



SIRC MYSURU CHAPTER



April, 2025  
252<sup>nd</sup> Edition

# eMagazine

## *Vision*

"To be a global leader in promoting good corporate governance"

## *Motto*

सत्यं वद। धर्मं चर। *इष्टार्थे तेन त्वात्तेः कर्तव्यं तेन तेन क्व।*

## *Mission*

"To develop high calibre professionals facilitating good corporate governance"

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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)

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# From the Desk of Chairman

## Dear Professional Colleagues!

I am reminded of a powerful quote by Eliezer Yudkowsky, co-founder and research fellow @ MIR Institute:

**“By far, the GREATEST DANGER OF ARTIFICIAL INTELLIGENCE is that PEOPLE CONCLUDE TOO EARLY THAT THEY UNDERSTAND IT.”**

This statement warns that the real risk of Artificial Intelligence (AI) is not just in its capabilities but in **human misunderstanding or premature assumptions** about its nature, function, and limitations. AI is a complex and evolving field, and oversimplifying it can lead to severe consequences.

In my Welcome Speech at the inaugural session at the one-day seminar held on the 21<sup>st</sup> March 2025 at the Mysuru Chapter, I deliberated the Opportunities & Challenges that arise from AI in the time to come.

While we, the Company Secretaries, are well-positioned to leverage AI for efficiency and compliance, the real test lies in **how well we can navigate the challenges AI brings—particularly Security & Cyber Risks and Job Displacement & Skills Gap.**

### **One One-day seminar on AI and Documentation & Women’s Day Celebration**

To discuss the Opportunities & Challenges of AI, Mysuru Chapter had organized a One-Day Seminar on the topic **“AI and Documentation: Automating, Organizing & Optimizing Information”** on 21<sup>st</sup> March 2025 at our chapter premises. The program was attended by around 60 CS members & students from the Mysuru Chapter, Mangalore Chapter & Kochi Chapter. On this occasion, the chapter also celebrated Women’s Day, 2025.

I take this opportunity to extend my gratitude to all the CS Members & Students for making the program a grand success, and I humbly seek your support in our coming programs too.

### **2<sup>nd</sup> Batch of Executive Development Program (EDP) begins**

Pride to inform you all that our Mysuru Chapter is conducting the 2nd Batch of 15 days EDP for CS Executive passed students from 24th March 2025 to 11th April 2025. Students from the Mysuru, Mangalore & Bangalore Chapters are attending the program.

Many programs are in line for Members & Students in the coming weeks.

Thank you all once again.

**Jai Hind. Jai ICSI!**

# CHAPTER ACTIVITIES



## One Day Seminar

On 21st March 2025, Chapter organized a one-day seminar on the topic of AI and Documentation: Automating, Organizing, and Optimizing Information. CS Sheela Aravind, Independent Director and a PCS from Bangalore, one of the resource persons, addressed session 1, Documentation Decoded: Navigating the What, Why, and How of Documentation for Company Secretaries. The Second half was about how we can take the help of AI in documentation. Adv. Sudheer K S, Co-Founder, Bherunda Innovation & Entrepreneurship Foundation, was the keynote speaker on AI in Documentation. Session 3 was addressed by Ullas Kumar, Co-Founder and CEO of Gritworks.ai, who walked through the specifics of AI Tools for CS professionals: Streamlining Documentation and Compliance.

CS Krishnegowda C Chairman welcomed the gathering, and CS Abhishek Bhardwaj Vice Chairman did the vote of thanks. The program was attended by 60-plus members and students from the Mysore, Bangalore, Mangalore, and Kochi Chapters.



## 2<sup>nd</sup> Batch of EDP

The second batch of the 15-day Executive Development Program (EDP program) started on 24th March 2025.



## Women's Day Celebration

On 21st March 2025, Chapter celebrated Women's Day 2025. CS Sheela Aravind, along with other women CS members and students, lighted the lamp.

## 15days EDP in Classroom Mode

(24-03-2025 to 11/04/2025)

## Valedictory Ceremony - Certificate Distribution





# ARTICLES

# Risk Management as a Core Competency



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Risk is inherent in any business or Profession. Although the nature and extent may differ, risk is as applicable to a small retailer as it is to a multinational conglomerate. Risks, therefore, do vary depending upon the nature, size & complexity of each Business or Profession.

Adaption from the definition of Risk by “The Institute of Chartered Accountants of England & Wales”

### The Importance of Risk Management

Companies take risks to pursue opportunities and earn returns for their owners. Striking a balance between risk and return is key to maximizing shareholder wealth. Risk management is an essential aspect of any business, regardless of its size or industry. It is, therefore, a Sine qua non for every Business or Profession to manage risk to not only keep their Businesses intact but also to

grow in a Volatile, Uncertain, Complex, and Ambiguous (VUCA) world. Effective risk management is not just about avoiding negative outcomes but also about seizing opportunities that can lead to growth and success.

Effective risk management involves a comprehensive process designed to identify potential events that may affect the entity, manage risks within its risk appetite, and provide reasonable assurance regarding the achievement of objectives. Risk management, therefore, is all about balancing the potential for positive outcomes with the likelihood of negative ones.

### Understanding Risk- What are Risks?

Risk can be defined as “any uncertain event that could significantly enhance or impede a business's ability to achieve its current or future objectives. This includes the failure to capitalize on

Traditionally, risk management was confined to the backroom, primarily focusing on operational-level risks and being a function of internal auditors. However, the modern approach has shifted risk management to the boardroom, making it a CEO's job with board oversight. This evolution has transformed risk management from a negative factor to be controlled into an opportunity to be exploited, managed in an integrated, enterprise-wide fashion.

opportunities". It encompasses various dimensions, including risks as hazards, opportunities, and uncertainty of outcomes, as described below:

### Types of Risk

**1. Risk as a Hazard:** These are risks which, when they occur, could significantly impede a business or Profession's ability to achieve its current or future objectives. This involves a traditional approach focusing on defensive strategies to reduce the probability or impact of negative events. Examples include

- a) Natural disasters like floods or fires, major accidents, disruptions, and fraud.
- b) Business Risks like Obsolescence of Technology, Competition, Regulatory changes
- c) Organisational risks like Labour Issues, Integrity Issues, Piracy, and Fraud

**2. Risk as an Opportunity:** These are risks which, when they occur, could significantly enhance a business or Profession's ability to achieve its current or future objectives. This growth-oriented and aggressive approach aims to maximize gains by balancing risk and return. Examples include:

- a) Launch of new Products
- b) Launch of new Projects aimed at setting up new capabilities & capacities
- c) Entry into new Market Segment

**3. Risk as an Outcome Uncertainty:** These are risks related to the outcomes of actions a Business or Profession takes that could go either way. This approach focuses on the controlled distribution of outcomes to reduce the variance between anticipated and actual results. Examples include:

- 1. Exchange rate fluctuations,

- 2. Economic upheavals,
- 3. Commodity price volatility,
- 4. Compliance with laws and regulations, and
- 5. Investment in stocks.

### Developing Risk Management Strategy as a Core Competency

The Famous Quote of none other than Warren Buffet goes like this, "Risk comes from not knowing what you are doing" He goes on to say that the CEO of every Organisation is the Chief Risk Manager". It therefore appears that we can't overemphasise the need for developing Risk Management as a Core Competency of any organisation, be it Business or Profession"

### The Evolution of Risk Management

Traditionally, risk management was confined to the backroom, primarily focusing on operational-level risks and being a function of internal auditors. However, the modern approach has shifted risk management to the boardroom, making it a CEO's job with board oversight. This evolution has transformed risk management from a negative factor to be controlled into an opportunity to be exploited, managed in an integrated, enterprise-wide fashion<sup>3</sup>.

### Current State and Challenges

Despite the advancements, many organizations still face challenges in implementing effective risk management practices. Risk management is often fragmented, making it difficult to mitigate cross-enterprise risks efficiently and effectively. It is frequently practiced informally and seen more as a corporate function rather than a business unit function. This leads to a culture of crisis management rather than proactive risk

management, consuming considerable senior management time in managing operating issues instead of strategic planning.

### Developing a Risk Management Attitude

A positive risk management attitude is essential for embedding risk management as a core competency. Organizations must shift from a compliance-driven approach to best practices, fostering a culture of cooperation, consultation, and continuous improvement. Embracing risk as an inherent part of business and balancing risk and return is key to maximizing stakeholder wealth.

### Harnessing Technology and Frameworks

Leveraging technology and robust risk management frameworks can significantly enhance an organization's risk management capabilities. Implementing a structured risk management process, including risk identification, assessment, response strategies, and continuous monitoring, ensures a systematic approach to managing risks. Additionally, adopting risk management standards, such as the IATF 16949 Automotive standard, provides a comprehensive framework for addressing risks and opportunities. ISO 31000, which is a generic standard on Risk management, also prescribes key aspects of how an Organisation could develop Risk Management Capabilities.

