



SIRC MYSURU CHAPTER

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242nd Edition

Vision

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

Motto

सत्यं वद। धर्मं चर। इष्टकारं कुरु तृप्तये; अशक्यं क्यु कुरु।

Mission

"To develop high calibre professionals facilitating good corporate governance"

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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 ICSI Examinations of June 2024 attempt was conducted smoothly, I hope that the students would have given their best, I wish all the best for their results.

During the month of May 2024 our Chapter has conducted 2 Career Awareness Programs and successful in creating awareness about our Company Secretary course and we have conducted internship session at Mallamma Marimallappa's Women's college for final year B.Com Students on 20th May, 2024 on the topic Incorporation of Companies and GST, CS Phani Dutta D N, CS Krishne Gowda C and CS Padmanabha V has handled the session.

The chapter had organised a session for Students on "How to pass CS Examination" at Chapter Premises on 11th May, 2024, CS Mathruka BM and CS Janhavi A N handled the session, it was an interactive session and lot of take aways to the students before their exam and would be helpful for them to prepare and write the exam.

Mysuru Chapter is also looking forward to celebrate the PCS Day by conducting a session on 15th June 2024, on the topic "Harnessing IT and AI in Practice". CS Phani Datta D N, Practicing Company Secretary will be the Speaker for the session. The invitation of the same has been circulated to all the members and I request all members and students to attend this session without fail.

The Chapter is all set to host its flagship Program 'Manthan 2024' on 21st & 22nd June 2024 at Hotel Le Ruchi The Prince, Mysuru and we have received overwhelming response for this program. I would like to remind the students to actively participate in the various events to be organised during the Students Month.

Thanking you,
CS Padmanabha V
Chairman

Career Awareness Program

Sl. No.	Date	College Name	Speakers	No. of Students Attended	Place
1	11.05.2024	Sadvidya Semi Residential PU College	CS Krishne Gowda C Vice Chairman	90	Mysuru
2	20.05.2024	Mallamma Marimallppa Women's College	CS Padmanabha V Chairman	50	Mysuru



Students Program

Sl. No.	Date	Name of the Program	Speakers	No. of Participants
1	11.05.2024	How to Pass CS Examination	CS Janhavi A N, Company Secretary in Practise & CS Mathruka BM, Novojuris Legal	9
	20.05.2024	Seminar on Practical aspects of Company Law and GST for Students	CS Phani Datta DN, Immediate Past Chairman & CS Krishna Gowda C, Vice Chairman	37



ICSI Mysuru RoyalPro Toastmasters Club

Our Institute (ICSI) has recognized the importance of effective communication and leadership skills for its members and students. Toastmasters International is a global organization dedicated to improving communication and leadership skills through a structured and supportive environment. In the perusal of the Institute's effort to serve its students and members with communication and leadership skills, ICSI has collaborated with Toastmasters International and has encouraged the establishment of Toastmaster's Club at different chapters exclusively for our Members and Students. This partnership aims to provide a structured platform where participants can practice and enhance their public speaking and leadership skills, which is very important for our CS fraternity. These clubs are tailored specifically for company secretaries, focusing on their unique professional needs and challenges.

In furtherance of the same, ICSI Mysuru Chapter has started "ICSI Mysuru RoyalPro Toastmasters Club" in the year 2021 as the second chapter in the whole of India to have its own Toastmaster's Club. In the last three years, the club has been performing incredibly with our students and members of not just Mysuru Chapter but from various other chapters are benefiting to the maximum.

If you are interested in joining our Toastmasters club and reaping its benefits, please do get in touch with the club President TM Harsha A 99868 - 32814 or Vice President Membership: TM Krishne Gowda C (98453-27588) (only through WhatsApp please). We would love to have you as part of our family!

Happy PCS Day



02

Articles



Do you want to Issue Equity or Preference or Debenture?

Jayantilal Suthar

FCS, ACMA
J. Suthar & Associates
Company Secretaries
Email Id: cs.jaysuthar@gmail.com,



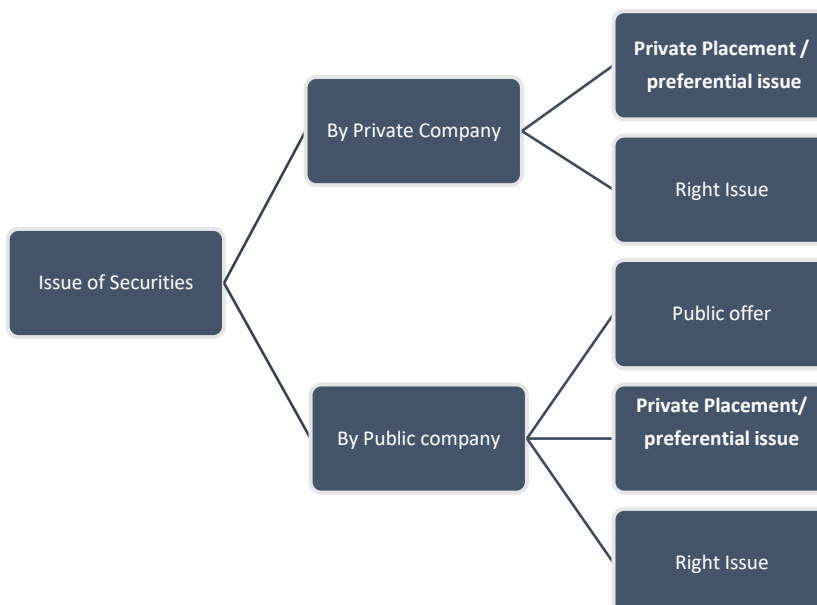
Shruti Jha

CS Executive Student
J. Suthar & Associates.
Company Secretaries



“The monies received on application under this section shall be kept in a separate bank account in a scheduled bank and shall not be utilized for any purpose other than (a) for adjustment against allotment of securities; or (b) for the repayment of monies where the company is unable to allot securities. [Section 42(6)] ”

Mode of issue securities under Companies Act 2013



Section 42 and 62(1) (c) govern offer or invitation for subscription of “securities” on **private placement or preferential issue**.

The “securities” means the securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 [42 of 1956] (Section 2(81) of Companies Act 2013)

As per Section 2(h) of the Securities Contracts (Regulation) Act, 1956

“Securities” include—

(i) Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;

(ia) derivative;

(ib) units or any other instrument issued by any collective investment scheme to the investors in such schemes;

(ic) security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;

(id) units or any other such instrument issued to the investors under any mutual fund scheme;

(ii) Government securities;

(iia) such other instruments as may be declared by the Central Government to be securities; and

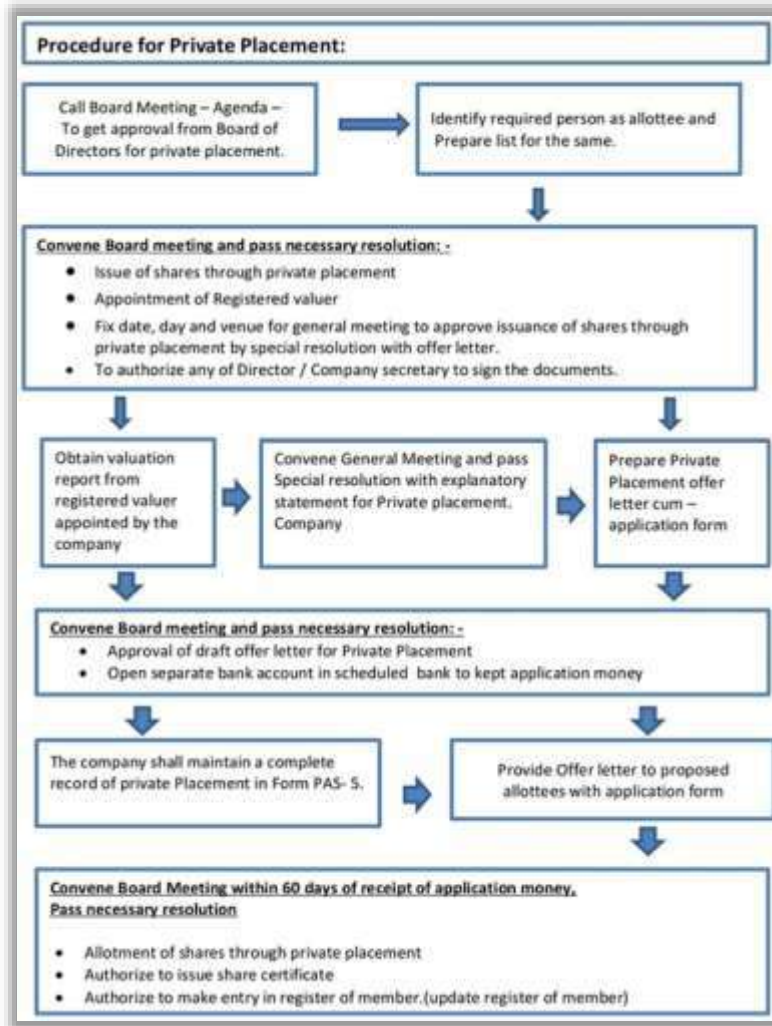
(iii) Rights or interest in securities;

