SIRC MYSURU CHAPTER

# eMagazine

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256th Edition

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

**Motto**
सत्यं वद। धर्मं चर। speak the truth. abide by the law.

**Mission**
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भारतीय कम्पनी सचिव संस्थान
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Statutory body under an Act of Parliament
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CS Krishne Gowda C

# From the Desk of Chairman

## Dear Professional Colleagues!

**You can chain me,**

**you can destroy me,**

**you can even destroy this body,**

**but…….. you will never imprison my mind."**

**- Mahatma Gandhi**

**Celebrating 79TH Independence Day – A Nation's Pride:**

In the words & spirit of Sri. Mahatma Gandhi ji, the power can shackle the body, but never the mind. True freedom lives where courage and conviction reside. For centuries, millions of Indians made untold sacrifices to win back our freedom from British rule. Today, it is both our duty and our privilege to honour those noble souls who gave their all, so that we may live in a free and independent nation.

**Mega Career Fairs at Mysuru:**

On 11th & 12th July, 2025, our Chapter participated in 3 Mega Career Fairs at National Public School, Mysuru, Manasarowar Pushkarini Vidyashrama, Mysuru, and Excel Public School, Mysuru, and shared the information with Students & Parents about the CS Course and vast opportunities to CS Members.

**Three-Day Orientation Program (TDOP) for CSEET Completed Students:**

On 24th, 25th & 26th July, 2025, our Chapter has successfully conducted the Three-Day Orientation Program (TDOP) for CSEET completed students. 35 Students registered & attended the program. The sessions for the TDOP were addressed by CS Prachetha M, CS Harsha A, CS Parvati K R, CS Veerash M J, CS Janhavi A N and CS Phani Datta D N. CS Arunkumar M G, Secretary of the Chapter, distributed the Certificates to all the Students.

**Upcoming Events/Programs of our Chapter:**

The chapter is planning to hold a Mega CS Career Awareness Program (CAP) to reach out to prospective students who are considering the CS profession. Such programs typically help students understand career opportunities, the scope of CS practice, and the pathway to becoming a Company Secretary. Further, interactive Classroom Teaching (CRT) for CS Executive Students and a Three-Day Orientation Program (TDOP) for CSEET completed students are being planned.

**Happy Independence Day!!!**

Thank you all.

**Jai Hind. Jai ICSI!**

# CHAPTER ACTIVITIES

## Three Days Orientation Programme (TDOP):

The Chapter proudly hosted its first batch of the Orientation Programme from July 24 to 26, 2025, marking a vibrant start to the newly joined Executive Students. For three days, 35 enthusiastic students immersed themselves in structured training sessions designed to lay the foundation for their professional journey.

Upon successful completion, participants were awarded certificates, recognizing their commitment and readiness to embark on the next phase of their careers.

The programme was inaugurated by CS Krishne Gowda, Chapter Chairman, whose inspiring address highlighted the importance of orientation in shaping future professionals.



## Career Awareness Program


During the month of July 2025, CS Krishne Gowda, C - Chairman, CS Abhishek Bharadwaj AB – Vice Chairman, and CS Arun Kumar MG, Secretary of the Chapter, were the Faculty for the Career Fair and Career Awareness Programme. There were 3 programs held. Details of which are as given below:

| Date | College / University Name | Speakers / Guest | No of Students Attended | Place |
|---|---|---|---|---|
| 11.07.2025 | National Public School | CS Krishne Gowda<br>CS Arun Kumar MG | 400 | Mysore |
| 12.07.2025 | Manasarowar Pushkarini Vidyashrama | CS Abhishek Bharadwaj AB | 250 | Mysore |
| 12.07.2025 | Excel Public School | CS Abhishek Bharadwaj AB | 200 | Mysore |
| 25.07.2025 | Amrita Vishwa Vidyapeetham | CS Krishne Gowda | 100 | Mysore |

# ARTICLES

# Compounding of Contraventions under FEMA, 1999: A Comprehensive Overview (Updated 2024)

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The Foreign Exchange Management Act, 1999 (FEMA), governs foreign exchange transactions in India. One of its critical features is the ability to compound contraventions, allowing violators to settle offences without undergoing full adjudication or prosecution. This article provides a structured overview of the compounding process under FEMA, incorporating updates from the Foreign Exchange (Compounding Proceedings) Rules, 2024.

**Introduction to FEMA, 1999**

The Foreign Exchange Management Act (FEMA), 1999, is a legislative framework designed to facilitate external trade and payments, as well as promote the orderly development and maintenance of the foreign exchange market in India.

> "Any person intending to file a compounding application must first create a User ID and password on the PRAVAAH portal. After successfully logging in, the applicant is required to fill in the basic and contact details on the portal"

Section 15 of FEMA empowers the Reserve Bank of India (RBI) to compound contraventions under the Act. This compounding mechanism applies to contraventions defined under Section 13 of FEMA, except those under Section 3(a), which involves dealing in foreign exchange or foreign securities without authorization.

**Key Features of the Compounding Process**

All contraventions under FEMA, 1999, except those specifically excluded under Section 3(a), are eligible for compounding. A person who has committed a contravention may voluntarily apply for compounding. This initiative provides an opportunity for violators to settle offences without facing prosecution, ensuring faster resolution and compliance.

**Legal Framework for Compounding under FEMA**

**Section 15 in The Foreign Exchange Management Act, 1999**

15. Power to compound contravention.

(1)Any contravention under section 13 may, on an application made by the person committing such contravention, be compounded within one hundred and eighty days from the date of receipt of application by the Director of Enforcement or such other officers of the Directorate of Enforcement and officers of the Reserve Bank as may be authorised in this behalf by the Central Government in such manner as may be prescribed.

(2)Where a contravention has been compounded under sub-section (1), no proceeding or further proceeding, as the case may be, shall be initiated or continued, as the case may be, against the person committing such contravention under that section, in respect of the contravention so compounded.

**Section 15 – Power to Compound Contraventions**

- **Who can compound**: The Reserve Bank of India (RBI) and officers of the Directorate of Enforcement, as authorized by the Central Government.
- **Scope**: Applies to contraventions defined under Section 13 of FEMA, excluding Section 3(a).
- **Timeframe**: Application must be resolved within 180 days of its receipt.

