hoping that it will make you want to grab it and read for yourself. So, help yourself with food for thought.

The book starts with the example of Carl Jung, a psychiatrist who built a two-storey building in the woods which was for his undivided attention for his studies. Carl Jung had little or no interaction with people and spent quality time studying, meditating, taking walks, and eating. He went on to pioneer analytical psychology. His works influenced many other fields of study.

The book explains that any type of significant accomplishment requires work that is not shallow but a commitment of great depth. The author shares this thought-provoking quote- "Who you are, what you think, feel and do, what you love- is the sum of what you focus on."

It is crucial for achievers to devote huge chunks of time in order to truly perform deep work. It needs achievers to cut off distractions, limit or stop the use of social media, and embrace boredom. Naturally, that is when work that is of value will actually seem interesting.

If you are tired of spending too much time with screens, answering emails, or simply scrolling away on social media, then this book is for you. You will not only learn the importance of cutting out shallow work from your life but also be excited to make time for what truly matters. So, with this food for thought, help yourself!

RIDDLE ME THIS

"Corporate Riddle"

1. We are a bunch of standard operating procedures
2. We help ensure that companies comply with regulations and provide shareholders and directors with timely information
3. We are very important for the board committee and general meeting

If you know the answer then what are you waiting for..?
Send us your answer along with your Photo to the below mentioned email id along with your full name, the first person to provide the answer will be published in the next edition with your Photo.

Email id: enewsletter.icsimysore@gmail.com

CS Pavithra P

Founder & Director

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Last Month's Corporate Riddle

1. Promote innovation social and economic welfare
2. I have support from Govt of India
3. I enjoy certain privileges under Companies Act and Income Tax Act

Answer: Start-ups



Verdict Vistas



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Nature of Order: ORDER

**Bench: IN THE NATIONAL COMPANY LAW TRIBUNAL,
MUMBAI BENCH, COURT II**

Date of Order: 20.09.2021

**No. of order: C.P. (CAA) 996/MB-II/2020 IN
C.A.(CAA) 1067/MB-II/2019**

**Case Title: Scheme of Arrangement and
Amalgamation of Protrans Supply Chain Management
Private Limited and Ors. (Protrans Order)**

Under Section: U/s Section 230 - 232

A. Facts of the Case

- i. The transferor companies were engaged in the business of business of transportation and logistics; and buying, selling and dealing in poultry, seeds and agricultural products etc.
- ii. The transferee company was in the business of farming, agriculture, horticulture dairy, poultry, sugar and farm produce etc.
- iii. Petitioner company was willing to amalgamate with the transferee company under Sections 230 to 232 of CA 2013.
- iv. The scheme of amalgamation provided for conversion of certain Class A Equity Shares of Transferee Co into 9% non-cumulative optionally

convertible redeemable preference shares of INR 10 each.

- v. ROC, Pune raised objections, inter-alia, as under:
 1. Petition contains conversion of equity shares into preference shares which is not permissible to issue Redeemable Preference Shares against existing equity shares as its value, terms, rights are different and cannot be terms as same kinds of shares to exchange in ratio for consideration.
 2. the equity shareholders are having rights different to that of the preference shareholders which include voting rights.
- vi. Company made the following Submissions:
 1. such conversion only amounts to reorganization of the Share Capital of the Companies which is permissible under section 61 of the Companies Act 2013
 2. Pursuant to section 43 of the Companies Act, 2013 both equity share capital and preference share capital appear in the balance sheet under "Share Capital" and as per provisions of Section 43 of the Companies Act 2013 there can be only two classes of shares viz. Equity and Preference

and combination of two depict the total share capital. When shares of one class are converted into another class (for instance, equity shares into preference or vice versa) and value of the paid-up share capital does not undergo any change, the subscribed and paid-up capital remains unchanged; only the nomenclature of shares undergo change.