Summary

	Section 42 Offer or Invitation for Subscription of Securities on Private Placement	Section 55 Issue and Redemption of Preference Shares	Section 71 Issue of Debentures
Common Provision	For the purposes of sub-section (2) and sub-section (3) of section 42, a company shall not make an offer or invitation to subscribe to securities through private placement unless the proposal has been previously approved by the shareholders of the company, by a special resolution for each of the offers or invitations. Rule 14 (1) of The Companies (Prospectus and Allotment of Securities) Rules, 2014		
Separate Provision	<p>A company shall not make an offer or invitation to subscribe to securities through private placement unless the proposal has been previously approved by the shareholders of the company, by a special resolution (Rule 14(1) The Companies (Prospectus and Allotment of Securities) Rules, 2014.</p> <p>The allotment of securities on a preferential basis made pursuant to the special resolution passed pursuant to sub-rule (2)(b) shall be completed within a period of twelve months from the date of passing of the special resolution. (Rule 13(2)(e) The Companies (Share Capital and Debentures) Rules, 2014</p> <p>If the allotment of securities is not completed within twelve months from the date of passing of the special resolution, another special resolution shall be passed for the company to complete such allotment thereafter. (Rule 13(2)(f) The Companies (Share Capital and Debentures) Rules, 2014</p>	<p>A company limited by shares may, if so, authorized by its articles, issue preference shares which are liable to be redeemed within a period not exceeding 20 years from the date of their issue (Sec 55 (2)</p> <p>A company engaged in the setting up and dealing with of infrastructural projects may issue preference shares for a period exceeding 20 years but not exceeding 30 years, subject to the redemption of a minimum ten percent of such preference shares per year from the twenty first year onwards or earlier, on proportionate basis, at the option of the preference shareholders (Rule 10 The Companies (Share Capital and Debentures) Rules, 2014)</p> <p>A company having a share capital may, if so, authorised by its articles, issue preference shares subject to the following conditions, namely: -</p> <p>(a) the issue of such shares has been authorized by passing a special resolution in the general meeting of the company</p>	<p>A company may issue debenture with an option to convert such debentures into shares, either wholly or partly at the time of redemption:</p> <p>Provided that the issue of debentures with an option to convert such debentures into shares, wholly or partly, shall be approved by a special resolution passed at a general meeting (Sec 71(1)</p> <p>No company shall issue any debentures carrying any voting rights. (Sec 71(2)</p> <p>Provided further that Rule 14(1) of The Companies (Prospectus and Allotment of Securities) Rules, 2014, shall not apply in case of offer or invitation for non-convertible debentures, where the proposed amount to be raised through such offer or invitation does not exceed the limit as specified in clause (c) of sub-section (1) of section 180 and in such cases relevant Board resolution under clause (c) of subsection (3) of section 179 would be adequate.</p> <p>An issue of secured debentures may be made, provided the date of its redemption shall not exceed ten years from the date of issue. However, the following classes of companies may issue secured debentures for a period exceeding ten years but not exceeding thirty years,</p>

		<p>(b) the company, at the time of such issue of preference shares, has no subsisting default in the redemption of preference shares issued either before or after the commencement of this Act or in payment of dividend due on any preference shares. (Rule 9(1) The Companies (Share Capital and Debentures) Rules, 2014</p> <p>For the purposes of clause (c) of sub-section (1) of section 62, If authorized by a special resolution passed in a general meeting, shares may be issued by any company in any manner whatsoever including by way of a preferential offer, to any persons whether or not those persons include the persons referred to in clause (a) or clause (b) of sub-section (1) of section 62 and such issue on preferential basis should also comply with conditions laid down in section 42 of the Act: (Rule 13(1) The Companies (Share Capital and Debentures) Rules, 2014</p>	<p>(i) Companies engaged in setting up of infrastructure projects;</p> <p>(ii) Infrastructure Finance Companies</p> <p>(iii) Infrastructure Debt Fund Non-Banking Financial companies</p> <p>(iv) Companies permitted by a Ministry or Department of the Central Government or by Reserve Bank of India or by the National Housing Bank. Section 71(3) and (Rule 18(1) The Companies (Share Capital and Debentures) Rules, 2014</p> <p>Where debentures are issued by a company under this section, the company shall create a debenture redemption reserve account out of the profits of the company available for payment of dividend and the amount credited to such account shall not be utilized by the company except for the redemption of debentures. Section 71(4)</p> <p>No company shall issue a prospectus or make an offer or invitation to the public or to its members exceeding five hundred for the subscription of its debentures, unless the company has, before such issue or offer, appointed one or more debenture trustees and the conditions governing the appointment of such trustees shall be such as may be prescribed. Section 71(5)</p>
Common Provision	offer or invitation to subscribe securities under private placement shall not be made to persons more than 200 in the aggregate in a financial year (Section 42(2) read with Rule 14 (2) The Companies (Prospectus and Allotment of Securities) Rules, 2014		
Common Provision	The price of the shares or other securities to be issued on a preferential basis, either for cash or for consideration other than cash, shall be determined on the basis of valuation report of a registered valuer; (Rule 13(2)(g) Companies (Share Capital and Debentures) Rules, 2014)		
Common Provision	Private placements offer and application shall not carry any right of renunciation		
Common Provision	A private placement offer cum application letter shall be in the form of an application in Form PAS-4 serially numbered and addressed specifically to the person to whom the offer is made and shall be sent to him, either in writing or in electronic mode, within thirty days of recording the name of such person pursuant to sub-section (3) of section 42. (Rule 14 (3) The Companies (Prospectus and Allotment of Securities) Rules, 2014		
Common Provision	The company shall maintain a complete record of private placement offers on Form PAS-5. (Rule 14 (4) The Companies (Prospectus and Allotment of Securities) Rules, 2014		
Common Provision	A company shall issue private placement offer cum application letter only after the relevant special resolution or Board resolution has been filed in the Registry (Rule 14 (8) The Companies (Prospectus and Allotment of Securities) Rules, 2014		
Common Provision	Provided that in case of any preferential offer made by a company to one or more existing members only, the provisions of sub-rule (1) and proviso to sub-rule (3) of rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014 shall not apply. (Rule 13(1) Companies (Share Capital and Debentures) Rules, 2014)		
Common Provision	<p>Where the preferential offer of shares or other securities is made by a company whose share or other securities are listed on a recognized stock exchange, such preferential offer shall be made in accordance with the provisions of the Act and regulations made by the Securities and Exchange Board, and if they are not listed, the preferential offer shall be made in accordance with the provisions of the Act and rules made hereunder and subject to compliance with the following requirements, namely:-</p> <p>(a) the issue is authorized by its articles of association;</p> <p>(b) the issue has been authorized by a special resolution of the members;</p> <p>(d) The company shall make the disclosures in the explanatory statement to be annexed to the notice of the general meeting pursuant to section 102 of the Act:</p> <p>Rule 13 (2) of Companies (Share Capital and Debentures) Rules, 2014</p>		
Common Provision	Every identified person willing to subscribe to the private placement issue shall apply in the private placement and application issued to such person along with subscription money paid either by cheque or demand draft or other banking channel and not by cash: [Section 42(4)]		
Common Provision	Company shall not utilize monies raised through private placement unless allotment is made and the return of allotment is filed with the Registrar [Section 42(8)]		