**Section 13 – Penalties**

- Penalty can go up to three times the amount involved (if quantifiable) or ₹2 lakh (if not quantifiable).
- Continuing contraventions attract ₹5,000 per day after the first day.
- Special provisions (1A–1D) deal with illegal foreign assets and can lead to confiscation, prosecution, or even imprisonment (up to 5 years).

**Section 3 (a) of FEMA, 1999**

- 3. Dealing in foreign exchange, etc.—Save as otherwise provided in this Act, rules or regulations made thereunder, or with the general or special permission of the Reserve Bank, no person shall— (a) deal in or transfer any foreign exchange or foreign security to any person not being an authorised person;

**Section 42 – Contraventions by Companies**

- Both the company and persons in charge (directors, managers, partners) can be held liable.
- Defence available: Lack of knowledge or proof of due diligence.

**Section 46 – Rule-making Power**

- The Central Government is empowered to frame rules for implementing FEMA provisions.

As per the provisions of the Foreign Exchange Management Act, 1999, the Reserve Bank of India (RBI) and the officers of the Directorate of Enforcement, as authorized by the Central Government, are empowered to compound all contraventions under Section 13 of FEMA, except for those under Section 3(a), which pertains to dealing in or transferring foreign exchange or

foreign securities to any person other than an authorised person.

**Introduction of New Rules in 2024.**

The Foreign Exchange (Compounding Proceedings) Rules, 2024, were notified by the Government of India via G.S.R. 566(E) dated September 12, 2024. These new rules supersede the earlier 2000 rules.

As per Section 46 of FEMA, the Central Government is empowered to notify rules for implementing the provisions of the Act. These rules govern how compounding applications are processed and specify conditions under which certain contraventions cannot be compounded.

**Application Process for Compounding**

An application for compounding can be submitted either physically or through the **PRAVAAH** portal. It may be made suo moto by the individual or entity involved or after receiving a Memorandum of Contravention (MoC). If no application is submitted within the time allowed under the MoC, the provisions of FEMA will continue to apply, and enforcement action may be initiated.

Any person intending to file a compounding application must first create a User ID and password on the PRAVAAH portal. After successfully logging in, the applicant is required to fill in the basic and contact details on the portal.

The applicant must then provide a summary of the case for which the compounding application is being filed. Specific details to be furnished are outlined in Annexure II. Additionally, the applicant must submit an undertaking confirming the accuracy and authenticity of the information provided, as specified in Annexure III.

Upon completion of the application, the applicant must pay the prescribed application fee of ₹10,000 plus 18% GST. payable via demand draft or electronic payment modes like NEFT.

Payment should be made to the account specified in Annexure I. Within two hours of making the payment, the applicant must send a confirmation email to the designated email address of the respective RBI Regional Office, using the format provided in the annexure.

The application must include a prescribed form, contact details, relevant annexures (II & III), Memorandum of Association (if applicable), and an undertaking regarding any pending inquiries by the Directorate of Enforcement (DoE). Incomplete applications or those missing fees will be returned, although the fee may be refunded if resubmitted correctly.

**Cases Ineligible for Compounding**

Certain contraventions are ineligible for compounding. These include cases where a similar contravention was compounded within the last three years, administrative actions (such as obtaining approvals or fulfilling reporting obligations) remain incomplete, or serious contraventions involving money laundering, terror financing, or threats to national sovereignty are suspected.

Additionally, contraventions under Section 3(a), cases where penalties have already been imposed by the Directorate of Enforcement, or where further investigation is required, are not eligible for compounding.

**Administrative Actions Required Before Compounding**

Before applying for compounding, certain administrative actions may need to be completed. These include obtaining approvals from the RBI, government, or other statutory bodies; reversing non-compliant transactions; repatriating funds or submitting valuation reports; and ensuring all required reporting and pricing guidelines have been fulfilled.

**Compounding Procedure**

Upon receiving a complete application, the RBI reviews the documents to determine whether the contravention is eligible for compounding and to assess the amount involved. The RBI may request additional information, and failure to provide this can result in the application being returned.

Several factors are considered while determining the compounding amount. These include undue gains or delayed benefits derived from the contravention, any loss to the exchequer or public authorities, past violations or the applicant's track record, the conduct and level of disclosure during the compounding application, and any other relevant circumstances.

**Determination of Compounding Amount**

Under Section 13 of FEMA, the penalty for contraventions may go up to three times the amount involved. However, the actual compounding amount is determined based on case-specific factors and RBI's guidance note. This ensures a balanced and fair approach to enforcement, accounting for the gravity and context of the violation.

However, the compounding amount payable, as per Section 15 of FEMA, 1999, is calculated based on the guidance note given below.

**1. Reporting/Submission Contraventions**

***Includes FEMA 20/ FEMA 20(R)/ FEMA 395 ii. FEMA 3/ FEMA 3(R) iii. FEMA 120/ FEMA 400 iv. Any other reporting contraventions (except those in Row 2 below and of LO/BO/PO)***

- **Fixed Penalty**: ₹10,000 per regulation contravened
- Variable Penalty (based on amount involved):

| Amount Under Contravention | Penalty per Year |
|---|---|
| Less than ₹10 lakh | ₹1,000 |
| ₹10–40 lakh | ₹2,500 |
| ₹40–100 lakh | ₹7,000 |
| ₹1–10 crore | ₹50,000 |
| ₹10–100 crore | ₹1,00,000 |
| ₹100 crore & above | ₹2,00,000 |

**Reporting contraventions by Liaison Office (LO), Branch Office (BO) & Project Office (PO)**

- Same as above, but max ₹2 lakhs
- Project Office: 10% of the project cost is considered as the contravention value

**2. Delayed Submission: AAC / APR / FCGPR(B) / FLA / Share Certificate**

- ₹10,000 per delayed return
- Share certificate delay: ₹10,000 per year (capped at 300% of invested amount)