3. Company relied on the following judgement of Supreme Court

The Supreme Court in SLP No 984 of 2006 Rajendra Prasad Gupta verses Prakash Chandra Mishra & Ors held “Courts are not to act upon principal that every procedure is to be taken as prohibited unless it is expressly provided for by the Code , but on the converse principal that every procedure is to be understood as permissible till it is shown to be prohibited by the law. As a matter of general principal prohibition cannot be presumed”.

4. The following judgements of various courts was also referred to corroborate the statement:

- a. Vasant Investment Corporation Ltd CA No 178 of 1978
- b. Union of India V. Rakesh Kumar (2001) 4 SCC 309,
- c. Shikshan Prasarak Mandal V. Ramesh Narayan 2016 (3) ABR 86 (FB)
- d. Bengal Iron Corporation & Anr. V. Commercial Tax Officer & Ors. 1993 (47) ECR 23 (SC),
- e. Subhash Ramkumar Bind and Ors. Vs State of Maharashtra
- f. Rajinder Singh vs The State of Punjab and Ors.

B. Findings by NCLT amongst Others

From the material on record, the Scheme appears to be fair and reasonable and is not contrary to public policy and allowed the conversion of equity into preference shares.

Notably, the NCLT did not express an opinion on the validity of the petitioner companies' arguments regarding Sections 43 and 61.





CS Keerthana Gopal

Company secretary and legal officer,

Mysore Steels Ltd.

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Order for violation of Section 184 of the Companies Act, 2013

Legal provision: Section 184: Disclosure of Interest by Director

Section 184(1)- Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in such manner as may be prescribed.

Section 184(4)- If a director of the company contravenes the provisions of sub-section (1) or sub-section (2), such director shall be [liable to a penalty of one lakh rupees]

Section 446 B- Notwithstanding anything contained in this Act, if penalty is payable for non-compliance of any of the provisions of this Act by a One Person Company, small company, start-up company or Producer Company, or by any of its officer in default, or any other person in respect of such company, then such company, its officer in default or any other person, as the case may be, shall be liable to a penalty which shall not be more than one-half of the penalty specified in such provisions subject to a maximum of two lakh

rupees in case of a company and one lakh rupees in case of an officer who is in default or any other person, as the case may be.

Relevant Rules- Companies (Adjudication of Penalties) Rules, 2014

[12] While adjudging the quantum of penalty, the adjudicating officer shall have due regard to the following factors, namely:-

- a) size of the company;
- b) nature of business carried on by the company;
- c) injury to public interest;
- d) nature of the default;
- e) repetition of the default;
- f) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default; and
- g) the amount of loss caused to an investor or group of investors or creditors as a result of the default:

Provided that, in no case, the penalty imposed shall be less than the minimum penalty prescribed, if any, under the relevant section of the Act.

[13] In case a fixed sum of penalty is provided for default of a provision, the adjudicating officer shall impose that fixed sum, in case of any default therein.

Facts of the Case:

That enquiry under Section 206(4) of Companies Act, 2013 was conducted against M/s Hind Woolen and

Hosiery Mills Private Limited and during the inquiry proceedings it was found that the Directors of the Company had not disclosed their interest or concern in the Companies or body Corporates or firms or association of individuals including their shareholding at the First meeting of the Board held in the FY 2020-21 and 2021-22 as required under Section 184(1) of Companies Act, 2013 and relevant form MBP-1 had not been filed by the Directors. The ROC office had issued show cause notices for the violation of Section 184(1) of the Companies Act, 2013, read with Companies (Adjudication of Penalties) Rules, 2014 to its Directors vide office letter dated 07.11.2024, but no reply was received for the same.

Decision Analysis of Non-Compliances

Therefore, it was concluded that the officers in default were liable for penalty as prescribed under Section 184(4) of the Companies Act, 2013. The penalty imposed was as under:

The company had five Directors, and hence, Rs. 1,00,000/-—penalty each for two years as per Section 184(4). Since the Company is a small company, the penalty is reduced by 50%. Hence, the final penalty imposed is as follows.