Common Provision	<p>A company making an offer or invitation under this section shall allot its securities within sixty days from the date of receipt of the application money for such securities and if the company is not able to allot the securities within that period, it shall repay the application money to the subscribers within fifteen days from the expiry of sixty days and if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve per cent. per annum from the expiry of the sixtieth day.</p> <p>The monies received on application under this section shall be kept in a separate bank account in a scheduled bank and shall not be utilized for any purpose other than (a) for adjustment against allotment of securities; or (b) for the repayment of monies where the company is unable to allot securities. [Section 42(6)]</p>
Common Provision	<p>A return of allotment of securities under section 42 shall be filed with the Registrar within fifteen days of allotment in Form PAS-3 [Section 42(8)]</p>



Penalties

Section 42(9) If a company defaults in filing the return of allotment within the period prescribed under sub-section the company, its promoters and directors shall be liable to a penalty for each default of one thousand rupees for each day during which such default continues but not exceeding twenty-five lakh rupees.

Section 42(10) Subject to sub-section (11), if a company makes an offer or accepts monies in contravention of this section, the company, its

promoters and directors shall be liable for a penalty which may extend to the amount raised through the private placement or two crore rupees, whichever is lower, and the company shall also refund all monies with interest as specified in sub-section (6) to subscribers within a period of thirty days of the order imposing the penalty.

Section 42 (11) Notwithstanding anything contained in sub-section (9) and sub-section (10), any private placement issue not made in compliance of the provisions of sub-section (2) shall be deemed to be a public offer and all the provisions of this Act and the

Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992 shall be applicable.

Disclaimer: The entire contents of this document have been prepared on the basis of relevant provisions and

as per the information existing at the time of the preparation. Though utmost efforts has made to provide authentic information, it is suggested that to have better understanding kindly cross-check the relevant sections, rules under the Companies Act, 2013.

RIDDLE

ME

THIS

"Corporate Riddle"

1. We hold not more than 20,000 of nominal shares of the company
2. We have the right to propose a candidate for Directorship
3. We played a crucial role in Tata Mistry case.

Who are we?



CS Pavithra P

Founder & Director

Accrescent Managed Services Pvt. Ltd.

pavithra@acms.pro

If you know the answer then what are you waiting for..?

Send us your answer 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.

Last Month's Corporate Riddle

1. I am an instrument for integrating social, environmental, and human development concerns in the entire value chain of corporate business.
2. I was a part of voluntary guidelines on Social Environmental and Economic Responsibilities of Business, 2011
3. Companies with 500 crore or more have to invest in me.

Who am I?

Answer: CSR

Which is corporate social responsibility which is applicable for companies with net worth of ₹500 crores or more

Answered By

Mr. Prajwal Rangaraju
CS Professional Student



Issue of Shares on Rights Basis

A Curious Case of Proportionality

S. Ravishankar

Company Secretary in Practice
ASR & CO - Company Secretaries
Email Id: ravishankar@asrandco.com



“ The powers of the Board to dispose of unsubscribed shares or surplus shares arising out of failure by the existing shareholders to subscribe for their entitlements in full or not subscribing can be absolute and the Board can dispose of the shares even to a non-member.”

A rights issue is an invitation to existing shareholders to purchase additional new shares in the company, the shareholder can purchase new shares at face value. The company is giving shareholders a chance to increase their holding in the company.

Companies most commonly make a right offering to raise additional capital. A company may need extra capital to meet its current financial obligations. Companies typically use rights issues to pay down debt, especially when they have borrowed at high rate of interest.

Even companies with clean balance sheets may use rights issues. These issues might be a way to raise extra capital to fund expenditures designed to expand the company's business, such as acquisitions or opening new facilities for manufacturing or sales.

A rights issue gives preferential treatment to existing shareholders, where they are given the right (not obligation) to purchase shares at a lower price on or before a specified date.

Often, the companies are in urgent need of funds to expand their business operations. In such situations,

where time is of the essence in raising capital, undertaking a rights issue of shares is a convenient, speedy, and relatively easier route.

Section 62 of the Companies Act, 2013 (“the Act”) governs the framework for rights issue of shares.

Undertaking a rights issue, as compared to raising capital by a preferential allotment or a private placement of securities, provides two other advantages to the company. First, unlike a private placement or a preferential allotment, a rights issue does not require shareholder approval by a special resolution. Second, the Board has an absolute discretion in determining the price of the securities, which need not be determined on the basis of a valuation undertaken by a registered valuer.

On the other hand, a private placement or a preferential allotment of securities must comply with the pricing guidelines specified in the Companies (Prospectus and Allotment of Securities) Rules, 2014 (“PAS Rules”) and the Companies (Share Capital and Debentures) Rules, 2014 (“Share Capital Rules”). Listed companies going for a private placement/ preferential allotment should

additionally comply with the pricing guidelines specified in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Legal framework under Section 62(1)(a) of the Act

According to Section 62(1)(a) of the Act, when a company proposes to increase its subscribed capital by the issue of further shares, then such shares shall be offered to equity shareholders of the company in proportion to the paid-up share capital by sending a letter of offer, subject to the following conditions:

the offer should specify the number of shares offered, and the acceptance period of the same should be 15 to 30 (fifteen to thirty) days. If the offer is not accepted within this period, it shall be deemed to have been declined.

Unless the company's articles provide otherwise, the offer shall be deemed to include a right of renunciation.

After the expiry of the time specified in the notice, or on receipt of an earlier intimation from the person that he declines to accept the shares offered, the Board may dispose of the shares in a manner which is not disadvantageous to the shareholders and the company.

The conditions specified in Section 62(1)(a) are exhaustive in nature, and a rights issue can be undertaken without obtaining prior approval of the shareholders. However, it is pertinent to note that in accordance with Section 179(3)(c) of the Act, a rights issue can be undertaken only after obtaining approval of the Board, by a resolution passed at a Board Meeting.

Judicial Pronouncements on Rights Issue of Shares & Boards Powers

Supreme Court in the cases of "Nanalal Zaver v. Bombay Life Assurance Company".

In this case It was contended in the plaint that the whole issue of these further shares (Rights Issue) and the idea of increasing the paid-up share capital of the company was mala fide and with the object of retaining the control and management of the company in the hands of defendants who were outsiders. It was further contended that the resolution of the directors and the offer of shares contained in the circular letter (offer) were in contravention of section 105-C of the Indian Companies Act. There were further prayers restraining the company and directors from proceeding with the allotment of shares. It was contended that the company was not in need of capital and the issue of further

shares was not made bona fide for the benefit or in the interest of the company but had been made "merely with the object of retaining or securing the defendant and his friends the control of the company."

It was contended that Outsider were trying to get control of management by purchasing shares under the Issue of further shares on rights basis and offer of new shares to existing shareholders, Validity of resolution and offer were challenged on the ground that the Company was not in need of funds and the motive was for outsiders getting control.

The Supreme Court while upholding the Judgement of the Bombay High Court held "that the fact that one of the motives of the directors in issuing further shares was to prevent an outsider who had not yet become a shareholder, from getting control of the company did not render the resolution or the offer illegal in as much such a motive could not in itself be said to be not in the interests of the company and even assuming that such a motive was bad this additional motive could not render the resolution and offer illegal as the company was in fact in need of further funds and it was necessary in the interests of the company to issue further shares."

This principle was reiterated in the Needle Industries case also.

In view of the above judicial pronouncements, it can be said that the Powers of the Board to make an offer for Rights Issue is absolute & unconditional.

Allotment of Unsubscribed Shares to a Third Party vis-à-vis private placement

Another interesting provision is the powers of the Board to dispose of unsubscribed portion of the shares, the companies act 2013 made a small change in the provision when compared to section 81 (1) (d) of the companies act 1956.