**3. Allotment/Refund Delays**

A] non-allotment/refund delay:

• **Fixed**: ₹30,000

• **Variable (based on delay duration)**:

| Delay Duration | Penalty (%) of Amount Involved |
|---|---|
| < 1 year | 0.30% |
| 1–2 years | 0.35% |
| 2–3 years | 0.40% |
| 3–4 years | 0.45% |
| 4–5 years | 0.50% |
| > 5 years | 0.75% |

**B] LO/BO/PO (non-reporting):**

- Same slab as above
- Project Office: 10% of the project cost is the contravention base

**4. Guarantees (non-reporting) Any Contravention Pertaining to the Issuance of any Guarantee (Other than Reporting Contraventions)**

- Fixed: ₹5,00,000
- Variable (based on duration):

| Duration | Penalty % |
|---|---|
| < 1 year | 0.050% |
| 1–2 years | 0.055% |
| 2–3 years | 0.060% |
| 3–4 years | 0.065% |
| 4–5 years | 0.070% |
| > 5 years | 0.075% |

- **Trebled** if the guarantee supported loans invested back into India

**5. Other Non-Reporting Contraventions**

- Fixed: ₹50,000
- Variable (based on duration):

| Duration | Penalty % |
|---|---|
| < 1 year | 0.50% |
| 1–2 years | 0.55% |
| 2–3 years | 0.60% |
| 3–4 years | 0.65% |
| 4–5 years | 0.70% |
| > 5 years | 0.75% |

**General Provisos**

- Max Penalty: Cannot exceed 300% of the amount involved.
- If amount < ₹1 lakh: Max = simple interest
  - 5% p.a. (reporting) or 10% p.a. (others)
- **Special Grading (FEMA 20/2000 - Sch I, Para 8):**
  - Allotment after 180 days without RBI: ×1.25
  - Refund after 180 days with RBI: ×1.50
  - Refund after 180 days without RBI: ×1.75
- Undue gains: May be added to the penalty

In cases where it is established that the contravener has made undue gains, the amount thereof may be neutralized to a reasonable extent by adding the same to the compounding amount calculated as per the matrix above.

**Issuance of Compounding Order**

A compounding order must be issued within 180 days from the date of receipt of a complete application. The decision is based on the content of the application, supporting documents, and any representation made during a personal hearing, if opted for. The order specifies the FEMA provisions violated and details of the contravention.

Copies of the order are shared with the applicant and, if necessary, the Adjudicating Authority, especially if a complaint was filed under Section 16(3) of FEMA.

**Personal Hearing Option**

Applicants may choose to attend a personal hearing either physically or virtually. While legal representation is not mandatory since compounding is a voluntary and non-adversarial process, the applicant is encouraged to participate. Choosing to attend or skip the hearing does not influence the compounding amount.

**Payment of Compounding Amount**

The compounding amount must be paid within 15 days of receiving the compounding order. Payment can be made through a demand draft, NEFT, RTGS, or other approved digital methods. The order includes specific payment instructions, such as bank details and a format for payment confirmation. A confirmation of payment must be emailed within two hours using the format provided in Annexure I.

**Post-Order Consequences**

Once a compounding order is issued, it cannot be withdrawn, reviewed, or declared void. If the applicant fails to make the payment within the prescribed time, the case is treated as if no compounding application was filed, and standard FEMA enforcement provisions will apply.

**Uncompounded Cases and Certificate**

In cases where the contravention is not compounded, normal FEMA provisions will continue to apply.

However, once the compounding amount is paid, the RBI issues a Certificate of Compounding, subject to any specific conditions mentioned in the compounding order.

**Conclusion:**

The compounding mechanism under FEMA, 1999, serves as an effective alternative to formal adjudication, enabling individuals and entities to resolve certain contraventions in a time-bound and non-adversarial manner. By offering an opportunity for voluntary compliance, FEMA encourages responsible conduct in foreign exchange transactions while reducing the burden on adjudicatory authorities.

The updated Foreign Exchange (Compounding Proceedings) Rules, 2024, further streamline this process by clearly defining eligibility, application requirements, and ineligible scenarios. Applicants must ensure timely compliance with procedural formalities, including accurate disclosures and payment obligations, to benefit from the compounding provisions. Overall, the compounding process promotes regulatory clarity, strengthens foreign exchange discipline, and supports India's broader economic and financial governance framework.

Article 2

# From Compliance Chaos to Digital Clarity: AI and Blockchain in GRC

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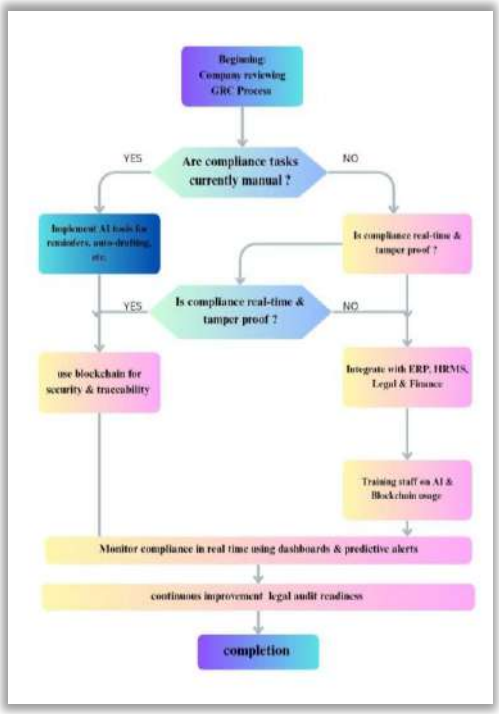
In early 2023, a well-known mid-sized Indian firm encountered an unforeseen obstacle. Even with an experienced Company Secretary and a robust governance framework, the company failed to meet its statutory filing deadline as stipulated by the Companies Act, 2013. This lapse was not intentional; it resulted from an excessive dependence on traditional methods—manual logs, disjointed emails, Excel-based calendars, and obsolete compliance monitoring. Consequently, the company faced a financial penalty amounting to lakhs, damage to its reputation, and concerns among board members. Sadly, this is not a unique situation. Many organizations across various sectors are grappling with comparable issues while navigating the increasingly intricate landscape of Governance, Risk, and Compliance (GRC). In the current rapidly changing and digital-first regulatory landscape, utilizing outdated approaches to manage GRC is no longer feasible. The answer lies in embracing Artificial Intelligence (AI) and Blockchain Technology, which are transforming how compliance and governance are carried out—efficiently, intelligently, and transparently.