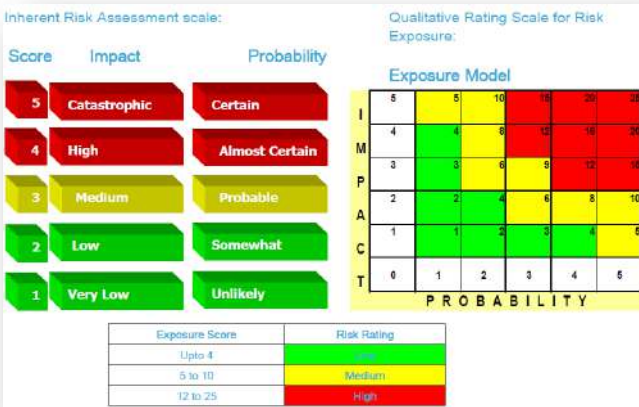
To develop risk management as a core competency, businesses must develop the following capabilities as a process. It involves identifying, assessing, and prioritizing risks, followed by coordinated efforts to minimize, monitor, and control the probability or impact of unfortunate events.:

**1. Identify Risks:** Recognize potential risks that could affect the business's objectives. This is the most critical and yet challenging aspect of the entire process. Identifying risks in an organisation is so because these are not the visible risks that we experience in our daily lives, such as Stormy weather, Poisonous Snakes on our path, and the like. Risks in any organisation are, on the contrary, visualisable. This requires Business Acumen, Experience, and Knowledge of the Business Domain and, in general, the Business Environment. These Risks could be classified into different categories based on their source. A typical Risk Breakdown Structure of a business appears as shown below:



**2. Assess Risks:** Evaluate the likelihood and impact of these risks. This again is no less challenging than the previous step, as many times such assessments remain subjective due to perceptible differences between personnel. Empirical data and statistical tools where applicable could be used to minimise the subjective element of assessment. One dimension here is the probability of Occurrence of the Risk and the other is the likely Impact of the Risk when it occurs. All the risks so assessed are Qualitative in nature and are then depicted with their relative scores to represent a Risk Heat Map or Profile of the Organisation. A

typical Assessment Chart would appear as shown below:



A Qualitative Risk Assessment would entail calculating the cost versus the benefit to prioritise and a typical chart would appear as shown below:

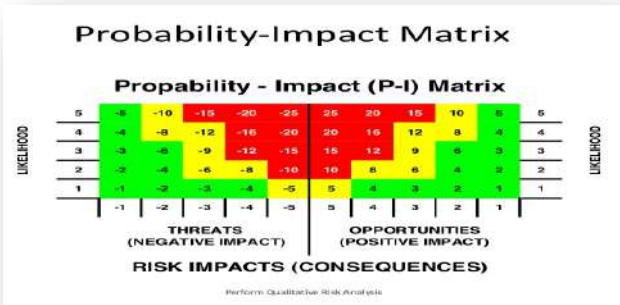
Example:

Risk potential found:  $0.5 (\text{Probability}_{\text{Start}}) \times \text{€}100,000 (\text{Impact}_{\text{Start}}) = \text{€} 50,000$

Two fictitious measures for managing the risk are available.

| Result measure 1                                                        | Result measure 2                                                        |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------|
| → reducing probability                                                  | → reducing probability & impact                                         |
| Probability <sub>1</sub> = 0.2; Impact <sub>1</sub> = 100,000€          | Probability <sub>2</sub> = 0.4; Impact <sub>2</sub> = 60,000€           |
| Remaining risk potential after bringing measure 1 into action = €20,000 | Remaining risk potential after bringing measure 2 into action = €24,000 |
| Effect: $50,000 - 20,000 = \text{€}30,000$                              | Effect: $50,000 - 24,000 = \text{€}26,000$                              |
| Estimated cost: = €10,000                                               | Estimated cost: = € 3,000                                               |
| Effect-cost variance: = €20,000                                         | Effect-cost variance: = €23,000                                         |
| Risk response performance indicator RPI (effect / cost) = 3             | Risk response performance indicator RPI (effect / cost) = 8.66          |

**3. Prioritize Risks:** Determine which risks need immediate attention and which can be monitored over time. The Risk Heat Map does guide us in prioritising Risks for treatment with the highest Risk Score getting a top priority. Often, this is prioritized based more on the high impact than on high probability. Similarly, the risks as Opportunities and outcome uncertainties are to be represented on a heat map for appropriate treatment. All Risks in the red zone are a priority for treatment. A typical heat map, popularly known as the “Butterfly Diagram” is shown below:



**4. Implement Strategies:** Develop and execute plans to mitigate or capitalize on risks. The Risk Treatment Plans & Strategies would entirely depend upon the nature & complexity of the risks themselves and may need tools available with the organisation for the purpose. Nonetheless, a typical generic plan or strategy is depicted in the 4 Ts chart shown below:

| Avoidance, I.e. Terminate                                                                                                                                                                                                                                                                                                                                                                       | Sharing, I.e. Transfer                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>Disposing off a business unit, product line, geographical segment, etc.</li><li>Deciding not to engage in new initiative/activities that would give rise to the risks</li></ul>                                                                                                                                                                           | <ul style="list-style-type: none"><li>Insuring significant unexpected loss</li><li>Entering into a joint venture/ partnership</li><li>Entering into syndication agreements</li><li>Outsourcing business processes</li><li>Hedging risks through capital market instruments</li><li>Sharing risk through contractual agreements with customers, vendors, or other business partners</li></ul> |
| Reduction, I.e. Treat                                                                                                                                                                                                                                                                                                                                                                           | Acceptance, I.e. Take                                                                                                                                                                                                                                                                                                                                                                        |
| <ul style="list-style-type: none"><li>Diversifying product offerings</li><li>Establishing operational limits</li><li>Establishing effective business processes</li><li>Enhancing management involvement in decision making, monitoring, etc.</li><li>Rebalancing portfolio of assets to reduce exposure to certain types of losses</li><li>Reallocating capital among operating units</li></ul> | <ul style="list-style-type: none"><li>"Self-insuring" against loss</li><li>Relying on natural offsets within a portfolio</li><li>Accepting risk as already conforming to risk tolerances</li></ul>                                                                                                                                                                                           |

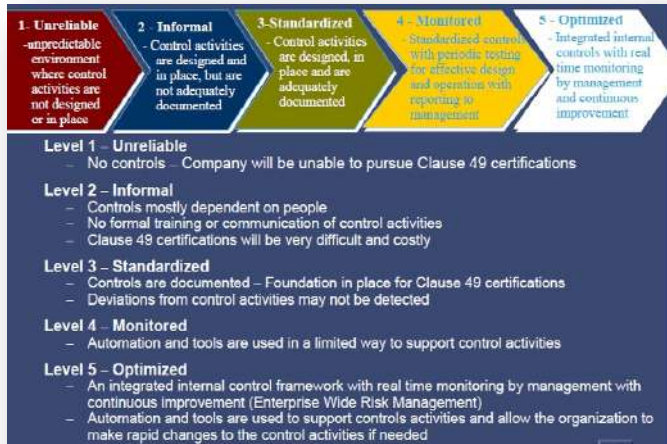
**5. Monitor and Review:** Continuously monitor risks and review strategies to ensure they remain effective. Risks or factors contributing to Riska are never stagnant and any Business or Organisation needs to continuously monitor the effectiveness of their plans by periodically reviewing the Risk heat maps for any changes and adjust their plans accordingly.

**6. Risk Management Organisation** Risk Management capability as a core competence can't be developed without a supporting Organisational Structure. A Typical Risk Management Organisation Structure is as shown below:



## 7. Risk Management Process Maturity levels:

Like any other process, The Risk Management Process too needs to attain a maturity level to be a core competency across an Organisation. Here is a typical Chart showing different maturity levels and related indicators:



## Conclusion

Risk management is not just about avoiding negative outcomes; it's about recognizing and seizing opportunities that can lead to growth and success. By developing risk management as a core competency, businesses can navigate uncertainties and achieve their objectives more effectively.

“In any given moment we have two options: to step forward into growth or step back into safety.”

ABRAHAM MASLOW

# Reverse Flipping (Ghar Waapsi): It's Time to Return to Home for Indian Companies Abroad.



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Let us explore the Indian ecosystem to trace potential reasons for an increase in reverse flipping (alternatively referred to as “internalisation”) by entities and various reasons for entities considering a reverse flip into India in the near future.

### A. Introduction

The great migration in India has started, wherein Indian-founded but overseas-headquartered start-ups are mapping their way back to India. These may be attributed to a favourable environment created by government initiatives, the maturity of Indian markets, and recent regulatory changes on round-

tripping. Established companies like Pepperfry, PhonePe, and Groww have already moved their headquarters back to India. Similarly, new-age companies like Pine Labs, Meesho, Flipkart, KreditBee and Zepto, and many others are looking to move their headquarters to India.

### B. Recent Update

Dream Sports, the parent business of the fantasy sports website Dream11, has announced that it has shifted its headquarters from the US Delaware to India by reverse-flipping as its merger with its Indian arm, Sporta Technologies. This relocation comes months after the Indian government introduced amendments to the Companies Act,

In order to reverse flip the Company headquarters back to India, the office outside India of the foreign company may be deemed to be the branch/office outside India of the resultant company in accordance with the FEMA Regulations. The company then moves its assets, operations, and intellectual property rights to either its Wholly Owned Subsidiary or a new entity in India.

2013, in September 2024 to fast-track cross-border mergers and amalgamations. These new rules allow qualified mergers between an Indian subsidiary and its foreign parent to bypass approval from the National Company Law Tribunal, as long as the Reserve Bank of India gives its go-ahead.

This move has enabled businesses to seek approval from the Regional Director under the Ministry of Corporate Affairs after it receives approval from the Reserve Bank of India.