Section 62(1)(a)(iii) of the 2013 Act provides that the Board of a company may dispose the unsubscribed shares in a manner that is 'not dis-advantageous to the shareholders and the company'

Section 81(1)(d) of the 1956 Act (which corresponds to Section 62(1)(a)(iii) of the 2013 Act), states that the directors were authorised to dispose unsubscribed rights issue shares "in such manner as they think most beneficial to the company."

Determination of what is most beneficial to the company accords a wider power on the Board, whereas determination of what is not dis-advantageous to the company and the shareholders is more practical – as it significantly dilutes the burden on the Board to justify their decision in such situations.

The powers of the Board to dispose of unsubscribed shares or surplus shares arising out of failure by the existing shareholders to subscribe for their entitlements in full or not subscribing can be absolute and the Board can dispose of the shares even to a non-member.

In the case of *In Re: Mafatlal Industries Ltd*, the Gujarat High Court held that the power of the Board to dispose of such surplus shares arising out of failure to subscribe by shareholders or through renunciation is very wide under the 1956 Act, and the Board can dispose of such surplus shares to non-members as well.

Consequently, the question that follows is whether the Board is required to follow Section 42 of the Act, which deals with private placement of securities, while allotting the unsubscribed equity shares of the rights issue to a third party. However, the Act is silent regarding the procedure for such allotment of unsubscribed shares to a third party.

Section 62(1)(a) of the Act, which governs the framework for rights issue, does not require a company to comply with the provisions of Section 42 of the Act, for the purposes of disposing of the unsubscribed portion of the equity shares offered to the eligible shareholders by a company through a rights issue.

However, given that the definition of ‘public issue’ is wide, companies should be careful in undertaking a rights issue to ensure that for the purposes of the unsubscribed portion of the equity shares of such a company, its Board of Directors do not dispose of such unsubscribed shares by offering or inviting to subscribe to, and consequently allotting to more than 200 persons in aggregate.

The Ministry of Corporate Affairs (MCA) in its recent adjudication order has imposed a significant penalty of Rs. 7 Crore on Planify Capital Limited. The case revolves around Planify Capital Limited, a company engaged in fundraising for start-ups. The company’s unauthorized issuance of securities and public advertising has led to this punitive action. The MCA issued a show cause notice to Planify Capital,

highlighting several violations, including exceeding the limit of 200 persons for private placement. Therefore, the company and the Board must be very careful in disposing of the unsubscribed portion or any renunciations does not violate Section 42 and or it does not partake the nature of a Public Issue results in allotments to more than 200 persons.

Income Tax Provisions & Rights Issue – Question of Proportionality

Another Important provisions to be analysed is the Income Tax provisions of section 56(2)(vii)(c) now 56(2)(x)

The amendment to the income tax provisions were introduced to overcome money laundering activities undertaken on abolition of Gift Tax Act. Since the Gift Tax Act was not applicable to issue of shares, the provisions of section 56(2) of the ITA did not apply to transaction of such nature as per an earlier ruling of the Bangalore Bench of the ITAT in *DCIT v. Dr. Rajan Pai* of 2015, dated 29 April 2016 where it was held that.

“Section 56(2)(vii) of the ITA applied only where the property (in existence) was received by the taxpayer and not at the time where the property came into existence. In the taxpayer’s case, the shares came into existence only after the shares were allotted on rights basis and therefore, the provisions of section 56(2)(vii) of the ITA could not be made applicable.”

ITO v. Rajeev Ratanlal Tulshyan Mumbai Tribunal held that the consideration paid on rights issue (i.e. face value) was less than the fair market value (FMV) of shares calculated in accordance with the provisions of section 56(2)(vii)(c)(ii) of the Income-tax Act, 1961 (ITA) relating to income from other sources read with rules 11U and 11UA of the Income-tax Rules, 1962 (relating to determination of fair market value). Therefore, the difference between FMV and the consideration paid was taxable under section 56(2)(vii). The taxpayer had, inter alia, relied on an earlier ruling of the Mumbai Bench of the Income-tax Appellate Tribunal (ITAT), wherein it was held that in case of proportionate allotment of shares, there would be no taxability under section 56(2)(vii)(c)(ii). However, in case of disproportionate allotment of shares, the provisions could get attracted. The taxpayer’s shareholding in X Co. had increased from 90.37% as on 31 March 2013 to 96.88% as on 31 March 2014. Thus, there was disproportionate allotment of shares.

Proportionality of allotment of shares in Rights Issue become even more important. In the instant case, it was held that as long as there was no disproportionate allotment (i.e. shares were allotted pro-rata to the shareholders), based on their existing holdings, there was no scope for any property being received by them on the said allotment of shares; there being only an apportionment of the value of their existing holding over a larger number of shares. In such case, the provisions of section 56(2)(vii)(c) did not get attracted. A higher-than-proportionate or non-uniform allotment attracted the rigor of the provision.

Example:

Allocation of rights shares (say 1000 shares) allotted to the taxpayer proportionate to his shareholding in A Co.

- Additional shares (say 800 shares) received by the taxpayer since the taxpayer's wife and father did not exercise the rights issue and renounced the same in favour of the taxpayer.
- Another (say 200 shares) received by the taxpayer as a result of third-party shareholders renouncing their right to him.

Applying the principle of proportionality, the provisions of section 56(2)(vii)(c) were not applicable in respect of allocation of 1,000 right shares allotted to the taxpayer proportionate to his shareholding in the company. With regard to the 800 shares received by the taxpayer, since the wife and father of the taxpayer did not exercise the rights issued and renounced the right in favour of the taxpayer, reliance was placed on a settled principle of law that what could not be done directly, could not be done indirectly as well. That is, had the wife and father of the taxpayer directly transferred their shares in favour of the taxpayer, provisions of section 56(2)(vii)(c) of the ITA could not have been invoked since both of them fell in the definition of 'relatives' which were excluded from within the purview of operation of section 56(2)(vii)(c) of the ITA.

Lastly, With regard to the application of section 56(2)(vii)(c) of the ITA for the balance 200 shares allotted to the taxpayer as a result of third party

shareholder declining to apply for right shares in favour of the taxpayer, it was held against the taxpayer because renunciation of rights in favour of the taxpayer by third party who were not related lead to disproportionate allocation of shares and is therefore taxable. (difference between FMV & Face value)

In view of the above judicial pronouncements the Company Secretary must look for the following pointers:

1. There is a proper Board Resolution for Rights Issue
2. Renunciation rights are available in the resolution, offer letter & the AOA.
3. Disposal of unsubscribed portion is not done recklessly & done with proper application of mind & see that it does not cross more than 200 persons.
4. There are no disproportionate allotments either by unsubscribed portion allotments or ¹renunciation.



¹ Sudhir Menon HUF v. ACIT [TS-146-ITAT-2014(Mum), PWC News alert
ii. Deloitte Tax Alert

iii. CBDT Circular No. 5 of 2010 dated 3 June 2010, CBDT Circular No. 1 of 2011 dated 6 April 2011

Strengthening Corporate Democracy— Proportional Representation for Directors

CS Akshita Surana

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“A noteworthy feature of the provision is its pre-emptive nature within the Act. The section commences with a non-obstante clause “Notwithstanding anything contained in this Act..”, effectively establishing its dominance over all other provisions. This overriding authority becomes operational when a company incorporates the proportional representation framework outlined in Section 163 within its Articles”

Introduction

A director is an individual who directs, supervises, or oversees the company's affairs. According to the Companies Act, 2013 (“the Act”), a director is someone who is appointed to undertake the functions and duties of a company. The directors elected by the shareholders hold a fiduciary duty, and their decisions significantly impact the company's operations and sustainability. Picking the right directors is crucial for growth, and the manner of appointment is more essential than the direction.

The Act allows the shareholders to elect the directors by a simple majority at a general meeting. This can leave a larger group of shareholders, who still own a significant portion of the company, without a say. To address this, the erstwhile Companies Act, 1956 (“the erstwhile Act”) offered a solution in Section 265, i.e., minority shareholder representation on the board under specific conditions. This was done if the principle proportional representation system was used for director nomination by providing in its articles of association.