> Compliance refers to the adherence to laws, rules, regulations, and internal policies established by regulators like SEBI, MCA, and RBI, as well as significant legislations such as the Companies Act, 2013.

To appreciate how technology is reshaping GRC, it is essential to comprehend its meaning. Governance encompasses the frameworks and processes that guarantee an organization operates in alignment with its values, goals, and legal obligations. Risk management involves identifying, assessing, and mitigating potential hazards that could impact operations, finances, or reputation. Compliance refers to the

adherence to laws, rules, regulations, and internal policies established by regulators like SEBI, MCA, and RBI, as well as significant legislations such as the Companies Act, 2013. While these three functions have historically operated in isolation, contemporary businesses require an integrated GRC structure—one that is dynamic, responsive, and supported by intelligent digital systems to address real-time issues.




Traditional GRC methods are showing signs of strain amidst growing business complexity. Manually tracking compliance schedules frequently results in errors and overlooked filings. With the regular updates to regulations, remaining informed without automation proves challenging. Information is often dispersed across various departments, and risk identification tends to be reactive rather than proactive. Additionally, internal audits and critical documents like board meeting minutes are vulnerable to manipulation, which erodes transparency and trust. These inefficiencies not only heighten the risk of non-compliance but also deplete resources and undermine an organization's integrity. The urgency for technology in GRC has never been more pressing, and AI and Blockchain provide the necessary solutions to tackle these issues.

**Artificial Intelligence** is transforming how businesses manage compliance, governance, and risk oversight. One of its most impactful uses is in automated monitoring and notifications. AI-powered systems can continually monitor compliance timelines and alert teams of impending deadlines, such as those under Section 92 of the Companies Act (Annual Return filing), ensuring timely action. AI also enhances predictive risk management by examining trends in company data to anticipate potential threats like fraud or operational failures. Another significant use is in smart document creation—AI can draft board agendas, meeting notifications, and reports that conform to current regulatory language under Sections 134 or 204. In contract and policy review, tools such as Kira Systems and Luminance leverage AI to extract clauses, identify issues, and verify that documents comply with legal standards. Lastly, AI facilitates continuous auditing by spotting discrepancies in financial statements and business records, allowing auditors to perform their duties more effectively and accurately.

**Blockchain: The Indelible Ledger for Compliance**

While AI provides intelligence and automation, Blockchain delivers a robust system of record. Blockchain represents a decentralized ledger technology that guarantees transparency, data integrity, and security. A significant benefit in governance, risk, and compliance (GRC) is the generation of digital audit trails. Every action—be it filing a return or documenting a board's decision—can be chronologically stamped and permanently recorded on the blockchain. This offers irrefutable

evidence for auditors and legal inquiries. Furthermore, Blockchain facilitates smart contracts that automatically implement established rules. For example, if a board resolution is needed prior to a significant expenditure, the smart contract will impede the transaction unless the resolution is documented. Additionally, access control and security are improved through blockchain, permitting only authorized users to access sensitive governance materials such as whistleblower complaints or appointments of key managerial personnel (KMP). For global corporations, blockchain establishes a unified source of truth, ensuring compliance across different jurisdictions is consistent and easily traceable.

**Companies Act, 2013: Essential Sections Supporting GRC Technology**

The incorporation of AI and Blockchain in GRC becomes even more pertinent when aligned with crucial provisions of the Companies Act, 2013. For instance, Section 92, which addresses the submission of annual returns, can be automated through AI reminders and data extraction tools. Section 134, which pertains to the Board's Report, can leverage AI-generated drafts and current legal references. Section 173, which requires regular board meetings, can be secured on the blockchain to log digital minutes. Section 203, related to the appointment of Company Secretaries and KMPs, can be monitored using AI-driven compliance systems. Lastly, Section 204, which involves secretarial audits, can be streamlined using AI to assess registers, resolutions, and statutory filings, with blockchain maintaining the authenticity of audit records.

**Strategic Execution of AI and Blockchain in GRC**

Organizations seeking to modernize their GRC systems should adopt a phased and strategic methodology. The initial step involves conducting a GRC technology audit to evaluate the current state of compliance and governance workflows while pinpointing areas that are still manual or susceptible to errors. Following this, it is critical to choose the appropriate GRC platform—options such as MetricStream, SAP GRC, ClearTax, and Legality offer integrated AI and blockchain functionalities tailored for varying business needs. Employee training and management of change follow; Company Secretaries and legal teams must be trained to efficiently handle these digital tools. It is also crucial to integrate GRC systems with ERP and finance platforms to facilitate seamless data transmission. Lastly, companies must ensure that digital records and smart contracts are legally valid, complying with the Information Technology Act, 2000, and acknowledged by the Indian Evidence Act to guarantee their enforceability.

**Fascinating Insight: Estonia—The Globe's Digital Pioneer**

Estonia, a small nation in Northern Europe, is frequently recognized as the leading digital society worldwide. Notably, it employs blockchain to manage nearly all public services, including healthcare, education, judiciary, and corporate governance. In Estonia, board meetings, company incorporations, and legal submissions are conducted entirely online and take mere moments. This digital revolution has resulted in expedited governance and nearly non-existent corruption. Motivated by Estonia's accomplishments, India is

progressing in a similar vein with initiatives like the MCA21 portal, Digital India, and India-Stack, aimed at digitizing and securing regulatory and governance functions through emerging technologies.

**Case Example: Infosys Utilizing Blockchain for GRC**

A relevant example can be found in Infosys, a prominent global IT company based in India. Infosys has implemented blockchain-driven GRC tools for managing internal documentation, vendor contracts, and regulatory submissions. Their systems guarantee that each approval and document is securely recorded, timestamped, and kept in a tamper-resistant environment. As a result, Infosys has achieved perfect compliance, enhanced transparency with stakeholders, and significantly decreased the time required for audits and verifications. Their implementation of AI-powered dashboards and real-time GRC monitoring sets a standard for large organizations to adopt digital transformation.