### **C. Background**

‘Flipping’ refers to the process of transferring entire ownership of an Indian entity to an entity incorporated abroad, along with the transfer of key assets, like intellectual property, to a foreign entity despite having most of their market, personnel, and founders in India. This results in the Indian company becoming a wholly owned subsidiary of the foreign company, with its day-to-day operations still conducted in India.

While flipping is generally considered to be easier at the initial stages of the life cycle of an entity, mature structures have also flipped out of India in the last few years for various reasons. A predominant reason for flipping has generally been the access to a global pool of investors, ease of listing on overseas exchanges, higher valuations in stock exchanges abroad, broader customer base in new geographies, relatively easier regulatory regimes, founder preferences, and taxation benefits accruing to interested international investors in their host jurisdictions. Singapore, the Cayman Islands, the United Kingdom, and the United States of America have been popular examples of countries to which Indian entities have ‘flipped’.

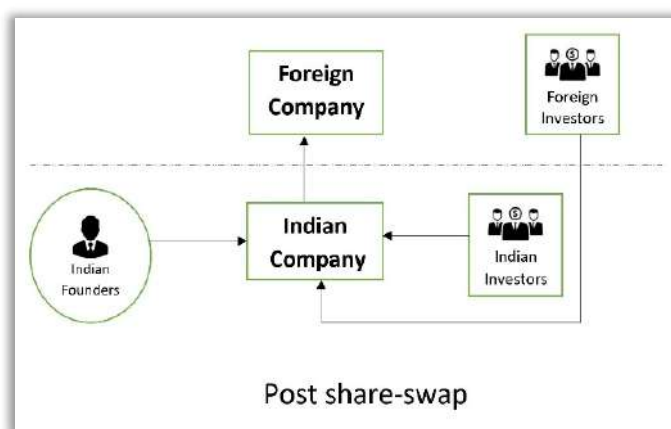
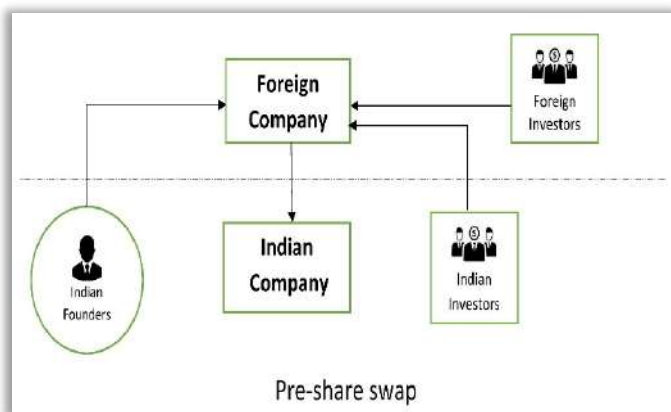
### **D. What is Reverse Flipping**

- In Reverse flipping, an Indian company that had moved its headquarters overseas moves back to India. Reverse flipping is a counter-narrative to the flipping trend.
- Many Indian startups are evaluating reverse flipping into India based on India’s good economic policies, growing local market, and rising investor trust in its startup ecosystem.
- One of the main reasons for reverse flipping is to list the company on Indian stock exchanges, which attracts a large number of retail individual investors ready to buy shares of startup companies.
- The other reason is changes after the Apex Court ordered a stay on GST demands on gaming companies.

### **E. How is reverse-flipping done?**

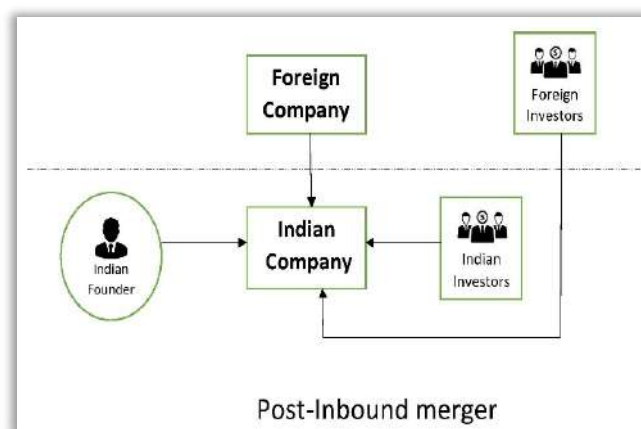
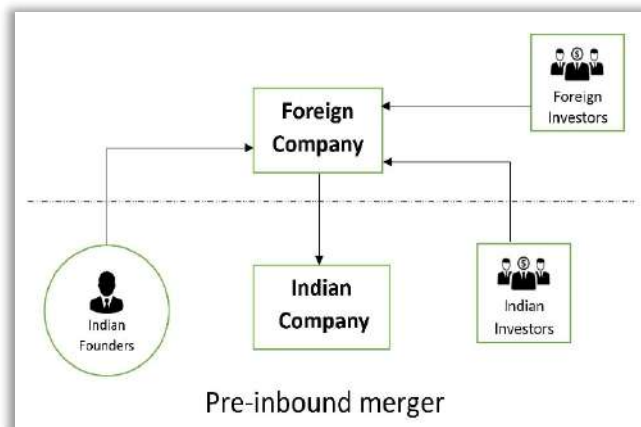
In order to reverse flip the Company headquarters back to India, the office outside India of the foreign company may be deemed to be the branch/office outside India of the resultant company in accordance with the FEMA Regulations. The company then moves its assets, operations, and intellectual property rights to either its Wholly Owned Subsidiary or a new entity in India. This may involve physical assets such as machinery and stock, as well as intangible assets such as trademarks, patents, and exclusive technology. The reverse flipping of a foreign entity back to India can be achieved by any of the following methods:

## 1. Share Swap arrangement.



The company may use share swaps or mergers as a method for executing the reverse flip. In this arrangement, shareholders of the foreign entity swap their shares in the foreign entity with the shares of the Indian entity. The transfer of shares of the foreign entity would be subject to capital gains tax in the hands of shareholders as the same would fall under the term “transfer” as per the Income-tax Act 1961. As an example, the capital gains taxes paid by the shareholders of PhonePe (in case of swap of shares) during its shift to domicile in India was as high as almost INR 8,000 crores.

## 2. Inbound Merger



The other approach for reverse flipping is an inbound/cross-border merger of the holding company with its Indian wholly owned subsidiary, wherein the Indian subsidiary becomes the surviving company. This involves the foreign entity merging into the Indian entity, with the assets and operations eventually owned and controlled by the Indian entity. This arrangement would be tax-neutral in India under the Income-tax Act 1961, provided all the conditions of an amalgamation/merger are satisfied. Inbound mergers must comply with the Foreign Exchange Management Act, 1999 (FEMA), and its regulations, including the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, and the Foreign Exchange Management (Cross-Border Merger) Regulations, 2018 (cross-border

Regulations). Mergers must also be in compliance with the Indian Companies Act, 2013, and rules made thereunder. An inbound merger can either be approved by the National Company Law Tribunal (NCLT), which is a time-consuming process, or with the approval of the Regional Director under the Ministry of Corporate Affairs.

## **F. Why Reverse Flipping is Gaining Traction:**

### **Regulatory Influences**

Many startups had previously relocated their headquarters overseas to take advantage of beneficial tax jurisdiction, investor base, and regulatory conditions. However, with changes in the Indian ecosystem, clarity on tax rulings, and Indian government support to start-ups, companies are considering coming back to India (a Ghar Waapsi ).

### **Government Assistance**

The Indian government is offering a conducive atmosphere for startups and a strong economic growth story, even though returning startups have to pay taxes. Programs like the National Initiative for Developing and Harnessing Innovations and the Atal Innovation Mission foster innovation among startups. Fund of Funds for Start-ups, and the Gujarat International Finance Tech-City International Financial Services Centre (GIFT IFSC) regime.

### **Key changes in the Tax structure, Promoting Foreign Investments.**

Reduction in Corporate Tax rate from 30% to 22%, abolition of Dividend Distribution Tax (DDT) shifting the tax burden from companies to shareholders, streamlining of taxation for Foreign Portfolio Investors (FPIs), Tax holiday for startups,

exemption from Minimum Alternate Tax (MAT), the introduction of Advance Pricing Agreements (APAs) etc. have played a significant role in attracting the companies to India.

### **Market Dynamics**

The Indian market is experiencing remarkable expansion, making it a lucrative place for businesses. The possibility of high valuations and strong market demand are convincing reasons for startups to return to India.

### **Strategic Advantages**

Relocating back to India helps startups to align their operations to their primary market, using local skills, assets, and market knowledge more efficiently. Additionally, listing on Indian stock markets can enhance their value, as investor trust in the Indian economy is rising.

### **Facilitating the Listing Process for Microcap Shares in India**

The Indian government has taken various steps to make it easier for microcap shares to be listed in India. These include easing the listing criteria, simplifying the approval process for IPOs (Initial Public Offers) and FPOs (Follow-on Public Offers) by reducing the time and paperwork needed for listing, setting up a separate trading platform to meet the specific needs of microcap and start-up companies, enabling better access to capital by launching Startup India program and various funding schemes.

### **Regulatory Reforms**

Improved ease of doing business and liberalized regulations boost investor confidence. Reforms such as the introduction of Goods and Services Tax

(GST), liberalization of Foreign Direct Investment (FDI) policies, and measures to streamline regulatory processes have made India a more attractive destination for foreign companies seeking to establish or expand their presence in the Country.