No. of Directors: 5

Penalty as per Section 184(4): Rs. 1,00,000/- each that is Rs. 5,00,000/- total

Penalty imposed for Two years: Rs. 10,00,000/- in total

50% reduction in penalty as the company is a small company: Rs. 5,00,000/- in total

Disclosure of interest of Directors is an integral part of maintaining transparency and accountability in the affairs of the Company. It is important for Directors to

disclose their interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in such manner as may be prescribed. This in turn helps in concluding if any transaction with such companies or body corporates are related party transactions or not and applicable rules regarding that will have to be complied with. Non-disclosure of the same thus results in serious non-compliance on the part of Directors and strict action will therefore be taken against the same. In this case, significant relief was given to the Company since it was a small company.

Orders for violation of Section 149

The relevant portion of the Section and Rules

Section 149:

(1) Every company shall have a Board of Directors consisting of individuals as directors and shall have-

(a) A minimum number of three directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One-Person Company; and

(b) A maximum of Fifteen directors:

Provided that a company may appoint more than fifteen directors after passing a special resolution:

Provided further that such class or classes of companies as may be prescribed shall have at least one-woman director.

Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014

The following class of companies shall appoint at least one-woman director-

(i) Every listed company

(ii) Every other public company having-

(a) Paid-up share capital of one hundred crore rupees or more; or

(b) Turn-over of three hundred crore rupees or more:

Provided further that any intermittent vacancy of a women director shall be filled up by the Board at the earliest but no later than the immediate next Board meeting or three months from the date of such vacancy whichever is later.

Explanation- For the purposes of this rule, it is hereby clarified that the paid-up share

capital or turnover, as the case may be, as on the last date of the latest audited financial statements shall be taken into account.

Facts of the case:

WHEREAS the Company viz SOLITAIRE INVESTMENTS CO LIMITED (CIN: L65990MH1981PLC:025701) (hereinafter known as 'Company') is a registered company with this office under the provisions of the Companies Act, 1956 having its registered office at Mumbai. As per the Financial Statements filed by the company, its Paid-up share capital and turnover as of 31.03.2022 is as under: -

Paid up Share Capital- Rs. 1,92,00,000.00/

Turnover- Rs. 4,62,642.00/.

The Company is a listed Company on the Bombay Stock Exchange since 19.10.1982. Being a Listed Company, it is required to appoint a Woman Director. It is observed from the MCA21 database that the Company has not appointed even a single Woman

Director till date. Show Cause Notice dated 28.03.2023 was issued to the Company and its officers in default. The Company and its Officers in default have not replied to the said Show Cause Notice till date. Therefore, in view of Rule 3(11) of the Companies (Adjudication of Penalties) Rules, 2014 which states that " (11) any person fails to reply or neglects or refuses to appear as required under sub-rule (5) or sub-rule (10) before the adjudicating officer, the adjudicating officer may pass an order imposing the penalty, in the absence of such person after recording the reasons for doing so." The matter is being proceeded with in the absence of such persons (ex-parte). The Company is thus liable for violation of Section 149 of the Companies Act, 2013

Decision and Analysis:

The Adjudicating Authority held that Section 149 read with the relevant Rules mentioned above has not been complied with by the Company and imposed a maximum penalty of Rs. 6,00,000/- (Rs. 3,00,000 on the Company and Rs. 1,00,000 each of the three Directors of the Company).

Maintaining the diversity of the Board is important especially when the company is a listed company. Board Diversity brings about a better decision-making process with interest of the growth of the Company as its integral part. Since not even one-woman Director was appointed till by the Company, despite crossing the threshold limit prescribed under Section 149, the adjudicating officer imposed the maximum penalty provided for such non-compliance.

A vibrant, abstract illustration of a human head profile in silhouette. The interior of the head is filled with a complex, colorful pattern of geometric shapes, including triangles and polygons in shades of blue, green, yellow, and red. A glowing lightbulb is positioned within the head, symbolizing an idea or innovation. The background is a dark, textured surface with splatters of paint in various colors, adding to the creative and artistic feel of the image.