**Advantages of AI and Blockchain in GRC**

Organizations that effectively integrate AI and Blockchain into their GRC processes benefit from various perks. These advantages include a notable decrease in human error, accelerated compliance processing, and reduced operational expenses. Decision-making becomes more precise and data-driven, with real-time alerts and predictive insights allowing the company to stay ahead of risks. With blockchain's immutable record-keeping, the integrity and reliability of corporate documents are enhanced, which is particularly advantageous during inspections, audits, and evaluations by investors. In summary, these technologies promote a culture of proactive governance and build trust among stakeholders.

**Conclusion: GRC as a Strategic Asset—Not a Burden**

The perception of Governance, Risk, and Compliance as mere checkboxes or cost burdens is a thing of the past. In today's corporate landscape, GRC serves as a strategic foundation that supports sustainable growth, ethical leadership, and robust stakeholder relationships. Technologies such as AI and Blockchain do not pose a threat to traditional compliance functions; instead, they act as enablers. They empower professionals—particularly Company Secretaries, Compliance Officers, and Auditors—to transition from administrative enforcers into digital leaders and strategic advisors. As India's regulatory environment embraces technology, companies that adapt now will not only ensure compliance but will also emerge as pioneers in trust, transparency, and corporate governance.

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# Case Analysis: Rutu Mihir Panchal & Ors v Union of India Constitutionality of Pecuniary Jurisdiction under the Consumer Protection Act, 2019

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**Introduction:**

The Consumer Protection Act, 2019, is a social welfare legislation enacted to protect consumer interests and consumer rights as well as provide them remedy against commercial exploitation. The Act envisages the establishment of advisory and adjudicatory bodies like the consumer protection councils and consumer dispute redressal commissions at district, state, and national levels. The Central Consumer Protection Authority is a national-level regulatory body established under the Act to address unfair trade practices employed by businesses that are detrimental to the interests of the consumer. It has been endowed with investigation powers under the Act and passing orders either to recall goods, discontinue unfair trade practices, misleading advertisements, impose penalties, and issue safety notices to consumers against unsafe goods and services. It can launch prosecutions or intervene in any proceedings before the District, State, or National Commissions.

> Territorial and pecuniary jurisdiction determines the hierarchy of courts and which court is authorised to take up a particular case based on either the territorial or pecuniary factors of the case.

**About Pecuniary Jurisdiction:**

There are two types of jurisdictions envisaged in law, viz., territorial and pecuniary. Pecuniary jurisdiction is the power of the court to hear cases based on the monetary value or amount of the subject matter involved in the dispute, while territorial jurisdiction is based on where either party of the dispute resides. Territorial and pecuniary jurisdiction determines the

hierarchy of courts and which court is authorised to take up a particular case based on either the territorial or pecuniary factors of the case.

For example, under the Karnataka Small Causes Courts Act, 1964, the Court of Small Causes can take cognizance of civil suits where the value does not exceed Rs. 2 Lakhs in Bangalore city and Rs 1 Lakh in other places[1]. The Debt Recovery Tribunal entertains only those suits where the amount of debt is more than Rs. 20 lakhs[2]. The Insolvency and Bankruptcy Code, 2016, provides that the provisions of the Code are applicable only if the default made by the Corporate Debtor is more than Rs. 1 crore. Likewise, Section 22(c) (1) of the Legal Services Authorities Act, 1987 provides that the permanent Lok Adalat shall not have jurisdiction in matters where the value of the property in dispute exceeds 10 lakh rupees.

At the Consumer Dispute Redressal Commissions, complaints are filed before the appropriate forum based on either pecuniary or territorial jurisdiction as laid down under the Act. The pecuniary jurisdiction under the 2019 Act is based on the value of consideration paid, unlike its preceding Act, where jurisdiction was based on the value of compensation claimed by the complainant as well as the value of the goods. Where the value of consideration is up to Rs. 1 crore, the District Commission is the appropriate forum; where the value of consideration is between Rs 1 crore to Rs 10 Crores, it is the State Consumer Dispute Redressal Commission, and for values above Rs 10 Crores, jurisdiction lies with the National Consumer Disputes Redressal Commission.

Jurisdictional issues are often contested in courts of law to oust the admissibility of the petition. In Ambrish Kumar Shukla& 21 Ors vs. Ferrous Infrastructure Pvt Ltd[3] The National Consumer Disputes Redressal Commission gave a landmark judgement on how to determine pecuniary jurisdiction in class action suits under the Consumer Protection Act, 1986. It laid down that where multiple suits with 'same interest' are involved, the total value of goods or services plus compensation claimed by the complainants should be considered for deciding the pecuniary jurisdiction. The principle laid down in Ambrish Kumar Shukla has been applied in cases disputing pecuniary jurisdiction under the 2019 Act as well. However, since the 2019 Act determines jurisdiction based on the consideration value of goods alone, the principle has been adapted to include consideration alone[4]. In the Rutu Mihir Panchal case, the constitutionality of considering consideration alone and leaving out the value of compensation for determining pecuniary jurisdiction was challenged.

**Review of Rutu Mihir Panchal & Ors v Union of India**

On April 29, 2025, a division bench of the Supreme Court delivered an interesting judgment[5] on the constitutionality of the pecuniary jurisdiction laid down under the Consumer Protection Act, 2019 (the Act) for the purpose of adjudicating consumer

[1] Section 8, The Karnataka Small Courts Act, 1964
[2] Section 1(4) of the Recovery of Debts and Bankruptcy Act, 1983
[3] 2016 SCC Online NCDRC 1117
[4] Alpha G184 Owners Association v M/S Magnum International Trading Company Pvt ltd Civil Appeal No. 4718 of 2022
[5] Rutu Mihir Panchal & Ors v Union of India, 2025 INSC 593

disputes. Jurisdiction under the Act is exclusively based on the value of consideration paid at the time of purchase of goods or services. Jurisdiction under the repealed Consumer Protection Act, 1986, however, was based on both the value of goods or services as well as the compensation claimed. The Court debated and discussed the issue of consideration versus compensation, and as to which one was a better basis for deciding jurisdiction under the Act. The case threw light on some important questions pertaining to the hierarchy of courts, jurisdiction, nexus between hierarchy, jurisdiction, and judicial remedies. The judgment was given based on a Writ Petition filed under Article 32 of the Constitution of India and a Civil Appeal against the order of the National Consumer Disputes Redressal Commission.