Scope and Framework

The Act incorporates Section 163, which furnishes a mechanism for proportional representation in director nomination. This provision empowers companies to enshrine provisions within their Articles of Association (“Articles”) for appointing not less than 2/3rd of their directors through a proportional representation system. The Act contemplates various methods to achieve this, including the single transferable vote and cumulative voting, while also encompassing other methodologies which are unspecified and left to the discretion of the Board. Notably, Section 163 of the Act supersedes Section 265 of the erstwhile Act, which held a narrower applicability. Unlike Section 265 of the erstwhile Act, Section 163 of the Act extends to all companies except government companies. It's crucial to recognize that the Articles do not inherently necessitate the inclusion of such clauses; however, for companies seeking to guarantee minority shareholder representation and safeguard their interests, proportional representation, as envisaged under Section 163, presents a valuable tool. The inclusion of the term “otherwise” underscores the Act's flexibility in accommodating alternative methodologies beyond the explicitly mentioned mechanisms.

Principle of Proportional Representation for Appointment of Directors

Section 163 expands the applicability of proportional representation for director appointments. Unlike the corresponding provision in Section 265 of the erstwhile Act, which was restricted to public companies and their private subsidiaries, Section 163 extends this mechanism to both public and private companies, thus ensuring stakeholder protection. However, this provision is not applicable to those Government companies where the entire paid-up share capital is held by Central Government, and / or State Government(s).

A noteworthy feature of the provision is its pre-emptive nature within the Act. The section commences with a non-obstante clause “Notwithstanding anything contained in this Act...”, effectively establishing its dominance over all other provisions. This overriding authority becomes operational when a company incorporates the proportional representation framework outlined in Section 163 within its Articles. Notably, Section 162 mandates individual voting for director nominations, potentially conflicting with proportional representation system as provided in Section 163. However, by virtue of its overriding power, Section 163 supersedes the individual voting requirement stipulated in Section 162.

The application of Section 163 hinges on a critical aspect – the provisions must be contained in the Articles of the company to provide in order to necessitate its activation. This implies that proportional representation for director appointments is not mandatory but rather an option available to companies that expressly incorporate such a framework within their Articles. The section’s wording, “may provide for the appointment,” underscores this voluntary nature. While Section 162 prescribes individual voting for director nominations, the pre-emptive authority under Section 163 renders this requirement inapplicable in companies that have adopted the proportional representation system authorized by Section 163. The word “may” implies that the appointment of directors is optional, and the same is allowed once every 3 years under the proportional representation system.

The provision mandates that a company’s Articles, when opting for this system, must stipulate the appointment of not less than 2/3rd of the total board through this method. This provision does not impose an upper limit on the total number of directors who can be selected using proportional representation. If any casual vacancy arises on the cessation of the

office of Directors appointed under the aforesaid provision, the Board can, subject to the company’s Articles, fill the casual vacancy during a Board meeting which shall be ratified by the shareholders in the immediately following general meeting.

Methods of Appointment

Single Transferable Voting	Cumulative Voting
<p>Every shareholder, regardless of their number of shares, has one vote per director to be elected through a single transferable voting system. For instance, if 3 directorships are to be filled from a pool of 5 candidates, each shareholder can rank up to 3 candidates in order of preference. The 3 candidates with the most votes will be elected. Minority shareholders can only vote for their chosen candidate without distributing their vote for other candidates. This system ensures their candidate receives the necessary votes to win, while other shareholders’ votes may be spread across multiple candidates. This process allows minority shareholders to potentially secure a board seat for their preferred candidate.</p>	<p>Under this method, each shareholder is allocated votes proportional to their shareholding. For example, if a shareholder owns 100 shares and there are 3 directors to be elected from 5 candidates, the shareholder has a total of 300 votes. They can choose to cast all their votes for a single candidate or distribute them among multiple candidates. If a group of minority shareholders pools all their votes for their chosen candidate, that candidate stands a good chance of being elected, as other shareholders’ votes will likely be spread among the remaining candidates to fill the other board positions. This approach helps protect the interests of minority shareholders within the company.</p>

To appoint directors in accordance with the proportional representation system, a company may adapt to other methods other than Single Transferable Voting or Cumulative Voting, as provided in the Articles and agreed by the shareholders in the general meeting.

Removal of Directors

Section 169(1) of the Act outlines the procedure for removing a company's director, but specifies that this procedure does not apply if the company has chosen to appoint at least 2/3rd of its directors through the principle of proportional representation. Consequently, any director appointed under Section 163 cannot be removed under Section 169(1). The removal process for directors appointed through a proportional representation system remains unclear.

Conclusion

Proportional representation in director nomination, serves as a mechanism to safeguard the interests of minority shareholders. In the absence of such a system, traditional voting procedures may not translate to minority shareholder representation on the board. This can raise concerns regarding the adequacy of minority shareholder interests being considered within the decision-making framework of the company. The proportional representation system

effectively mitigates this risk by ensuring a fairer reflection of the shareholder base in the composition of the board, and provides a highly rational protection mechanism for the interests of minority shareholders.

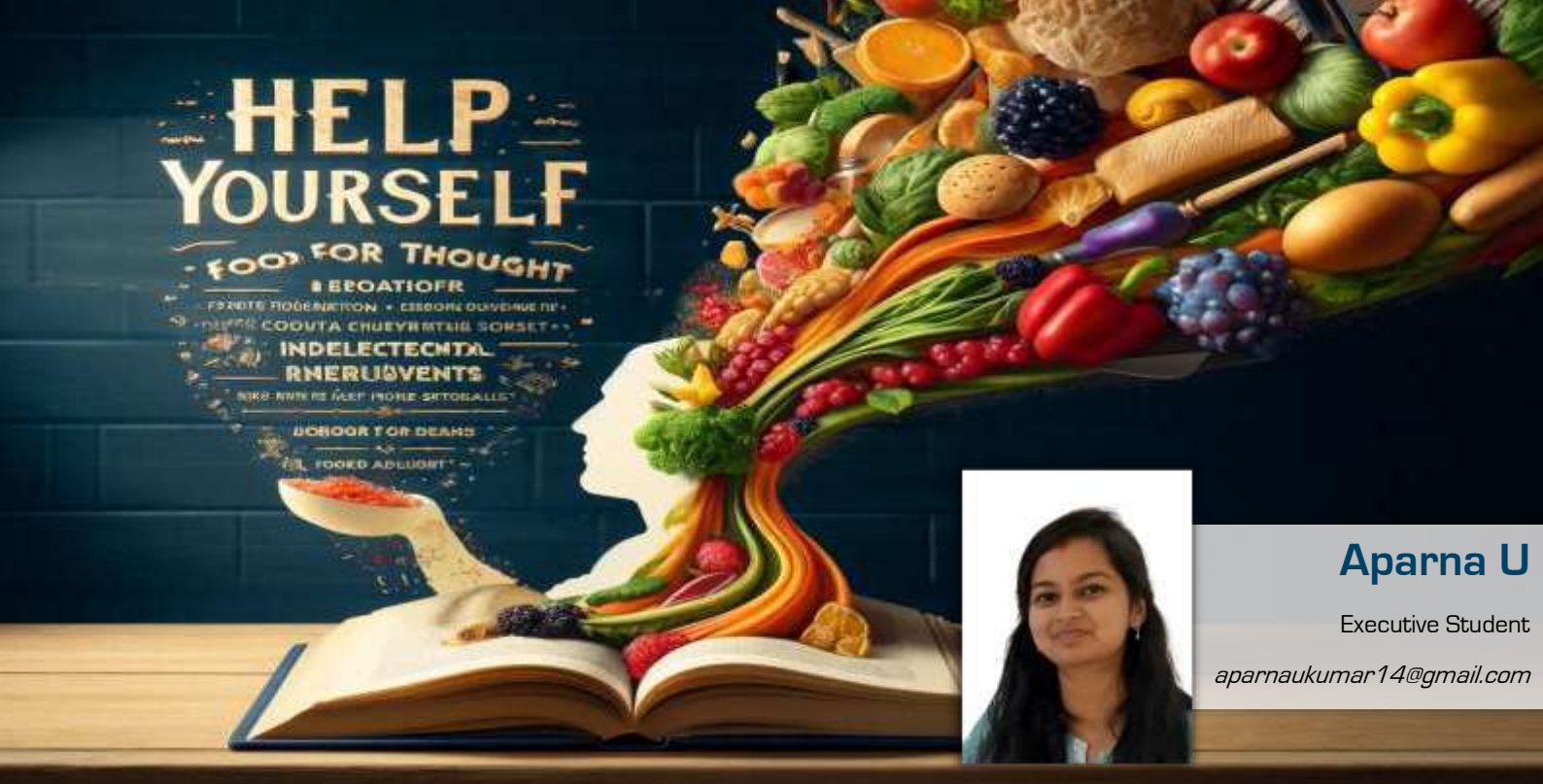
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03

Columns





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You can Achieve More

by Shiv Khera

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.