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(Based on Chapter 3 of Companies Act, 2013)

[illegible]

Questions

Across:

1. A Company proposing to make an offer of securities _____ may _____ issue _____ [3+7] Prospectus prior to the issue of a Prospectus.
2. Every company making public offer should issue the securities only in _____ [14] Form.
3. A company making a private placement issues _____ [5] letter instead of a prospectus
4. The cooling-off period for using a shelf prospectus is _____ [6] Months.
5. Section 39 requires minimum subscription, However SEBI (ICDR) regulations mandates _____ [6] percentage of the minimum subscription amount before allotment.

Down:

1. Any document by which the offer for sale to the public is made shall, for all purposes, be deemed to be a _____ [10]
2. Every company making a public offer shall, before making such an offer, make an application to one or more _____ [10] stock exchange or exchanges and obtain permission for the securities to be dealt with in such stock exchange or exchanges.
3. The dissenting shareholders being those shareholders who have not agreed to the proposal to vary the terms of contracts or objects referred to in the prospectus, shall be given an _____ [4+5] by promoters or controlling shareholders
4. Like rights issue, the private placement offer, and application shall not carry any right to _____ [7]
5. Private placement offer letter should be given in _____ [4] form.

Note: Figures in the bracket indicate the number of alphabets in the answer word

Answer for this month brainy bits may be sent to

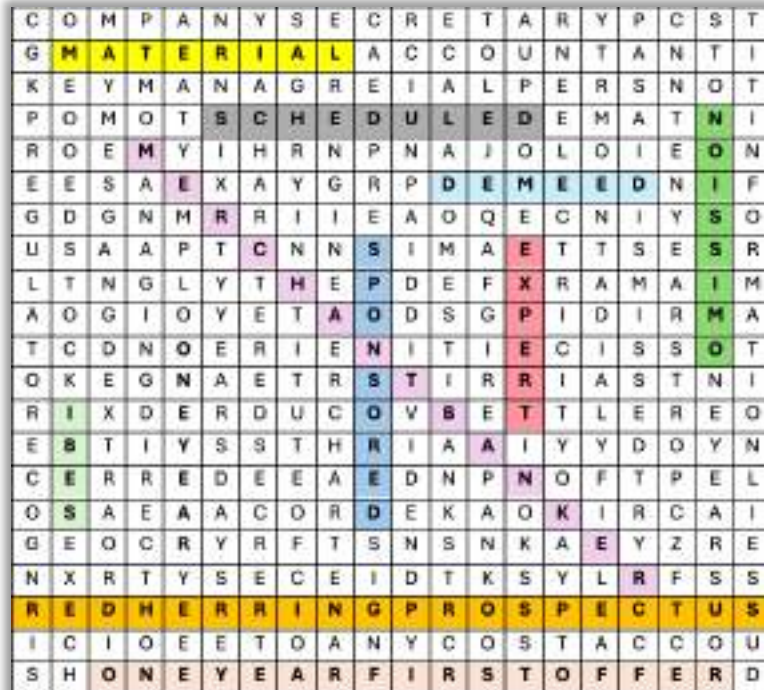
Enewsletter.icsimysore@gmail.com

Winner's names and the answer shall be published in the next edition

Answers for Previous Crossword

WORD SEARCH - 4

[Based on Chapter 3 of Companies Act, 2013]



ANSWERS

1. The company can appoint him or a PCS or a PCA or PCMA for overseeing the compliance relating to issue of Depository Receipts and take the compliance report (8+6) - **MERCHANT BANKER**
2. The provisions of Chapter 3 along others pertaining to issue and transfer of securities, nonpayment of dividend for certain class of companies be administered by (4) - **SEBI**
3. Any document by which offer for sale to the public is made shall be _____ (6) to be Prospectus for all purposes and all applicable laws shall have effect accordingly. **DEEMED**
4. The validity of Shelf Prospectus shall be _____ from the date of opening of _____ of securities under that prospectus. (3+4) (5+5) - **ONE YEAR, FIRST OFFER**
5. Any company filing shelf prospectus shall file information memorandum containing _____ facts relating to changes of position of the company between first offer and the succeeding offer. (8) - **MATERIAL**
6. A type of prospectus issued by companies, the second part of the word means a type of fish and the whole word in literal sense means a clue or piece of information that is. (10+10) - **REDHERRING PROSPECTUS**
7. The Depository receipts may be issued against issue of new shares or _____ against shares held by the shareholders of the company. (9) - **SPONSORED**
8. Along with misstatement, untrue statements and others of similar nature, _____ of any matter which is likely to mislead shall also make the persons authorised to issue prospectus criminally liable. (8) - **OMISSION**
9. The liability to compensate the losses for any mis-statement in the prospectus shall along with directors, promoters and the other authorised persons shall be extended to _____ referred to in sub section (5) of Section 26. (6) - **EXPERT**
10. All the monies received on application from public towards the subscription shall be kept in a separate bank account in a _____ bank. (9) - **SCHEDULED**