**Facts of the Writ Petition**: The petitioner's husband purchased a sedan-Ford Endeavour Titanium car worth Rs. 31.19 lakhs from an authorised dealer of Ford India. Unfortunately, the vehicle caught fire, resulting in the death of the husband. Along with criminal proceedings, statutory proceedings were initiated under the Act before the District Consumer Court, Vadodara, Gujarat, for a compensation of Rs. 51.49 crores with interest. Pending disposal of the consumer complaint, the petitioner approached the Supreme Court by way of a writ petition under Article 32 of the Constitution of India, challenging the validity of Sections 34 (1), 47(1)(a)(i), and 58 (1)(a)(i) of the Act. The petitioner alleged that because of the statutory regime under the 2019 Act, she was compelled to approach the district commission, whereas under the repealed Consumer Protection Act 1986, she could have approached the National Commission directly based on the compensation claimed. The petitioner claimed that the said provisions were violative of Article 14 and also contrary to the purpose of the hierarchy of the judicial system in India. Xx`

**Facts of the Civil Appeal**: The appellant's husband was a District governor of the Lions Club of Jhansi and had passed away due to COVID-19 on 25.07.2020. The appellant claimed insurance under an insurance policy which offered by the Lion's International Club to families of deceased members. The sum assured was up to 2 million dollars as compensation, which was, however, denied to her. She approached the National Commission seeking Rs. 14.94 crore as compensation. The Commission rejected her petition on the ground of jurisdiction since the consideration for the insurance policy did not exceed Rs. 10 Crores and therefore must be filed with the District Commission.

**Issues**: The 2019 Act shifts the basis of the pecuniary jurisdiction from the value of compensation claimed to the value of consideration paid for goods and services. The anomaly, as pointed out, was that a person claiming compensation of Rs. 50 Cr for a good or service with a consideration value of less than Rs. 1 Cr will have to approach the District Commission, while a person claiming lesser compensation can approach the National Commission if the value of such goods or services is more than Rs. 10 crores. The issue raised before the Court was whether consumers claiming identical compensation but different considerations paid at the time of purchase being treated differently is violative of Article 14 of the Constitution?

**Petitioner's Argument**: The petitioners argued that the definition of consumer u/s 2(7) of the Act itself does not differentiate the consumer on the basis of consideration paid, and that the new criterion of pecuniary jurisdiction based on consideration instead of compensation was arbitrary and without a rational basis.

They took the example of insurance claims where the insurance premium would rarely exceed Rs. 1 crore and therefore, the entire insurance claims will now be taken up by the District Commissions only, though the compensation claimed may run to higher amounts. The scheme is lopsided, and classifying consumers on the basis of consideration was arbitrary and violative of Article 14 of the Constitution.

**Respondent's Arguments**: The respondents argued that the scheme of pecuniary jurisdiction under the new Act was not arbitrary and was based on reasonable classification. It had a rational nexus with the object sought to be achieved, i.e., "timely and effective administration and settlement of consumer disputes". Further, it also helps in preventing exaggerated and inflated claims by consumers

**Held**: The Court first looked into the aspect of legislative competence to determine jurisdiction and held that the legislature had the competence to determine jurisdictional limitations under the Act as per Entry 95, List I, read with Entries 11-A and Entry 46 of List III and pursuant to Article 246 of the Constitution of India. Entry 95 empowers the Union Legislature to determine the jurisdiction of all courts except the Supreme Court for any matters in the Union List.

Discussing the nexus between consideration, contract, and the definition of consumer, the court emphasized that consideration is at the core of every contract and also the definition of consumer. Without consideration, there is no agreement or contract.

The definition of consumer u/s 2(7) recognises the first principles of formation of a contract[6]. However, when it comes to compensation, there does not exist any guidance by which the consumer may determine claims for compensation. Therefore, the current legislation has streamlined the method of determining the pecuniary jurisdiction by ousting the individual whims of a consumer. Moreover, both consideration and compensation jurisdiction were overburdening the National Commission, the Court observed. The new scheme had a rational nexus to the objective of the Act, which was also to prevent exaggerated and inflated claims.

The Court relied on the judgment given in State of Bombay v Narottamdas Jethabhai[7] by Justice Patanjali Sastri on the issue of jurisdiction, it was an old-age practice to constitute and organise courts based on pecuniary and territorial jurisdictional limitations[8]. Therefore, the legislature was within its power to frame the jurisdictional aspects of the Consumer Protection Act, 2019.

The Court directed the Central Consumer Protection Council and the Central Consumer Protection Authority to exercise their statutory duties under the Act and take necessary measures

[6] Ibid.,
[7] (1950) SCC 905
[8] Supra Note 1

for effective and efficient redressal and working of the consumer law so as to reduce unnecessary litigation. Consumer issues may be identified and addressed by these bodies to ensure timely redressal of consumer disputes.

**Conclusion**:

Jurisdictional and enforcement issues under the Consumer Protection Act have been taken up by the Supreme Court at various times. The rule of law can be upheld only by proper enforcement of social welfare legislation. Consumer Courts have been proactively expanding the application of the Consumer Act so that where consumers fail to get a remedy in conventional fora, they can approach the consumer courts for a suitable remedy. The judgement is significant from the perspective that it employed judicial restraint by recognising the exclusive domain of the legislature in deciding the scheme of law and the domain of the executive to properly enforce such laws It said that while the executive can be directed by the courts to carry out a performance audit of laws, it can only so far as review the functioning of the statutory bodies established under the scheme of law and cannot overstep its jurisdiction. Thus, it upheld the theory of separation of powers, which forms the backbone of democracy.