A book with short stories followed by important inferences and inspiring quotes is always a good idea to revisit. It does not make much sense if we read books like these at one stretch. Therefore, it is best to bring up books like these here often, for there can never be an end to the immense information and ideas that books offer.

“People often say that motivation doesn't last. Well, neither does bathing, that's why we recommend it daily.”
- Zig Ziglar.

Shiv Khera is an international bestselling author, whose book "You can Win" has sold close to four million copies in twenty-one languages. The author is also a business consultant and a renowned speaker.

Why should one read this book? If we do not make time to reflect on our ultimate or long term goals and to check whether we are navigating towards it or not, a lot of effort may go in vain. One definitely needs to keep a check on this often. Books are a great way to do it and especially this book that we are discussing here. For, don't we all need to know we can achieve more?

A lot of times, the day simply runs us. But it should be us running the day. We simply let everything happen to us when we live by default. We should live by design, not by default. This quote is on the cover of this book. It means,

one must make conscious choices, decisions and be responsible. To help you reflect, contemplate, plan and act, this book helps a great deal.

I found the writing style to be very straightforward and appealing, in a way that one cannot keep from contemplating and reflecting on the days that one has lived and the days left to live. The book, as already mentioned, has short stories followed by important inferences, inspiring quotes and several poems as well. It has a section of 'Action Plan' for readers to derive the best out of the book.

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 new 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 brilliantly calls 'Time Management' as 'Life Management.' We say, "time flies" or "time comes and goes away." But time is eternal, it is we who come and go. This sparks the right attitude in us to make the best use of our time, rather- our life. This makes us invest the time we call ours and not merely spend it.

Often, the ideas authored in self-help books may not seem to be very fresh. It is usually something that we have a hint about. Still, why should one pick up these books? It is for the simple but highly effective reason that

these books put us to a state of self-reflection and contemplation. Consistently reading books of this genre is a call-to-action to check what part of us needs attention

and improvement. Thus, the time you invest in this book is your time to reflect if you have everything in you that makes you feel that "You Can Win!"



THE INSTITUTE OF Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
 IN PURSUIT OF PROFESSIONAL EXCELLENCE
 सदस्यता के माध्यम से नैतिकता और उत्कृष्टता को बढ़ावा देना।
 Under the jurisdiction of Ministry of Corporate Affairs

MYSURU CHAPTER

Manthan 2024
 A Unique 2 Days Workshop
 On Critical Issues in Corporate Laws

Day & Date
 Friday & Saturday,
 21st & 22nd June, 2024

Timings
 10.00 am to 6.00 pm

Venue
Hotel Le Ruchi The Prince
 Mysuru – Hanur
 Main Road, Mysuru – 570017

Note: 1. The workshop is intended to address the critical issues under the Companies Act, 2013, Limited Liability Partnership Act, 2008 and related coverage under the securities laws, FEMA and other allied laws for the Companies, LLPs including Start-ups, small companies and MSME's.
 2. This Workshop is intended to be an interactive discussion on the pre-selected queries, and would involve comprehensive, intense discussion on the issues and corner issues, based on principles of interpretation & judicial precedents.
 3. Registration restricted to 135 members on **"FIRST COME FIRST SERVE"** basis.
 4. Participants may send their queries to mysuru@icsi.edu on or before 15.05.2024. Selection of queries for discussion shall be made in consultation with panelists, considering the larger interest of participants.

Registration Fees (Including GST)

Participant	Amount (INR)
Member	4750/-
Student	2500/-

Inclusions: 2 Lunch, Tea / Coffee & Conference Kit

Mode of Payment
 Account No.: 110015401635
 Account Name: Mysuru Chapter of ICSI
 Branch Name: Canara Bank, Metagalli
 Branch
 IFSC Code: CNRB0011711

SCAN QR FOR PAYMENT

For more details, contact
 ICSI-Mysuru Chapter
 Metagalli, Mysuru – 570016
 Tel.: 0821-2516065/ 779529699
 Email: mysuru@icsi.edu
 Link for Registration: <https://www.icsi.edu/Workshop/Manthan2024>

CS Padmanabha V
 Chairman
 ICSI Mysuru Chapter

CS Abhishek Bharadwaj A B
 Secretary
 ICSI Mysuru Chapter

Connect with ICSI | www.icsi.edu | Online helpdesk : <http://support.icsi.edu>



Details of Accommodation

The Participants may book accommodation at the venue Hotel Le Ruchi as per their requirement by making payment directly in the Bank account of the Hotel, as per the details provided below:

Single Sharing Basis – Rs. 2900 + 12% GST (Per night)
Double Sharing Basis – Rs. 3,600 + 12% GST (Per night)
Triple Sharing Basis – Rs. 4,800 + 12% GST (Per night)
 (Excl. of Complimentary Breakfast)

The details of the accommodation including sharing, check-in and check-out dates and other details to be registered on the link <https://forms.gle/3D00000000000000000000000000000000> for allocation of the rooms. However, the payment for the accommodation has to be made to the Hotel directly. The payment for the hotel can be made to the following account / using the QR

Name: Hotel Le Ruchi the Prince
Bank: KOTAK MAHINDRA
A/c No: 0812573099
IFC CODE: KKBK000425
 Sarawathipet, Mysuru



Hotel Le Ruchi Contact - Front Office - +91-7022519522 / +91-8214013022
 Registration for accommodation through the link is mandatory for the allocation of the Room. If the registration is not made, the room allocation shall not be confirmed even though the payment is made.

Avenue for Sponsorship

The purpose of this event being sharing and spreading of knowledge, your kind gesture as a sponsor would go a long way in realizing this objective. The program being the flagship program of the Mysuru Chapter from last 4 years with good recognition having overwhelming response every year and participants being company executives from all over India, we can also assure the widespread branding and publicity. We have planned the following avenue to ensure proper mileage to our sponsors.

Gold Sponsorship: Rs. 1,50,000/-

- Name and Logo carried as title sponsor along with program title in all the banners, correspondence, participant's kit and materials.
- Allow one stall at the program venue.
- Display of 2 banners in the program hall.
- Announcements and acknowledgments throughout the program.

Kit Sponsorship: Rs. 50,000/-

- Display of Name and Logo and all the Participants' kit.
- Allow one stall at the program venue.
- Display of 1 banner at the Venue.
- Announcements and Acknowledgements.

Plat Sponsorship: Rs. 25,000/-

- Allow one stall at the program venue.
- Display of 1 banner at the Venue.
- Announcements and Acknowledgements.

Banner / Food Sponsorship: Rs. 1,00,000/-

- Name and Logo carried as title sponsor along with program title in all the banners, correspondence, participants' kit and materials.
- Allow one stall at the program venue.
- Display of 2 banners in program hall & serving area.
- Announcements and acknowledgments.

Banner Category: Rs. 7,500/-

- Display of 1 banner at the Venue.
- Announcements and Acknowledgements.

Please Note: For individual Sponsors, the 18% GST is included in the sponsorship amount. For Corporate Sponsors, the GST is payable on RCM basis.