### **Spotlight on Success**

**Pine Labs-** Pine Labs got the approval for a cross-border merger of its Singapore-based parent company with its Indian operations. Singapore Courts have also approved shifting its base to India. This strategic move was to tap into the growing Indian market and streamline their operations.

**Zepto-** Zepto, which is valued at \$1.4 billion, has completed its relocation to India in January 2025, ahead of its proposed IPO. In a post on LinkedIn, Social Media Platform, the co-founder and CEO Mr. Aadit Palicha stated this reverse merger as a historic milestone for the Indian startup ecosystem and an inflection point that represents long-term confidence in the liquidity and depth of Indian capital markets. Zepto also got the approval from Singapore Courts and from the National Company Law Tribunal in India for this cross-border merger.

**KreditBee-** KreditBee, a tech company that offers instant personal loans, is planning to move their domicile to India, with an aim to be listed on the stock market in the next three years.

### **G. Key Considerations to be Kept in Mind:**

#### **• Legal & Regulatory Compliance:**

Companies that want to move their domicile to India must obtain approvals from regulatory bodies such as the National Company Law Tribunal (NCLT) or the office of Regional Director, Ministry of Corporate Affairs and local courts in host jurisdiction. Also,

compliance with financial services regulators, including the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI), creates another layer of approvals, requiring a thorough knowledge of the relevant regulations. The company needs to understand registration processes, corporate laws, tax regulations, employment laws, and any other applicable laws of India for their type of industry/company before such reverse flipping.

#### **• Tax Implications: Navigating the Intricacies.**

Understanding tax implications is one of the main factors that startups need to understand before reverse flipping to India. Challenges may arise with cross-border mergers and the taxation of ESOPs granted by foreign holding company/companies. Also, there will be a need to understand the tax applicable in the current jurisdiction for such reverse flipping.

#### **• Compliance with the Foreign Exchange Management Cross Border Regulation, 2018:**

Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (FEMA NDI Rules) and Foreign Exchange Management (Overseas Investment) Rules, 2022 and Foreign Exchange Management (Cross Border Merger) Regulations, 2018 are the Cross Border Regulations that need to be followed, and approval of Reserve Bank of India is required.

Securities given to non-residents and share transfers to foreign investors need to meet the standards for pricing, entry routes, sectoral caps, and reporting requirements. Guarantees and outstanding borrowings/loans of the foreign company have to be in alignment with external

commercial borrowing/trade credit rules within two years from the date of sanction of such a Merger.

If the asset or security outside India is not permitted to be acquired or held by the Indian company as per Indian Law, the Indian company needs to sell such asset or security within two years from the date of the sanction of the Merger and the sale proceeds shall be repatriated to India immediately through banking channels. Where any liability outside India is not permitted to be held by the Indian company, the same may be extinguished from the sale proceeds of such overseas assets within two years.

#### • **Competition Commission of India (CCI) compliance**

An entity may also have to see if the approval is required from CCI based on the deal value/asset size and turnover of the entities involved and if the structure gives them control.

#### • **Other regulatory approvals**

Additional regulatory and sectoral approvals may be needed depending on the sector of the entity. For example, the RBI may need to approve an entity in a sector under the 'approval route' in the FDI Policy of India. The reverse flip may also trigger approvals based on the type of business or licenses of the entities involved. For example, the RBI needs to approve any "change in control" of the Non-Banking Financial Companies (NBFC) and Housing Finance Companies (HFC). Since the shareholders of the foreign entity will be the shareholders of the Indian entity, there is a change in control, ownership, shareholding, and possibly management of the entity, so all relevant approvals to these aspects must be obtained.

#### • **Employee Stock Option Plans ("ESOPs")**

Founders and promoters of the Foreign Holding Company are usually entitled to employee stock options (ESOP) or similar benefits as per the law of foreign jurisdiction. However, as per Indian Law, promoters of Indian companies are not allowed to have ESOPs unless the company is a Start-up recognised by DPIIT. Further, as per Indian Law, ESOP must provide a gap of one year between the grant of Options and its vesting. Promoters' ESOPs may need to change for an inbound merger so as to be compliant with Indian Laws.

#### **Business Transition:**

Once such reverse flipping is completed, the foreign company shifts its operations to India, i.e., the new location. The Indian Company may need to hire local talent, build partnerships with suppliers and vendors, and adapt its business strategy to the local market situation.

#### **H. How is the Government responding?**

The International Financial Services Centres Authority, i.e. IFSCA, had set up an Expert Padmanabhan Committee to develop a plan to 'Onshore the Indian innovation to GIFT IFSC'. IFSCA aims to make GIFT City, India's first IFSC, the preferred destination for startups to reverse flip / internalise into. This Expert Committee presented its Report on 25 August 2023 with proposed measures to be taken by various stakeholders, such as Ministries and Regulatory bodies in implementing the concept of bringing the Indian innovation to GIFT IFSC. If these efforts succeed, it will pave the way for more startups and their investors to reverse flip/re-domicile and list their securities in India.

## I. Recommendation of a few more reforms

1. Amendment in the Companies Act to carve out some more exemptions from stringent compliance and governance to such Indian Companies formed under reverse flipping, recognising the issue of SAFE Instrument and SPAC Companies (Sole Purpose is Acquisition of Company) and invest IPO Proceeds therein. Such instruments and companies are popular in foreign jurisdictions.

2. Provide additional limits of LRS (Liberal Remittance Scheme) for resident start-ups to invest in such companies

3. Provide exemption from the Stamp duty for the transfer of assets and shares

4. Simpler, faster, and efficient dispute resolution process

5. Establishing Advance Ruling Authorities

## Conclusion

India is rising globally, and in its new avatar, it is young, entrepreneurial, digital, and hungry to scale. In the last few years, we have seen Unicorns from India transforming the global landscape. Amrit Kaal is the Prime Minister's vision 2047 for 'New India,' a new dawn for the country that will bring with it the chance to fulfil the nation's aspirations.

The recent trend of reverse flipping is driven by India's appeal as an emerging powerhouse. The change in rules regarding round-tripping fosters a more business-friendly environment, aiding companies in leveraging global profits for growth within India. This is further supported by the country's current start-up ecosystem, which benefits from abundant venture capital, favourable tax policies, strong intellectual property protection frameworks, and a vast, educated workforce. Additionally, increasingly supportive government policies favour entrepreneurship. By reverse-flipping to India, these companies are positioning themselves to capitalize on the nation's dynamic economic environment and growth opportunities.



# The Expanding Role of the Company Secretary: As Trademark Agent



**CS Rajini G N**

LLB., LLM., IP. ID, Social Auditor Trademark Agent | Practicing Company Secretary and Insolvency Professional  
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In today's competitive business environment, intellectual property (IP) rights have become pivotal for ensuring an organization's market identity and safeguarding its innovation. Among these, trademarks stand out as a significant asset for businesses. A company secretary, already well-versed in corporate laws and governance, is uniquely positioned to transition into the role of a trademark agent. Here's how this transformation can be achieved and why it can be a game-changer.

Intellectual Property Rights (IPRs) are legal protections for creations of the mind. They are essential because they encourage innovation and creativity. IPRs are emerging as a strategic business tool for

any business organization to enhance industrial competitiveness.

## Types of Intellectual Property Rights

There are several types of IPRs, including:

- Patents: Protect inventions and grant exclusive rights to the inventor.
- Copyrights: Safeguard artistic and literary works.
- Trademarks: Protect brand names and logos.
- Industrial Designs: Protect the visual design of objects.
- Geographical Indications: Indicate the origin of goods.

In India, the legal framework for intellectual property rights (IPR) is built on several key laws. These include:

“As per Section 2(2)(f) of the CS Act, 1980, and Resolutions Passed by ICSI of 290th meeting held on 14th October 2022 providing for the services which can be rendered by Company Secretary in practice include trademark agent so practicing company secretary can act as a trade mark agent”

- Copyright Act, 1957: Protects original works of authorship.
- Patents Act, 1970: Governs the protection of inventions.
- Trade Marks Act, 1999: This covers the registration and protection of trademarks.
- Designs Act 2000: Protects the visual design of objects.
- Layout Design of Integrated Circuits: The Semiconductor Integrated Circuits Layout Design Act, 2000
- Protection of Undisclosed Information: No exclusive legislation exists but the matter would be generally covered under the Contract Act, 1872
- Geographical Indications: The Geographical Indications of Goods (Registration and Protection) Act, 1999
- Plant Varieties: The Protection of Plant Variety and Farmers' Rights Act, 2001.

### **What Do You Mean by the Term Trademark?**

Trademark is the branch of intellectual property rights.

A trademark consists of a name, word, or sign that makes variations among the goods of different companies. Marketing of the goods or services through the process shall become simpler via trademark due to recognition of the product through the trademark it is assured and simpler to acknowledge. An organization or the owner can prevent practicing the mark of a symbol through other firms who are from the same field.

### **Who can become the trademark Agent?**

Extract of Rule 144 of Trademark Rules 2017 states about Qualifications for registration. —Subject to

the provisions of rule 145, a person shall be qualified to be registered as a trademark's agent if he—

- (i) is a citizen of India,
- (ii) is not less than 21 years of age.
- (iii) is a graduate of any university in India or possesses an equivalent qualification and has passed the examination prescribed in rule 148 or is an Advocate within the meaning of the Advocates Act, 1961 (25 of 1961) or is a member of the Institute of Company Secretaries of India.
- (iv) is considered by the Registrar as a fit and proper person to be registered as a trademark agent.