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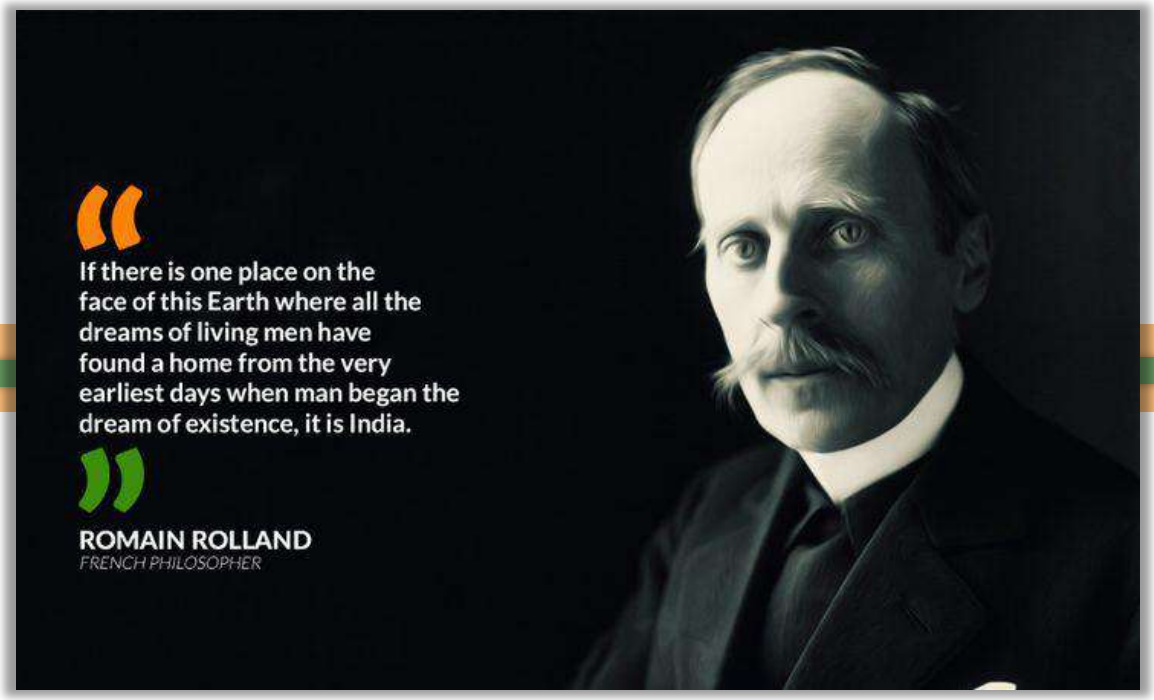

Article 4

# Employment Bond: Section 27 of the Indian Contract Act

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**Is an employment bond requiring an employee to serve a minimum period or pay compensation enforceable under Section 27 of the Indian Contract Act?**

Employment bonds have become a common feature in modern-day corporate and public sector appointments, especially when companies invest significantly in the training or onboarding of new employees. These bonds typically require employees to serve for a fixed minimum duration or pay a certain amount as compensation if they exit early. However, such agreements are often scrutinized under Section 27 of the Indian Contract Act, 1872, which declares any agreement that restrains a person from exercising a lawful profession, trade, or business as void.

> The Court drew upon the landmark judgment in Niranjan Shankar Golikari v. Century Spinning (1967) to clarify that restrictions during the term of employment are not considered restraints on trade. The Court emphasized that an agreement that simply requires an employee to stay for a minimum period or compensate the employer for leaving early does not violate Section 27.

This issue came into sharp focus in the case of Vijaya Bank & Anr. v. Prashant B. Narnaware, decided by the Supreme Court of India on May 14, 2025, where the Court addressed the enforceability of an employment bond and its compatibility with Section 27 and public policy.

**Understanding Section 27 of the Indian Contract Act, 1872**

Section 27 of the Indian Contract Act reads:

***"Every agreement by which anyone is restrained from exercising a lawful profession, trade, or business of any kind, is to that extent void."***

This section is rooted in the principle that the freedom to practice one's profession or trade is a fundamental right, and no agreement should unfairly restrict it. However, this provision includes an important exception: when a person sells the

goodwill of a business, they may agree not to compete with the buyer within reasonable limits.

The simplicity of the wording belies the complexity of its interpretation, particularly in employment scenarios where the line between reasonable contractual obligation and unlawful restraint can often be blurred.

**Background of the Vijaya Bank Case**

In this case, Prashant B. Narnaware, an employee of Vijaya Bank, applied for and was appointed as a Senior Manager, a role that came with an increased pay package and responsibilities. As part of the appointment, he was required to sign an employment bond. The bond, expressed in Clause 11(k) of the appointment letter, mandated that he serve the bank for at least three years, failing which he would have to pay ₹2 lakhs as liquidated damages.

Narnaware accepted the terms, resigned from his previous post, joined as Senior Manager, and even executed the bond. However, before the three-year period was over, he resigned to join another bank (IDBI) and was required to pay the ₹2 lakhs, which he did under protest. Later, he approached the High Court, contending that such a clause was:

- In violation of Section 27 (as it restricted his right to change employment),
- Unconstitutional, infringing upon his rights under Article 14 and 19(1)(g) of the Constitution,
- Opposed to public policy, and thus void under Section 23 of the Contract Act.

**Key Legal Questions Before the Supreme Court**

1. Does Clause 11(k), which mandates a minimum service period or payment of damages, constitute a restraint of trade under Section 27?
2. Is the clause unfair or unreasonable to such an extent that it violates public policy or fundamental rights?

**The Court's Analysis and Observations**

**1. On Restraint of Trade and Section 27**

The Court drew upon the landmark judgment in Niranjan Shankar Golikari v. Century Spinning (1967) to clarify that restrictions during the term of employment are not considered restraints on trade. The Court emphasized that an agreement that simply requires an employee to stay for a minimum period or compensate the employer for leaving early does not violate Section 27.