Mr. Komal Kumar M

CS Professional Student

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India has the potential to move significantly toward a paperless society, but achieving 100% paperless status is a complex and challenging goal. It depends on several factors, including technological, cultural, infrastructural, and policy-related aspects. Below is an assessment of the opportunities and challenges:

Opportunities for Becoming Paperless

1. **Digital Transformation Initiatives:** The Indian government has launched programs like Digital India to promote digital infrastructure, increase internet connectivity, and encourage the use of digital platforms for governance and services.
2. **Expanding Internet Penetration:** India has one of the largest and fastest-growing internet user bases, with increasing access to affordable smartphones and internet services.
3. **E-Governance:** Many government services, such as tax filings (via the Income Tax portal), digital payment systems (e.g., UPI, Aadhaar-linked payments), and e-tendering, are already paperless.

4. **Digital Banking and Payments:** The growth of Unified Payments Interface (UPI), mobile wallets, and internet banking has significantly reduced the dependency on paper for transactions.
5. **Corporate Sector Initiatives:** Many private companies and start-ups have embraced digital workflows, reducing paper use through e-invoices, online customer interactions, and cloud-based file management systems.
6. **Education Sector Digitization:** Online learning platforms, e-books, and digital classrooms are reducing the dependency on printed materials in education.
7. **Environmental Concerns:** Growing awareness of deforestation and the environmental impact of paper production is pushing businesses and governments toward sustainable, paperless alternatives.

Challenges to Achieving 100% Paperless Status

1. **Digital Divide:** A significant portion of India's population, particularly in rural areas, still lacks access to reliable electricity, internet, and digital literacy.
2. **Cultural and Behavioral Barriers:** Many individuals and institutions prefer physical documentation due to mistrust of digital systems or a lack of familiarity with them.
3. **Legal and Regulatory Requirements:** Despite digital adoption, certain processes still require physical documentation, such as land records and notarized agreements.
4. **Cybersecurity and Data Privacy Concerns:** The shift to a fully digital system demands robust cybersecurity measures to protect sensitive information, which remains a challenge.
5. **Infrastructure Limitations:** Inconsistent internet connectivity, particularly in remote areas, can hinder the adoption of paperless systems.
6. **Resistance to Change:** Institutions with legacy systems and individuals with low digital literacy may resist transitioning to entirely paperless operations.
7. **Cost of Technology Adoption:** Transitioning to a paperless system requires significant investments in digital infrastructure, training, and awareness campaigns.

Steps to Move Toward Paperless Governance and Society

1. **Promoting Digital Literacy:** Government and private initiatives must focus on educating citizens about the use of digital tools.
2. **Developing Infrastructure:** Expanding high-speed internet and reliable power supplies to rural and remote areas is critical.
3. **Enhancing Cybersecurity:** Building trust in digital platforms by ensuring secure and transparent systems will encourage wider adoption.
4. **Legislative Support:** Amending laws to recognize digital documents as fully legal and equivalent to paper-based ones.
5. **Incentivizing Digital Practices:** Providing incentives, such as tax benefits or subsidies, for businesses and individuals adopting paperless systems.
6. **Sustainable Alternatives:** Encouraging the use of eco-friendly, digital alternatives to replace non-critical paper usage.