### **Can a Company Secretary Become a Trademark Agent?**

As per Section 2(2)(f) of the CS Act, 1980, and Resolutions Passed by ICSI of 290th meeting held on 14th October 2022 providing for the services which can be rendered by Company Secretary in practice include trademark agent so practicing company secretary can act as a trade mark agent.

### **What is the Procedure to be followed for a Company Secretary to Become a Trade Mark Agent**

To register as a trademark agent in India as a Company Secretary (CS), here's a step-by-step guide:

1. Visit the Official Website: Go to the Intellectual Property India website.
2. Access the E-Filing Portal: Navigate to the comprehensive e-filing service or directly visit the trademark e-filing portal.

### 3. New User Registration:

- Click on "New User? Sign Up."
- Read and download the Digital Signature Manual before proceeding.
- Fill out the "New User Registration Form" and select "Proprietor" as the type of applicant.

### 4. Digital Signature Certificate (DSC):

5. Ensure you have a valid DSC. Follow the instructions in the Digital Signature Manual to register it.

### 6. Login and Fill Form TMA-1:

7. Use the credentials sent to your email to log in.

8. Complete Form TMA-1, specifically designed for trademark agent registration.

### 9. Upload Required Documents:

Membership Certificate from ICSI.

Certificate of Practice (COP).

10. Pay the Fee: The registration fee is ₹4,500, which must be paid during the application process.

11. Submit the Application: Once all details are filled and documents uploaded, apply.

As a CS, you are exempted from the Trademark Agent Exam, making the process more streamlined.

## **What are the Benefits of being a Trademark Agent?**

Being a trademark agent comes with several professional and career benefits, especially for someone in the legal or intellectual property (IP) field. Here are some key advantages:

### **1. Diverse Career Opportunities**

- You can represent clients before the trademark registry, helping them with trademark registration, renewal, opposition, and other related matters.
- Work for law firms, IP consultancies, or large corporations in managing and protecting their trademark portfolios.

### **2. Professional Growth**

- It enhances your profile as an intellectual property expert.
- The role is highly respected and in demand, particularly as businesses increasingly value IP protection.

### **3. Financial Benefits**

- Trademark agents can charge fees for services like filing applications, handling disputes, and advisory work, offering an excellent source of income.

### **4. Exemption from Trademark Agent Exam**

- Certain professionals, like qualified Company Secretaries and lawyers, are exempt from the exam, making it easier to register as an agent.

### **5. Specialized Knowledge**

- Being a trademark agent allows you to deepen your understanding of IP laws and their application, which can open doors to related fields like copyright and patent law.

### **6. Contribution to Business Growth**

- You play a critical role in helping businesses secure and protect their brands, contributing directly to their success and reputation.

## Conclusion

A Company Secretary (CS) serving as a trademark agent is a valuable combination of expertise that aligns corporate governance with intellectual property management. This dual role not only enhances career opportunities but also strengthens a company's ability to protect its brand and intellectual assets. With the exemption from the trademark agent exam, the pathway is streamlined for CS professionals, making it an attractive avenue for those keen to expand their skill set and professional influence.

## "Corporate Riddle"

1. I am a document that outlines the internal rules and regulations of a company.
2. I am responsible for defining the relationship between the company and its shareholders.
3. I am a document that is often referred to as the constitution of a company.

### Who am I?

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](mailto:enewsletter.icsimysore@gmail.com)

### Answered by

CS Ashritha E B



### Also Correct Answers were given by

1. **Mr. Prajwal** – CS Professional student
2. **Ms. Rachana Kini** - CS Professional Student
3. **Ms. Bhavya Hegde** – CS Professional Student

Riddler

**CS Pavithra P**

Founder & Director

Accrescent Managed Services Pvt Ltd.

[pavithra@acms.pro](mailto:pavithra@acms.pro)



## Last Month's Corporate Riddle

I am a financial expert who helps companies raise capital, advise on mergers and acquisitions, and provide strategic financial advice.

I specialize in underwriting new securities, managing public offerings, and providing corporate advisory services.

I assist companies in restructuring their operations, managing their assets, and navigating complex financial transactions.

Who am I?

**Ans: Merchant Banker**



**CS Sheela Aravnind**

PCS, and Tax Consultant | Sheela Aravind and Co,  
Csshelaarvind@gmail.com

## Documentation Decoded

### The Crucial Role of Documentation for Company Secretaries

In the fast-paced, high-stakes realm of corporate governance and compliance, Company Secretaries are the unseen strategists ensuring legal and regulatory integrity. One of the most critical tools enabling this role is meticulous documentation.

**This article** explores why precise documentation is fundamental to a Company Secretary's responsibilities, how it supports daily operations, and how emerging technologies—especially AI—are transforming the documentation landscape.

#### Documentation: The Foundation of Corporate Efficiency

Robust documentation systems form the backbone of corporate functioning. Far beyond the

preservation of records, documentation serves as a strategic tool for governance, compliance, and risk management.

#### Effective documentation facilitates:

- Traceability of corporate decisions
- Evidence-based risk management
- Efficient internal operations
- Compliance with statutory obligations

Modern AI-powered auditing tools now offer real-time alerts, underscoring the need for strong cybersecurity frameworks and data governance policies.

It is not merely procedural— it is a fundamental enabler of good governance, transparency, and organizational resilience.

#### Key Areas of Documentation in Corporate Compliance

For Company Secretaries, specific categories of documentation are vital for establishing legal standing and demonstrating compliance. During peer reviews conducted by the Peer reviewer and regulatory inspections, these records must be readily accessible and accurate. Hence, proper maintenance of documents is essential.

### Essential documentation includes:

- Board Meeting Notices and Minutes
- General Meeting Resolutions
- Director Disclosures and Declarations
- Annual Reports and Statutory Registers

These documents serve as the official record of an organization's strategic decisions, ethical conduct, and legal obligations. They also provide critical evidence during audits, inspections, and legal proceedings.

### Categories of Corporate Documentation

#### 1. Governance Records

These documents reflect the decision-making framework and promote accountability across the organization. They affirm transparency and reinforce leadership credibility.

#### 2. Operational and Risk Management Documentation

##### Includes:

- **Standard Operating Procedures (SOPs):** Ensure operational consistency and guide trainees or assistants on best practices. When we have a clear SOP, the guidance on what needs to be provided to the team enhances performance by making the way for our goals easier.
- **Internal Audit Reports and Compliance Checklists:** Identify gaps and strengthen systemic compliance.
- **Cybersecurity Policies and Data Protection Records:** Ensure alignment with regulations like GDPR and India's Digital Personal Data Protection Act.

- **Sets clear operational goals and standards for performance:** The tasks and procedures are the main crux of any operation. Adopting uniformity in the procedures adopted allows consistency. The preparation of a master checklist helps in increasing efficiency.
- **Efficient document management:** The Adoption of digitization such as Electronic Document Management Systems(EDMS) increases the efficiency of document management, reduces risks, and eliminates reworking.

Strong documentation in these areas enhances audit readiness and organizational resilience.

#### 3. Legal Documents:

Proper documentation serves as a legal safeguard ensuring regulatory compliance and mitigating the risks. Also protects against misinterpretation, disputes and liabilities.

#### 4. Knowledge transfer:

Always sustains knowledge continuity in the face of the team change, ensuring the critical information is not lost but transferred and accurate.

### AI in Documentation and Governance: A Game Changer

Artificial Intelligence is reshaping corporate compliance by automating documentation processes, improving risk analysis, and enabling predictive insights.

#### Notable AI applications include:

- **JP Morgan's COiN System:** Saved \$1.5 billion by automating 83% of subsidiary disclosure documents.

• **EY's Smart Processing & PwC's Halo Platform:** Revolutionizing audit and tax workflows.

• **Thomson Reuters' Checkpoint and Intuit's TurboTax:** Simplifying complex regulatory compliance.

AI enhances speed and precision—but it also raises concerns about cybersecurity and ethical data use. Professionals must balance innovation with vigilance.

### **Cybersecurity and Data Governance: Protecting the Digital Trail**

As digital documentation grows, so do the risks:

- Unauthorized Access
- Data Breaches
- Malware and Ransomware Attacks
- Insider Threats

Modern AI-powered auditing tools now offer real-time alerts, underscoring the need for strong cybersecurity frameworks and data governance policies.

### **Real-Life Scenarios: Documentation in Action**

Practical examples highlight the significance of thorough documentation:

- **Company Incorporation:** Verifying and storing MOA, AOA, and director consents
- **Foreign Entity Registration:** Maintaining compliance documentation for parent entities
- **Form MGT-8 Certification:** Requires review of audited financials and registers
- **Maintenance of MBP-4 Register:** Ensures tracking of related party transactions

A well-maintained filing system enables continuity, protects records, reduces duplication, and enhances decision-making quality.

### **Certification of E-Forms: High Responsibility, Higher Liability**

Certifying e-forms as a Practicing Company Secretary (PCS) demands rigorous diligence. Unlike financial auditors, Secretarial Auditors evaluate compliance with diverse legal and regulatory frameworks. In cases of management disputes or regulatory scrutiny, independent verification becomes paramount.