CS Pavithra P

Founder & Director

Accrescent Managed Services Pvt. Ltd.

pavithra@acms.pro

Order for Violation of Section 203(4) of the Companies Act 2013 issued by the Registrar of Companies, Karnataka dated 24-05-2024 in the case of Xindia Steels Limited.

ROC Karnataka has imposed penalties on the Company, existing Managing Director, erstwhile Managing Director, and other Directors who have failed to appoint a Company Secretary within 6 months from the date on which the vacancy arose.

Section 203(4) of the Companies Act mandates that if the office of any whole-time key managerial personnel is vacated, the resulting vacancy shall be filled up by the Board at the meeting of the Board within a period of 6 months from the date of such vacancy.

In the present case, Mr. Vikas Dattatray Kulkarni, Company Secretary resigned from the post with effect from 31.07.2015. However, the company had shut its operations for two consecutive years and appointed Mrs. Hemadri Bhai as the Company Secretary of the company with effect from 01.06.2019. There was a delay of 1216 days. The company made a suo-motto application for adjudication. ROC Karnataka has not imposed any penalty on the non-executive directors and has imposed maximum penalty on the Managing Directors and Directors, who were acting so at the time of commencement of the offense. Some of the directors, who are Chinese nationals, have flown back to China and have no communication with the company. As the company is not a small private company, the power to impose a lesser penalty was not exercised.

This adjudication order indicates that even where the situation is out of the control of the company and the company has shut down its operations, compliance cannot take a back seat.

Order for Violation of 90 of the Companies Act 2013 read with Companies (Significant Beneficial Owners) Rules 2018 issued by the Registrar of Companies, Delhi and Haryana dated 22-05-2024 in the case of LinkedIn Technology Information Private Limited.

ROC Delhi has imposed penalties on the Company its directors including non-executive directors for failure to comply with the provisions of section 90 read with relevant rules.

In the present case the beneficial ownership is established

- via holding and subsidiary relationship on account of ability to control the Board of Directors of the subject company
- via reporting channel test i.e. the hierarchy in the company
- via test of financial control

Mr. Satya Nadella and Mr. Ryan Roslanksy are treated as Significant Beneficial Owners due to failure to report as per section 90(1). The company and its officers failed to send a notice which was mandatorily required to be sent as per the rules. All officers including the non-executive directors are liable for violation due to the presumption of clear knowledge on part of each of such directors about the holding structure of the company.

This adjudication order indicates that not only the shareholding but also the reporting structure, control of the Board and financial control should be considered in determining the SBO relationship.

Note: This case deals with many other aspects of the law including section 89. In this write up certain portions relevant to SBO is only considered. Please read the full order for complete understanding.



CS Phani Datta D N

B.com, FCS

Practicing Company Secretary

phanidatta.dn@gmail.com

WORD SEARCH

(Based on Karnataka Compulsory Gratuity Insurance Rules, 2024)

CLUES

1. Every employer shall obtain valid _____ in the manner as prescribed under sub-section (4) of Section 4A of the Act for his liability for payment towards the gratuity to all eligible employees under the Act from the Life Insurance Corporation of India or any other insurance company. [9, 6]
2. The _____ shall have to recover the amount of the Gratuity payable to an employee, as determined by the employer in case of any disputes directly from LIC or any other insurance company with whom an insurance has been taken. [11,9]
3. Every employer shall submit Form - I to get his establishment registered within _____ days from the date of obtaining Insurance. [6]
4. Every existing employer shall obtain the insurance policy within _____ from the date of commencement of this rules. [5,4]
5. Every employer who had an approved gratuity fund in respect of his employees and desires to continue such arrangement and every employer having _____ [4, 7] or more employees shall register a _____ [8, 5]
6. The trust so formed shall be with five _____ number of representatives of the employer and employees with the registration authority. [3,3,5]
7. The out-flow of the gratuity fund shall be only to the _____ and shall not be withdrawn for any other purposes under any circumstance either by employer or by the gratuity trust other than payment of Gratuity. [8,9]
8. The Gratuity Trust shall adhere to _____ and (Employee Benefits) and any law applicable to the trust. [3,7]
9. The employer gratuity trust and the insurance company are _____ responsible for fulfillment of their liabilities under the Act. [7,3,9]
10. The employer shall at all times maintain the gratuity trust and gratuity fund, as an _____ system. [11]
11. Note: Figures in the bracket indicate number of alphabets in the answer word.

O	C	O	R	E	E	L	B	B	A	C	O	V	E	R	R	I	T	O
R	O	D	E	N	T	L	U	N	L	I	M	I	T	R	A	D	Y	E
J	N	A	R	U	T	E	T	S	L	J	D	K	A	H	S	G	A	L
O	T	F	A	G	E	D	N	O	I	G	D	F	A	W	I	G	S	E
I	R	R	S	N	L	A	O	N	L	X	Y	A	F	B	S	K	X	V
N	O	E	H	E	R	N	T	O	I	N	T	E	E	N	A	R	T	E
T	L	S	A	A	A	T	E	R	A	D	I	Y	C	A	T	E	F	E
L	L	V	D	X	D	P	Q	U	O	T	I	E	D	O	N	T	E	N
Y	I	I	B	T	P	E	U	N	L	I	M	I	T	A	N	L	E	T
A	N	Y	K	U	Y	N	A	C	T	Y	U	A	L	L	Y	T	O	O
N	G	A	E	Y	C	I	L	O	P	E	C	N	A	R	U	S	N	I
D	A	N	W	D	F	G	K	L	U	J	A	S	D	F	G	H	I	P
S	U	M	A	A	C	F	A	Q	M	A	Q	W	E	R	T	Y	U	I
E	T	S	F	I	V	E	H	U	N	D	R	E	D	M	B	V	X	Z
V	H	J	W	R	G	R	A	T	U	I	T	Y	T	R	U	S	T	O
E	O	U	Q	E	T	U	O	P	A	D	G	J	L	Z	C	B	M	N
R	R	Q	D	L	A	S	R	W	E	T	U	O	S	F	H	K	X	V
A	I	A	S	F	I	F	T	E	E	N	K	J	H	F	D	S	A	Y
L	T	R	Y	U	O	P	L	K	A	S	D	F	G	H	J	K	L	Z
L	Y	E	L	I	G	I	B	L	E	E	M	P	L	O	Y	E	E	S
Y	C	N	R	R	O	Y	T	R	I	H	T	L	E	R	E	L	A	E
B	H	G	A	I	T	O	A	O	C	A	A	Z	N	G	Y	A	V	W
E	A	L	T	S	G	L	N	I	E	R	E	P	D	B	P	X	I	Q

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 to last month

WORD SEARCH

Correct Answer by:

Mr. Santosh Kumar GB

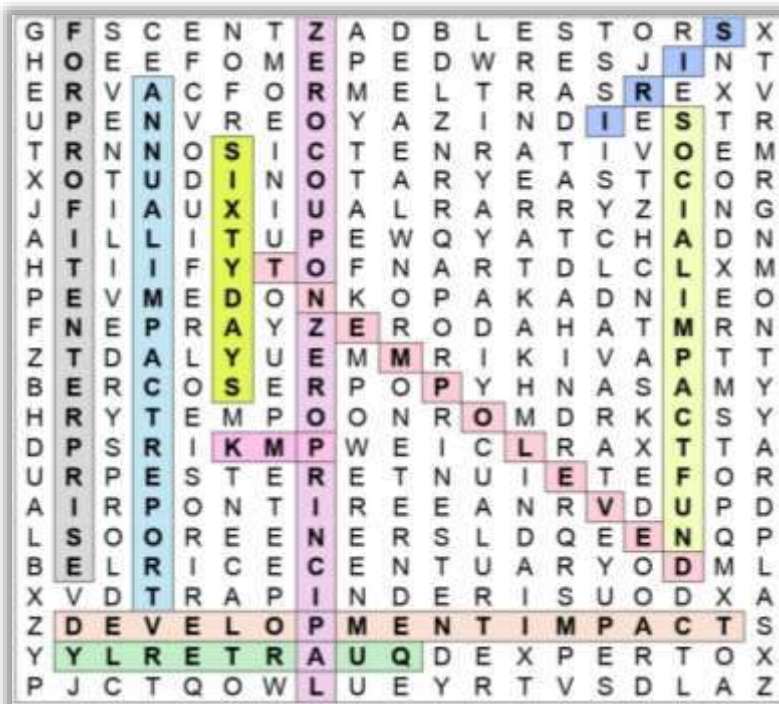
Professional Student



WORD SEARCH

(Based on NISM Syllabus for Social Audit Certification)