Conclusion

While India is on a promising path toward reducing paper dependency, achieving a 100% paperless society is unlikely in the near future due to infrastructural, cultural, and systemic challenges. However, targeted efforts in key areas can help India significantly minimize paper usage and lead toward a more sustainable future.



MANTHAN 2024



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Accrescent Managed Services Private Limited

MANTHAN 2024"

A unique 2 days Seminar/workshop on "Critical Issues in Corporate Laws"

We thank CS Ullas Bhat and CS Anusha Mantri for sharing their notes. Prajwal, and Aakash students of ICSI are compiling the posers. It has been guided and reviewed by CS Pavitra.

Disclaimer: This may not be the final answer but when you come across with such situations this could be one angle to think of and these are some of the sections to look at.

A11. As per section 2(18) of the Companies Act, "Chief Executive Officer" means an officer of a company, who has been designated as such by it.

As per section 2(19) of the Companies Act, "Chief Financial Officer" means a person appointed as the Chief Financial Officer of a company.

The definition of CEO uses the word "officer" whereas the definition of CFO uses the word "person".

Can a LLP be appointed as CFO of any company?

Notes:

Questions in Hand:

- Is the difference in the words used only a matter of drafting or can an artificial person also be included in the term 'person' as under in 2(19)?

Definition

- CEO - Section 2(18) "Chief Executive Officer" means an officer of a company, who has been designated as such by it;
- CFO – Section 2(19) "Chief Financial Officer" means a person appointed as the Chief Financial Officer of a company;

Views

The use of different words i.e. 'officer' and 'person' is a matter of drafting. When these are read under the context of section 203 (where the word 'personnel' is used) and section 2(60) defining the officer in defaults, the terms used in both 2(19) and 2(18) should be read and understood as natural persons only. So, LLP cannot be appointed as a CFO of the company.

A12. A Limited has acquired 51% of the voting power of B Limited and accordingly became the holding company of B Limited on May 1, 2023. B Limited later on entered into an agreement with A Limited whereby B Limited can appoint or remove all or a majority of the directors and accordingly, controlling the composition of the board of A Limited

Which company is holding and subsidiary in this case and which company will do the compliances like consolidation, etc.?

How will it be presented in other documents like annual returns?

Notes:

2(87) - subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company—

- i. controls the composition of the Board of Directors; or
- ii. exercises or controls more than one-half of the total share capital total voting power either on its own or together with one or more of its subsidiary companies:

View of the Manthanites

The proposed agreement between A Limited and B Limited is unlikely due to practical concerns. Nevertheless, if they choose to proceed, the agreement's terms are unclear. In this case, both companies would need to fulfill consolidation requirements, essentially combining their financial statements and operating as a single entity for accounting purposes.

ICSI THE INSTITUTE OF Company Secretaries of India
युवाओं का प्रतिभा विकास कार्यक्रम
YUVOTSAV 2025
Future Makers Program
11th - 12th January, 2025 at Ahmedabad

23 Competitions (In Physical Mode)

1. Business Plan Competition
2. Essay Writing Competition
3. Debate Competition
4. Business Plan Competition
5. Essay Writing Competition
6. Debate Competition
7. Business Plan Competition
8. Essay Writing Competition
9. Debate Competition
10. Business Plan Competition
11. Essay Writing Competition
12. Debate Competition
13. Business Plan Competition
14. Essay Writing Competition
15. Debate Competition
16. Business Plan Competition
17. Essay Writing Competition
18. Debate Competition
19. Business Plan Competition
20. Essay Writing Competition
21. Debate Competition
22. Business Plan Competition
23. Essay Writing Competition

Registration
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<https://icstituteschool.edu.in/DOH/Handbook/Registration/25>

For the Members of ICSI (Only Participants): Rs. 1000/-
Registration will close on 31st December 2024

For the Students (Students): Rs. 1000/-
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For queries, please write at yuvotsav@icsti.edu

Contact with ICSI
www.icsti.edu
Online helpdesk: <http://supporticsti.edu>



“Staying Positive”