### **ROC Forms: Navigating Practical Interpretation**

Often, ROC filings demand documents not explicitly listed in the Companies Act or Rules. Experience and professional judgment play a key role in ensuring compliance.

### **Statutory Registers, Auditing Standards, and Peer Review**

The accurate maintenance of statutory registers is non-negotiable. ICSI's Auditing Standards guide documentation procedures to ensure consistency and legal defensibility.

### **Manner and Condition of filing documents:**

- **Electronic Filing:** All documents must be filed electronically (e.g., PDF) or in another format notified by MCA on the government-notified site. [www.mca.gov.in](http://www.mca.gov.in)
- **Non-Judicial Stamp Paper:** Physical submission is required for stamp paper documents unless exempted or stamp duty is paid electronically.

- **Stamp duty paid online:** submission of scanned document is not required if the stamp duty is paid online.
- **Document Retention:** Incorporation documents must be retained permanently, and other documents are to be retained for a period of 8 years.
- **Signature Details:** Documents must include the signer's name, designation, address, and DIN/membership number.
- **Defaulting Companies:** Must file updated Balance Sheets and Annual Returns before submitting new changes, except for certain filings.

#### **Authentication of Documents:**

- E-forms must be authenticated by authorized signatories using a digital signature.
  - Changes must be filed by a continuing director or company secretary. (Person cannot sign his own form)
  - Authorized signatories and certifying professionals are responsible for the correctness of e-forms and attachments.
  - Authorized persons must obtain a Class II or III digital signature certificate for authentication.
  - E-forms must be authenticated by the Managing Director, Director, Secretary, or Key Managerial Personnel.
  - Scanned images of documents must be the original signed versions, with no blank spaces.
  - The signer and certifying professional must ensure all required attachments are complete and legible.
  - Giving power of attorney to authorized persons like CA, CS, KMP or any other person requires Board resolution.
- Filing false or misleading information can lead to penalties under Sections 448 & 449.
  - The digital signature certificate may be deactivated if a false form is certified.
  - The Central Government will provide access to a portal for filing and viewing documents.

#### **AI – Boon or Bane?**

AI is redefining the profession, offering both promise and caution.

##### **AI as a Boon**

- **Automated Drafting:** Minutes, resolutions, and registers can be generated quickly and accurately.
- **Cross-Validation:** AI tools cross-reference legal provisions and flag inconsistencies.
- **Efficiency Gains:** Saves time and reduces manual errors.

##### **AI as a Bane**

- **Data Privacy Risks:** Sensitive governance data may be exposed if AI tools lack robust security.
- **Cybersecurity Threats:** AI systems can be vulnerable to manipulation or unauthorized access.
- **Upskilling Needs:** Professionals must continuously adapt to evolving tech landscapes.
- **Audit and Peer review risks:** Overdependence on auto-generated records without manual verification can raise red flags during peer review, Secretarial Audit, or inspections by regulators.
- **Ethical Implications:** The use of AI must align with the principles of integrity, independence,

and professional conduct as laid down by the ICSI Code of Ethics.

AI might use overly technical/unusual language that is difficult to understand by the users. It is the responsibility of Professionals to restrict the usage of AI as the expertise, ethical consideration, and judgment provided by Professionals cannot be fully replaced by AI.

AI cannot replace human judgment, intuition, or ethical reasoning, but it can complement and enhance them.

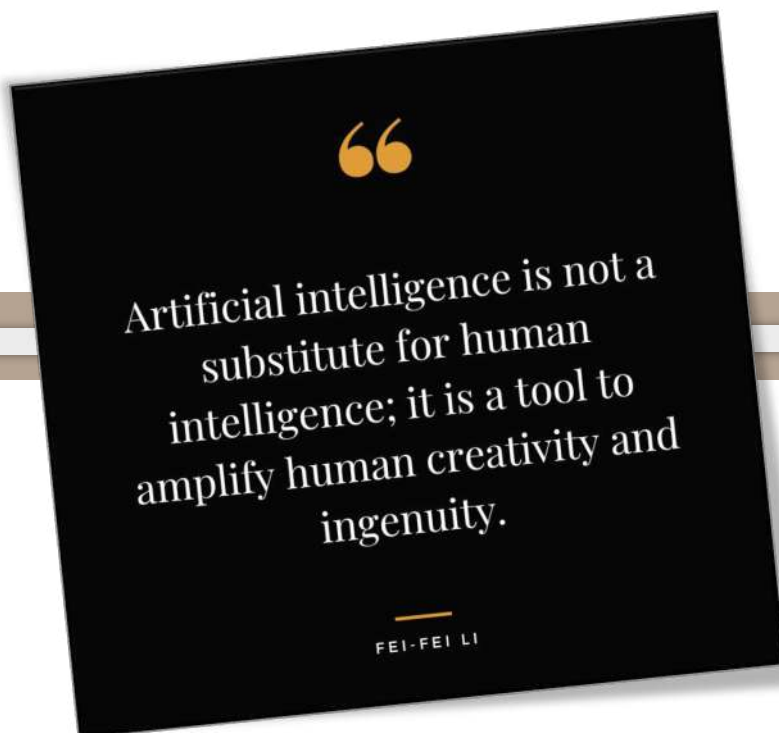
### **The Enduring Value of Documentation**

In conclusion, documentation is not just a regulatory requirement—it is a strategic asset. It preserves institutional memory, fosters compliance, protects legal interests, and enables effective decision-making.

#### **As aptly said:**

**"Documentation is a love letter to your future self."**

In the complex terrain of corporate governance, it remains the compass guiding organizations through change, complexity, and compliance.



# COLUMNS



## Column - 1



**Ms. Aparna U**

CS Executive Student

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*Help Yourself*

Food for thought

## Win Your Inner Battles

by

Darius Foroux

*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.*

"Courage is resistance to fear, mastery of fear, not the absence of fear." - Mark Twain

Aren't we all battling something inside of us? In today's article, let's face it.

What are your fears and how often do you ponder about them? When was the last time you faced your fear? How did you feel?

The Self-help genre of books may seem repetitive when you read a lot of it over time but one huge advantage is that it allows you to face your beliefs- relearn, renew and churn them from time to time. This book that we discuss today, 'Win Your Inner Battles' urges you to face your fears, become aware of them, learn their types, and ponder upon how practical they are. Are they even real to begin with? there is a famous quote by Michael Jordan- "Limits, like fears, are just illusions."

Fear of course has played a major role in helping humans survive and evolve. So, our brain is wired in a certain way which in the modern world may turn counterproductive if not made aware of and dealt with properly. This

book is a great tool to become self-aware, face our fears and win those battles inside so our actions outside follow suit.

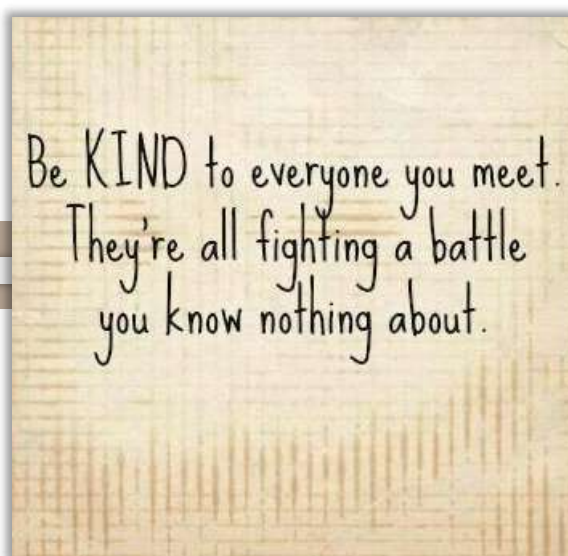
"Everything is created twice, first in the mind and then in reality. " - Robin Sharma

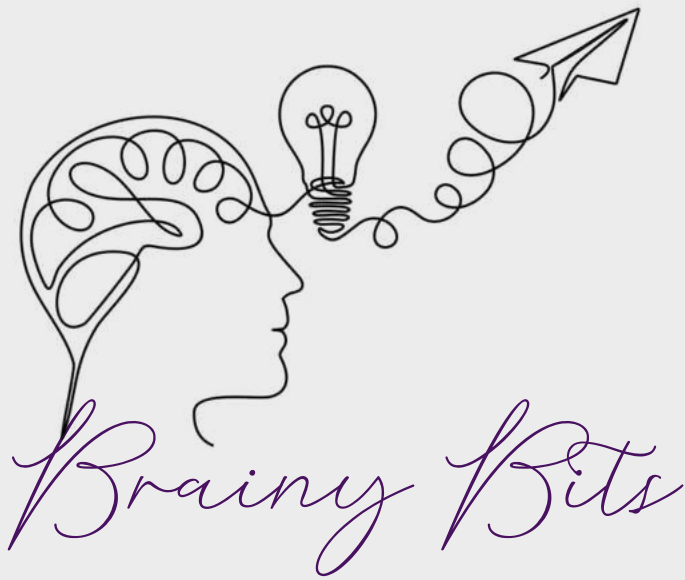
One very game changing takeaway from this book is that our brain cannot differentiate between an actual physical threat and something we have made up in our minds. Sometimes we do not even fear something specifically! Have you noticed?

The book also talks briefly about stoicism, a school of philosophy that can help you take a very interesting approach to life. I'd leave that to you to explore from the book by yourself.