ANSWERS



1. A Not for Profit Organization registered on the Social Stock Exchange(s), shall be required to make annual disclosures to the Social Stock Exchange(s) on matters specified by the SEBI, within **SIXTY DAYS** from the end of the financial year
2. The Impact Accounting System developed by Global Impact Investing Network (GIIN) is **IRIS+**.
3. **ZERO COUPON ZERO PRINCIPAL** Bonds shall be issued only by a Not for Profit Organization registered on a Social Stock Exchange and shall have a specific tenure
4. The board and management of the Social Enterprise shall authorize one or more of its **KMP** for the purpose of determining materiality of an event or information and for the purpose of making disclosures to the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, under this regulation and the contact details of such personnel shall also be disclosed to the Social Stock Exchange(s) or the Stock Exchange(s).
5. A listed Not for Profit Organization shall submit to the Social Stock Exchange(s) the statement in respect of utilisation of the funds raised, on a **QUARTERLY** basis
6. The Non-financial audit (Social Audit) can be conducted by Post-graduates from universities recognized by the University Grants Commission (UGC) with a minimum of 3 years of experience in the **DEVELOPMENT** sector and has requisite certification and is registered with an SRO
7. **SOCIAL IMPACT FUND** means an Alternative Investment Fund which invests primarily in securities, units or partnership interest of social ventures or securities of social enterprises and which satisfies the social performance norms laid down by the fund
8. **DEVELOPMENT IMPACT** Bond is a structured finance framework involving implementation agencies (or NPOs) working towards similar social outcomes is aggregated by an intermediary. It is discussed in detail in the subsequent section
9. **FOR PROFIT ENTERPRISE** means a company or a body corporate operating for profit, which is a social enterprise for the purpose of ICDR Regulations and does not include a company incorporated under Section 8 of the Companies Act 2013.
10. All Social Enterprises (SEs) will have to provide a duly audited **ANNUAL IMPACT REPORT** to SEE within 90 days from the end of Financial Year.



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Self-Driving Cars: Innovations and Inherent Dangers

Introduction

Self-driving cars, also known as autonomous vehicles (AVs), represent a transformative leap in automotive technology. Powered by advancements in artificial intelligence (AI), machine learning, and sensor technologies, these vehicles promise to revolutionize transportation by improving road safety, reducing traffic congestion, and providing greater mobility for individuals unable to drive. However, despite these promising benefits, the deployment of self-driving cars is fraught with significant dangers and challenges that need thorough examination and mitigation.

Technological Limitations

One of the primary dangers of self-driving cars lies in their technological limitations. Autonomous vehicles rely heavily on a complex interplay of sensors, cameras, radar, and LIDAR systems to perceive their environment. While these systems have advanced considerably, they are not infallible. Adverse weather conditions, such as heavy rain, fog, or snow, can impair sensor performance, leading to misinterpretation of the vehicle's surroundings. Additionally, the inability of AI to comprehend and predict the nuanced behaviour of human drivers and pedestrians further complicates safe navigation in mixed traffic conditions.

Cybersecurity Threats

Another critical concern is cybersecurity. Autonomous vehicles are essentially computers on wheels, making

them susceptible to hacking. A cyberattack on a self-driving car could lead to catastrophic outcomes, including loss of control over the vehicle, endangering passengers, pedestrians, and other road users. The potential for mass disruption becomes even more alarming when considering the possibility of coordinated attacks on fleets of autonomous vehicles, which could



paralyze transportation networks in urban areas.

Ethical and Legal Dilemmas

Self-driving cars also introduce profound ethical and legal dilemmas. One prominent ethical issue is the decision-making process during unavoidable accidents. Autonomous vehicles must be programmed to make split-second decisions that could result in harm. For instance, should a self-driving car prioritize the safety of its passengers over pedestrians? These moral questions complicate the programming of ethical algorithms and pose significant challenges for regulatory frameworks.

Legally, the advent of autonomous vehicles disrupts traditional notions of liability. In the event of an accident involving a self-driving car, determining fault becomes complex. Is the manufacturer liable for a malfunctioning system, or does responsibility lie with the software developer, or perhaps even the vehicle owner? These ambiguities necessitate comprehensive legal reforms to address the unique challenges posed by autonomous vehicles.

Safety and Reliability Concerns

Despite extensive testing, ensuring the safety and reliability of self-driving cars remains an ongoing challenge. High-profile accidents involving autonomous vehicles, such as the fatal Uber self-driving car crash in 2018, underscore the potential dangers and the need for rigorous safety protocols. These incidents highlight that even with advanced technology, unpredictable real-world scenarios can lead to tragic outcomes.

Moreover, the transition period, where autonomous vehicles share the road with human-driven cars, presents additional hazards. Human drivers can be unpredictable, often making sudden or irrational decisions that an autonomous vehicle may not anticipate. This mixed-traffic environment requires AVs to be exceptionally adept at real-time decision-making and risk assessment.

Infrastructure and Societal Impact

The successful integration of self-driving cars also demands substantial changes in infrastructure. Current roadways, traffic signals, and signage are designed with human drivers in mind. Upgrading infrastructure to accommodate autonomous vehicles will require significant investment and coordination. Furthermore, there is a societal impact to consider. The widespread adoption of self-driving cars could disrupt industries and lead to job losses, particularly in sectors reliant on driving professions, such as trucking and taxi services.

Conclusion

In conclusion, while self-driving cars hold the promise of revolutionizing transportation with enhanced safety, efficiency, and accessibility, they also present considerable dangers and challenges that cannot be overlooked. Technological limitations, cybersecurity threats, ethical and legal dilemmas, safety concerns, and infrastructure needs are significant hurdles that must be addressed. Ensuring the safe and ethical deployment of autonomous vehicles requires collaborative efforts among technologists, lawmakers, and society at large. By proactively addressing these challenges, we can harness the benefits of self-driving cars while minimizing their risks, paving the way for a safer and more efficient future in transportation.



The more you like yourself, the less
you are like anyone else, which
makes you unique.

— *Walt Disney* —

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CENTRAL GOODS AND SERVICES TAX ACT, 2017/ INTEGRATED GOODS AND SERVICES ACT, 2017

No Notification on CGST/IGST issued for the period 14-05-2024 to 13-06-2024

No Circular issued for the period 14-05-2024 to 13-06-2024 for both CGST & IGST

No Notification on GST (rate) issued for the period 14-05-2024 to 13-06-2024 for both CGST & IGST

INCOME TAX ACT, 1961 AND INCOME TAX RULE, 1962

No Notification on income tax issued for the period 14-05-2024 to 13-06-2024

No Circular issued for the period 14-05-2024 to 13-06-2024 for income tax

No Notification on Customs issued for the period 14-05-2024 to 13-06-2024

No Circular issued for the period 14-05-2024 to 13-06-2024 for Customs

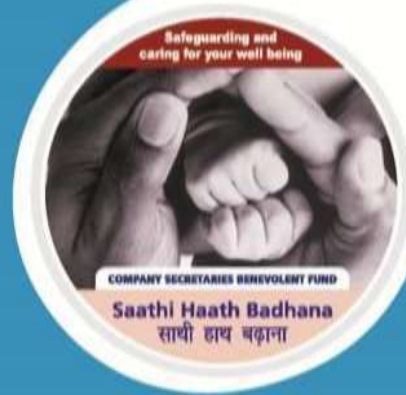


**THE INSTITUTE OF
Company Secretaries of India**

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



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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

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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.

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- 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
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