As a Company Secretary (CS) student, you are on the threshold of achieving something remarkable. Your journey thus far has been filled with dedication, long hours of study, and sacrifices. As the exams draw near, it's time to channel your energy and focus on crossing the finish line. This exam is just a step towards becoming a successful professional. Of course, it seems vast and challenging, but the journey can be made easier by adopting the right methods, fostering collaboration, and cultivating personal discipline and strength. It is like, while climbing a big mountain there are little peaks you need to climb. These exams are like the peaks in the big mountain. We all use different strategies or methods for preparations like self-study, group discussions, online resources, etc., which will lead to completing the goal successfully. Now, being done with all the preparation and just a week away from the exam, think positively and follow the below steps:

1. Believe in Your Preparation

You've put in the hard work, and every chapter you've studied is a step closer to your goal. Trust the process and remind yourself of the progress you've made. Even if you feel there's more to cover, remember that quality of understanding often outweighs quantity.

2. Set Realistic Goals

Break your remaining study time into manageable segments. Prioritize the topics you find challenging, but don't neglect to revise the stronger areas. Small achievable steps will give you a sense of accomplishment and reduce anxiety.

3. Stay Calm and Confident

It's natural to feel nervous but don't let self-doubt creep in. Replace negative thoughts with affirmations like, “I am prepared, and I will do my best.” Visualization techniques can also help. Picture yourself calmly and confidently tackling the exam paper.

5. Take Care of Your Health

Your body and mind need to be in peak condition to perform well. Eat nutritious meals, stay hydrated, and get enough sleep. Avoid overloading on caffeine, and take short breaks during study sessions to recharge.

6. Lean on Your Support System

Whether it's family, friends, or fellow students, reach out to people who believe in you. Share your worries, but also let their encouragement boost your spirits. A quick chat with someone who understands can work wonders for your motivation.

7. Focus on the Bigger Picture

Your CS qualification is not just a milestone; it's a stepping stone to a fulfilling career. Every bit of effort you put in now will bring you closer to that vision. Keep reminding yourself of why you started this journey.

8. Embrace the Exam as an Opportunity

Instead of seeing the exam as a hurdle, view it as a chance to showcase your hard work and understanding. This mindset shift can reduce pressure and even make the process more rewarding.

9. Stay Positive, No Matter What

On the exam day, go in with a calm and optimistic mindset. Even, if you face unexpected questions, stay composed and give it your best shot. Remember, perseverance often triumphs over perfection.

Final Thoughts

You are not just a student preparing for an exam; you are shaping your future as a professional. Trust in your abilities, stay focused, and keep moving forward. As the saying goes, "Success is the sum of small efforts repeated day in and day out."

Your determination has brought you this far and it will carry you through. Believe in yourself—you've got this!

All the best!!!





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SEBI Act, 1992

Updates on Circulars

Repository of documents relied upon by Merchant Bankers during due diligence process in Public issues

To facilitate efficient maintenance of records and documents relied upon by merchant bankers while conducting their due diligence in public issues, stock exchanges have set up an online Document Repository platform which would enable Merchant bankers to upload and maintain the aforesaid documents electronically.

Stock Exchanges have been advised to inform Merchant bankers on the indicative list of documents to be uploaded which has been prepared in consultation with Association of Investment Bankers of India (AIBI) and the process of uploading the documents in the Document Repository platform.

Merchant bankers shall adhere to the following timelines for uploading documents in the Document Repository platform of the Stock Exchanges:

From January 01, 2025:

- -Within 20 days of filing draft offer document with SEBI/ Stock Exchanges.
- -Within 20 days from the date of listing on Stock Exchanges.