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 shows techniques that help us face our fears, break them down, mainly by self-talk and self-awareness. These techniques are simple but powerful and help us dismantle our negative loop of thoughts and thereby win the battle inside. Once that is done, it feels like a lot is put off our chest. Isn't it in the mindset that follows that we are able to perform our best? So, why wait, grab this book and give it a read!





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B.com, FCS

Practicing Company Secretary

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## WORD SEARCH – 5

(Based on Chapter VI of The Companies Act, 2013)

### ANSWERS

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### Answered by

Ms. Likitha Urs  
CS Professional Student



1. The subsequent registration of charge shall not \_\_\_\_ the rights acquired before the charge is actually registered. (9) - **PREJUDICE**
2. Section 77 of the Act shall apply mutatis mutandis to \_\_\_\_ of any property by the Company subject to charge. (11) - **ACQUISITION**
3. Irrespective of anything mentioned under any other law for time being in force, the \_\_\_\_ appointed under IBC shall not take into account any such charge which is not registered under Section 77 of the Act. (10) - **LIQUIDATOR**
4. The intimation of appointment shall be mandatory to the Company and to registrar on the court appointing a \_\_\_\_ of the Property subject to charge. (8) - **RECEIVER**
5. The Registrar may make entry in the register of charges a memorandum of satisfaction on evidence being given to his satisfaction with respect to any charge even without any \_\_\_\_\_. (10) - **INTIMATION**
6. The particulars of charges maintained of the MCA portal ([www.mca.gov.in/MCA21](http://www.mca.gov.in/MCA21)) shall be deemed to be \_\_\_\_\_. (8,2,7) - **REGISTER OF CHARGES**
7. Any person acquiring any asset which is subject to charge under Section 77, shall be deemed to be in \_\_\_\_ of charge from the date of such registration. (6) - **NOTICE**
8. If the intimation of satisfaction is not made to the Registrar in specified form without the signature of the charge holder, the registrar may issue a show cause notice for a period of not more than \_\_\_\_ days to such charge holder as to why such satisfaction should not be recorded. (8) - **FOURTEEN**
9. Officer for the purpose of this chapter among other shall include such person(s), in accordance with whose \_\_\_\_ it is a customary for the Board to act. (10) - **DIRECTIONS**
10. Wilful furnishing of false information or intentional suppression of any material information required to be registered under Section 77 shall be considered as \_\_\_\_ (5) - **FRAUD**

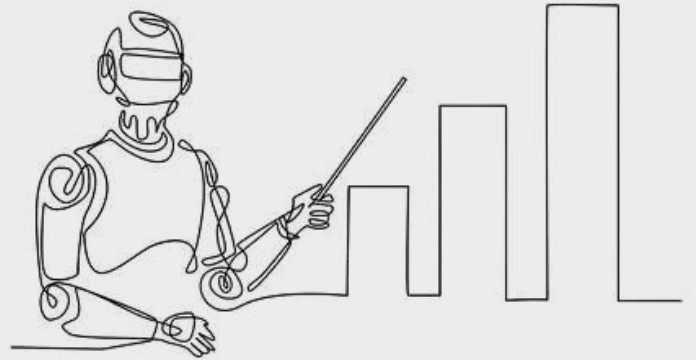
## Column - 3



**Mr. Komal Kumar M**

CS Professional Student

*komalkumar677@gmail.com*



*Tech Corner*

## The Hidden Environmental Cost of AI Trends Like the “Ghibli” Style

These days, you’ve probably seen people sharing beautiful, dreamy portraits of themselves online, transformed into what looks like scenes straight out of a Studio Ghibli movie. It’s part of a new trend of using AI tools to turn ordinary photos into magical artwork. And while it may seem harmless and fun, there’s a bigger story behind it—one that most of us don’t think about.

You might wonder: How can uploading a selfie and making it look like anime affect the environment? Let’s break it down in a simple way.

Whenever you ask an AI model like ChatGPT or an image generator to create something—whether it’s text, artwork, or a video—it needs a lot of computer power. Now, think about your laptop or desktop computer. You’ve probably noticed how it gets hot when you use it for a long time or when you’re doing something demanding, like gaming or video editing. That heat comes from the CPU or GPU (basically, the brain and muscle of your computer) working hard.

To stop computers from overheating, we use cooling systems. At home, it might be just a fan or a simple air-cooling setup. But in big data centers—where AI like ChatGPT lives—the machines are doing heavy-duty work

all the time, and they get way hotter. So companies use more advanced cooling systems, including liquid cooling, where water is circulated to absorb the heat and keep everything running smoothly.

Now, imagine millions of people around the world asking AI models to turn their photos into Ghibli-style images. This kind of image processing uses high-powered GPUs, which heat up quickly and need even more cooling. And here's where it gets serious: all that cooling, especially with liquid-based systems, requires a lot of water.

According to researchers from the University of California, Riverside, the water used just to cool down the AI systems during their responses can be surprisingly high. For every 10 to 50 queries to an AI like ChatGPT, about half a liter of water might be consumed indirectly to keep the servers cool—depending on where and when the servers are running. When you scale this up to millions of users and countless image requests, that adds up to a lot of water.

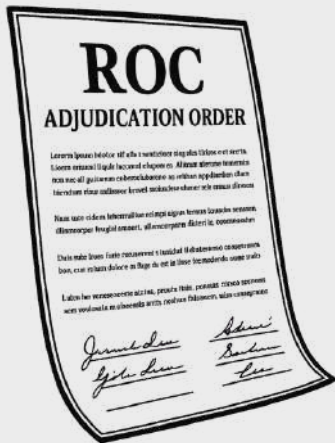
Energy use is another factor. Data centers that power AI systems are estimated to consume almost 1% of the world's total electricity. A big chunk of that goes just into keeping the servers from overheating. And the more complex the task—like generating images or videos—the more power and cooling it takes.

So why does this matter? Because the water and electricity used for these systems don't come out of nowhere. Many data centers are located in areas that already face water scarcity. Using up large amounts of water to cool AI servers can put extra pressure on local water supplies and contribute to environmental stress. This issue has even led tech leaders to acknowledge the strain these systems are under. There have been times when AI companies had to limit usage or slow things down to avoid overheating their systems.

This isn't about shaming anyone for enjoying fun filters or playing with AI art. But it's important to be aware of the real-world cost behind our digital actions. Every time we click "generate," somewhere, energy is being used and water is being consumed to make that magic happen.

So next time you're experimenting with a trend like the Ghibli-style transformation, just take a moment to think about the invisible resources involved. If more of us understand this, we can start pushing for greener AI practices—like using renewable energy to power data centers or building systems that use less water. And we can also be a bit more mindful in how often we use these tools.

The technology is amazing, no doubt. But so is our planet. Let's enjoy the magic of AI while also doing our part to take care of the world around us.



## ROC Adjudication Order

## Column - 4



**CS Keerthana Gopal**

Company secretary and legal officer,  
Mysore Steels Ltd.

[keerthana92.gopal@gmail.com](mailto:keerthana92.gopal@gmail.com)

### Order under Section 158 of the Companies Act, 2013

#### Legal provision:

#### Section 158. Obligation to Indicate Director Identification Number

Every person or company, while furnishing any return, information, or particulars as are required to be furnished under this Act, shall mention the Director Identification Number in such return, information, or particulars in case such return, information, or particulars relate to the director or contain any reference to any director.

**Section 172:** If a company is in default in complying with any of the provisions of this Chapter and for which no specific penalty or punishment is provided therein, the company and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees, and in case of continuing failure, with a further penalty of five hundred rupees for each day during which such failure continues, subject to a maximum of three lakh rupees in case of a company and one lakh rupees in case of an officer who is in default.

#### Facts of the case:

In the matter relating to EC NIDHI LIMITED [herein after known as Company] bearing CIN U65929KL2016PLC047059, is a company registered with this office under the Provisions of the Companies Act,

2013/1956 having its registered office situated at 653 B-7 Easy Tower Aranattukara Olarikkara 653 B-7 Easy Tower Aranattukara Olarikkara Thrissur Kerala India 680012

Whereas the subject company has filed an application in GNL-1 vide SRN: F94217635 before this office requesting for adjudication of penalty under section 158 r/w section 172 of Companies Act, 2013, in respect of the company and the Managing Director Sri. JOY PYLOTH KANJIRATHINGAL, since the DIN of directors was not mentioned in the financial statement for the year ended 31.03.2021 as required by section 158 of the Companies Act 2013. Whereas, as per the MCA portal, the company has filed the eform NDH-4 vide SRN: R32947350 dated 13.02.2020 and the same was rejected by the Ministry vide order dated 04.07.2023, one of the reasons stated being the Directors Identification Number (DIN) was not mentioned in the Financial Statement attached with Form AOC-4 for 31.03.2021 resulting in violation of Section 158 of the Companies Act 2013. Thus, the company and its Officer in default are liable for penalty under Section 172 of the Companies Act, 2013 and the date of violation is taken as 04.08.2021, the date of the Director's report.

An opportunity was given to the company and its officers in default to submit their representation, if any, in the matter and in compliance with the Companies (Adjudication of Penalties) Rules, 2014. The representative of the company couldn't attend the hearing through e- e-hearing module due to a technical glitch but has appeared before the AO in person and has requested that the hearing may be dispensed away with, as the adjudication application was suo-moto and the company and its officers-in-default have accepted the default.