From April 01, 2025 onwards:

- Within 10 days of filing draft offer document with SEBI/ Stock Exchanges.
- Within 10 days from the date of listing on Stock Exchanges

The provisions of this circular shall be applicable for the draft offer documents filed on or after January 01, 2025 with SEBI/Stock exchanges for listing on Mainboard/ SME exchanges

Circular is available at:

<https://www.sebi.gov.in/legal/circulars/dec-2024/repository-of-documents-relied-upon-by->

[merchant-bankers-during-due-diligence-process-in-public-issues_89321.html](https://www.sebi.gov.in/public-issues_89321.html)

SEBI/HO/CFD/CFD-TPD-1/P/CIR/2024/170

Valuation of repurchase (repo) transactions by Mutual Funds.

To have uniformity in valuation methodology of all money market and debt

instruments and to address the concerns of unintended regulatory arbitrage that may arise due to different valuation methodology adopted, it has been decided that the valuation of repurchase (repo) transactions including TREPS with tenor of upto 30 days shall also be valued at mark to market basis.

Accordingly, clause 9.6.2 of the Master Circular stands modified as under:

“Investments in short-term deposits with banks (pending deployment) shall be valued on cost plus accrual basis.”

valuation of all repo transactions, except for overnight repos, in addition to the valuation of money market and debt securities, shall be obtained from valuation agencies. Accordingly, paragraph 9.2.3 (b) of the Master Circular stands modified as under:

“Valuation of money market and debt securities:

1. All money market and debt securities including floating rate securities shall be valued at average of security level prices obtained from valuation agencies.

2. In case security level prices given by valuation agencies are not available for a new security (which is currently not held by any Mutual Fund), then such security may be valued at purchase yield/price on the date of allotment / purchase.”

The provisions of this circular shall come into effect from January 01, 2025.

Circular is available at SEBI | Valuation of repurchase (repo) transactions by Mutual Funds.

SEBI/HO/IMD/IMD-I PoD-1/P/CIR/2024/163

Withdrawal of Master Circular on issuance of No Objection Certificate (NOC) for release of 1% of Issue Amount.

In order to facilitate ease of doing business to Issuer company, the requirement to deposit 1% of the issue size available for subscription to the public with the designated stock exchange by the Issuer company under regulation 38 (1) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations) has been dispensed with.

Consequent to amendment of ICDR Regulations vide gazette notification dated May 17 2024, the Master Circular no. SEBI/HO/OIAE/IGRD/P/CIR/2022/0151 dated November 07, 2022 on Issuance of No Objection Certificate for release of 1% of Issue Amount stands withdrawn.

However, the Stock Exchanges shall frame a joint standard operating procedure (SoP) for release of 1% security deposit that were deposited with stock exchanges by the issuer prior to abovementioned amendments in ICDR Regulations, 2018.

The circular is available at SEBI | Withdrawal of Master Circular on issuance of No Objection Certificate (NOC) for release of 1% of Issue Amount

SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/0161



THE INSTITUTE OF
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

CSBF

COMPANY SECRETARIES
BENEVOLENT FUND



What exactly is CSBF?

The Company Secretaries Benevolent Fund (CSBF) is a Society registered under the Societies Registration Act, 1860 and is recognized under Section 12A of the Income Tax Act, 1961.

The CSBF was established in the year 1976 by the ICSI, for creating a security umbrella for the Company Secretaries and/or their dependent family members in distress.

The amount of ₹ 7,50,000 (in the case of death of a member under the age of 60 years) has been increased to ₹ 10,00,000

The subscription amount is being increased from ₹ 10,000 to ₹ 12,500 soon

Is it the right time to enrol in CSBF?

CSBF is the protection you and your family need to survive the many ups and downs in life, be it a serious illness or a road accident which derails your plans for the future.

Is it a requirement?

Yes, as your dependents need the protection. Your dependents be it your parents, your spouse, or your children will have to bear the brunt of paying off your home/education personal loans and even for managing day-to-day expenses without your contribution.

If you do not want to leave behind such a situation in your absence, enrol in CSBF today.

Advantages of enrolling into CSBF

1

To ensure that your immediate family has some financial support in the event of your unfortunate demise

2

To finance your children's education and other needs

3

To ensure that you have extra resource during serious illness or accident

4

Subscription/Contribution to CSBF qualifies for deduction under Section 80G of the Income Tax Act, 1961

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