#### **Decision and Analysis:**

Since it was a suo-motu application, the default is admitted by the Company and its Directors, and the penalty imposed is as per the applicable Section under the Companies Act, 2013. The penalty imposed is as under:

Rs. 50,000 on the Company and Rs. 50,000 on the Director as against the maximum penalty applicable for this violation being Rs. 3,00,000 for the Company and Rs. 1,00,000 on the Director.

#### **Order for violation Section 158 of Companies Act, 2013**

#### **Facts of the case:**

Whereas the company viz APS Micro Credit & Insurance Services (India) Private Limited With CIN: U67190TN2013PTC089944 (hereinafter referred as Company 'or Subject Company') incorporated on 06.03'2013, is a registered company with this office under the Companies Act, 1956 having its registered office as per MCA21 Registry at 51, K.A.S.P Tower Bypass Road, Near Aristo Hospital, Madurai, Tamil Nadu 625016.

Inspection of books and accounts of APS Micro Credit and Insurance Services (India) Private Limited was conducted by an Officer authorized by the Central Government wherein the observations of the Inspection Officer are as follows: upon examining the financial statement for the financial year 2013-15 and 2014-15 that the company has not mentioned DIN number of the directors in place of authorization given by the Board of directors. However, every Person or company, while furnishing any return, information, or particulars as are required to be furnished under the Act, shall mention the DIN of the director. Hence, the company has violated Section 158 of the Companies Act, 2013. Accordingly, upon submission of the Inspection Report, the Regional Director (SR) has directed to take action against the defaulters as per the provisions of the Companies Act, 2013.

Since the company was struck off and the Managing Director of the company Mr. Avoudiappan Senthilvelu was deceased as per the Inspection Report, the Adjudicating Authority had issued notice only to Mr. Avoodaiyappan Selvakumar, director of the company, vide Notice No.ROC/CHN/APS Micro Credit & Insurance/S. 158/P.27Inspn'fol.ip/2023 dt 26.08.2024. No reply has been received from the director, Mr. Avoodaiyappan Selvakumar.

Since no reply has been received from the director for the Adjudication notice dated 26.08.2024, the Adjudicating Authority had issued a hearing notice dt 23.10.2024 for a hearing on 05.11.2024. But the director or its authorized representatives appeared before the Adjudicating Authority. After that, the Adjudicating Authority issued a final notice of hearing on 14.11.2024 for a hearing on 22.11.2024 at 11:50 AM. Neither the Director nor his authorized representative appeared for the hearing. Hence, as per Rule 3(8), Companies (Adjudication of Penalties) Rules 2014, the matter is being proceeded with in the absence of such person (ex-parte).

Ministry of Corporate Affairs vide notification no. G.S.R.630 (E) dated 09.10.2024 stated that in the Companies (Adjudication of Penalties) Rules, 2014, in sub-rule (1) of rule 3A, the following proviso shall be inserted, namely: "Provided that the proceedings pending before the Adjudicating Officer or Regional Director on the date of such commencement shall continue as per provisions of these rules existing prior to such commencement".

In the present case, the adjudication application was received prior to the 16th day of September 2024, the effective date of the Companies (Adjudication of Penalties) Amendment Rules, 2014.

### **Decision and Analysis**

It is noticed that the director's DIN was not mentioned in the signed financial statements attached along with Form 23AC for the financial year ending on 2013-14 & signed financial statement attached along with form AOC-4 for the financial year 2014-15. Therefore, the company has contravened Section 158 of the Companies Act,

2013, and the director Mr. Avoodaiyappan Selvakumar is liable under Section 172 of the Companies Act, 2013. Since the company has not filed its statutory returns since its incorporation, the benefits of a small company are not extended to this company while adjudicating the penalty.

Therefore, in view of the above said violation, in exercise of the powers vested in the ROC under Section 454(1) & (3) of the Companies Act, 2013 a penalty of Rs.1,00,000/- (Rupees One lakh) is imposed on Mr. Avoodaiyappan for violation of Section 158 of the Companies Act, 2013.



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**Mr. Prajwal Rangaraju**

Management Trainee

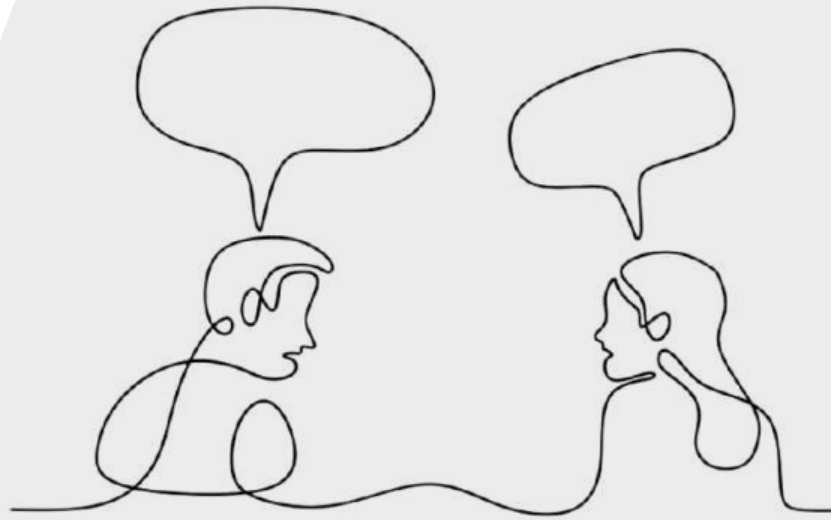
Accrescent Managed Services Private Limited



**Mr. Akash Taki**

Senior Assistant

Accrescent Managed Services Private  
Limited



*Manthan*

## **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 such situations this could be one angle to think of and these are some of the sections to look at.

#### **B7:**

Can a private company include in its articles of association a provision mandating a shareholder to transfer shares in certain circumstances to a person nominated by the Board of Directors? (A draft clause of AOA is placed for better understanding)

"Company's power of transfer- The company may at any time by a special resolution resolve that any holder of ordinary shares do transfer his ordinary shares. Such member would thereupon be deemed to have served the company with a sale notice in respect of his ordinary shares in accordance with the article hereof, and all the ancillary and consequential provisions of these articles shall apply with respect to the completion of the sale of the said shares. Notice in writing of such resolution shall be given to the member affected thereby. For the purpose of this article, any person entitled to transfer an ordinary share under article hereof shall be deemed the holder of such share."

**Core Question:**

Can a private company legally enforce a clause in its Articles of Association that compels a shareholder to transfer their shares to a person nominated by the Board of Directors under specific circumstances?

**View:**

Pursuant to Section 2(68) of the Companies Act, a private company is empowered with the right to restrict the transferability of its shares. This right is frequently exercised through shareholder agreements, which delineate the specific mechanisms governing share transfers. These agreements are commonly incorporated into the articles of association, particularly in startups and companies that have raised capital from investors through the issuance of equity shares, Compulsorily Convertible Preference Shares (CCPS), or other types of securities. The inclusion of such restrictive clauses serves to protect the interests of investors and to facilitate the ongoing operation and stability of the business.

**B8:**

PQR Limited acquired 66.67% equity shares of ABC Private Limited. Accordingly, by virtue of the provisions of a proviso to Section 2(71) of the Companies Act, 2013, ABC became a Public Company, though it remained a private limited company as per its Articles of Association.

"Provided that a company which is a subsidiary of a company, not being a private company, shall be deemed to be public company for the purposes of this Act even where such subsidiary company continues to be a private company in its articles."

At present, the equity shares of ABC are in physical mode. ABC is proposing to issue optionally fully convertible debentures (OFCD). The management of ABC has the following questions:

- a) Is it mandatory that the OFCD be issued in demat mode?

- b) Is it mandatory that all the equity shares of ABC held by its promoters, directors, and KMPs be converted into demat mode before making the issue of OFCD?
- c) Will the position change if PQR acquires the balance 33.33% equity of ABC before the issuance of OFCD by ABC?

**Core Question:**

1. Whether a subsidiary of a public limited company mandatorily issue the securities in demat form pursuant to Rule 9A of Companies (Prospectus and Allotment of Securities) Rules, 2014?
2. What happens if at first a company is a mere subsidiary and, thereafter, it becomes a wholly owned subsidiary? In that case, should there be securities in the demat form?

**View:**

- a. ABC Private Limited, classified as a deemed public company (not being a wholly owned subsidiary) under Section 2(71) of the Companies Act, is required by Rule 9A (1) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, to issue Optionally Fully Convertible Debentures (OFCDs) exclusively in dematerialized form. However, if ABC Private Limited had become a wholly owned subsidiary, then the exemption under Rule 9A could be claimed, and the OFCD could have been issued in physical mode.
- b. Prior to any OFCD issuance, Rule 9A (2) mandates that ABC Private Limited ensure the complete dematerialization of all securities held by its promoters, directors, and key managerial personnel (KMPs).
- c. When only 66.67% has been acquired, ABC Private Limited is still a mere subsidiary and thereby does not enjoy the exemption given to a wholly owned subsidiary. Further acquisition of 33.33% does not make any difference as at the time of further acquisition, ABC Private Limited remained only as a mere subsidiary. Hence, the securities have to be issued only in demat format.

It may be noted that if, in the first instance itself, 100% shares were acquired in ABC Private Limited, then the exemption available to a wholly owned subsidiary would have been applicable.