Importantly, the clause did not prevent Narnaware from working elsewhere; it merely required him to compensate the employer for costs incurred due to his premature resignation. This, the Court held, does not amount to a restriction on future employment and therefore is not void under Section 27.

**2. On Public Policy and Unequal Bargaining Power**

The employee argued that the bond was a standard-form contract, signed under compulsion, with no room for negotiation, hence, it reflected unequal bargaining power. The Court acknowledged this concern, referring to Central Inland Water Transport v. Brojo Nath Ganguly (1986), where contracts of adhesion (standard-form

agreements) were held to be void if found to be unconscionable or oppressive.

However, in this case, the Court took a practical and contextual approach. It observed that:

- Vijaya Bank is a public sector entity competing in a liberalized financial market.
- To attract and retain skilled employees, it is justified in protecting its investment through a minimum service clause.
- The ₹2 lakh bond was not exorbitant, especially for a senior managerial post.
- The respondent voluntarily accepted the offer, resigned from his earlier role, and benefited from the new appointment.

Thus, the clause was not unconscionable, oppressive, or against public policy. The Court emphasized that public policy is an evolving concept, and in a globalized economy, such retention measures serve a legitimate public interest by ensuring institutional efficiency.

**3. On Liquidated Damages**

The Court noted that the ₹2 lakh clause was not a penalty, but a reasonable pre-estimate of loss. The bank had submitted that early resignations disrupt operations and require expensive and time-consuming recruitment processes. Since the amount was neither arbitrary nor punitive, and considering the level of responsibility and salary the employee enjoyed, the Court found it reasonable and justified.

**Final Verdict**

The Supreme Court upheld the validity of Clause 11(k) in the appointment letter and ruled that:

- It did not violate Section 27 of the Contract Act,
- It was not against public policy,
- The High Court's decision to strike down the clause was erroneous and hence set aside.

**Conclusion and Implications**

This judgment is a significant affirmation of the enforceability of employment bonds in India, provided they are:

- Reasonable in scope and duration,
- Meant to recover real costs (like training or recruitment),
- Not aimed at restraining future employment.

The ruling brings clarity to employers who invest in training and onboarding employees and wish to safeguard against arbitrary attrition.

It also underscores that while employees must be protected from exploitative contracts, they cannot be absolved from obligations they voluntarily accept, especially when they benefit from such terms.

For policymakers, this judgment reinforces the need to balance employee rights with institutional efficiency and business interests in a competitive and globalized economy.

**Key Legal and Strategic HR Inputs**

**1. Employment Bonds Are Legally Valid - If Reasonable**

- Ensure the bond terms are proportionate to the investment made in hiring, onboarding, or training.
- Avoid clauses that completely restrict future employment, allowing freedom to resign with fair compensation.

**2. Clarity in Bond Language Is Critical**

- Clearly outline:
  - Duration of the bond (e.g., 2–3 years).
  - Amount payable if the employee exits early.
  - Justification for the bond (training, relocation, strategic roles, etc.).
- Document:
  - Cost of training
  - Recruitment expenses
  - Loss of business continuity
- Maintain internal records or cost sheets to substantiate the amount.

**4. Voluntariness and Transparency Are Essential**

- Provide a copy of the bond upfront before the employee joins.
- Allow the employee to review and raise queries before signing.
- Consider adding an acknowledgment clause stating the employee read, understood, and voluntarily signed the bond.
- Align policies with public sector norms, especially if you're a government or PSU employer.
- Avoid vague or blanket statements that may be viewed as arbitrary or oppressive.

**3. Justify the Cost: Use Reasonable Liquidated Damages**

- The bond amount should reflect a genuine pre-estimate of loss, not a penalty.

**5. Bond Enforcement Should Be Consistent**

- Apply the bond policy uniformly across similar levels and not selectively.
- Avoid enforcing bonds where no clear cost/investment has been incurred.

**Compliance and Risk Management Tips**

- Stay within the scope of Section 27: Avoid any clause that directly restricts or punishes the employee's ability to take up other employment.
- Be cautious with standard-form contracts: Periodically review templates for fairness and compliance.

# COLUMNS

Column - 1

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Help Yourself

Food for thought

# Surrounded by Idiots

(The Four types of Human Behaviour and how to Communicate with each in business and in Life.)

by

Thomas Erikson

*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.*

Communication skills are crucial in corporate set-ups and more so for a Company Secretary as she/he shoulder various responsibilities. In order to communicate well, one must also listen and understand the other person well. But this is a challenge when dealing with people whom we have known for a short while. Therefore, in the swiftly-moving corporate world, 'Surrounded by Idiots' is a book written to help understand people better and faster by broadly classifying them into four types.

Each type of person is assigned a colour by the author and everyone we meet is either purely one of the four colors or a combination of two of them. This may seem overly simplified but it is quite convincing. By this theory, it is also easier to understand why communication gaps happen.

In fact, the book is named such because the author came across a perfect example of things going wrong because of a communication gap. When the author was 25 years old, he was assigned to interview a businessman. When the author generally enquired how things were running in his business, he replied that he was "surrounded by

idiots." The author first thought that it must be a joke, but the businessman really went on and explained how he really meant it. It turned out that there was a communication gap between the owner of the business and everyone working in his business. It was actually a lack of understanding that had gone terribly wrong, and it had contaminated their work environment and culture. The people working for him would be extremely intimidated by him and would only pray all the time that he leaves the office building as soon as possible, so that they all can work. This got the author thinking, and eventually he came up with this book.

The author, Thomas Erikson, is a Swedish behavioural expert, active lecturer, and bestselling author. For more than twenty years, he has been traveling all over Europe delivering lectures and seminars to executives and managers at a wide range of companies, including IKEA, Coca-Cola, Microsoft, and Volvo.

In the book we discuss today, each of the personality types is assigned a colour, which you can see in the cover of the book itself- red, yellow, green, and blue; it may occur to one that a certain personality would be positive and a certain other would be negative. But the author highlights the strengths and weaknesses of each one and has also explained what roles they carry out best and the significance of having all the types in our world. The book adds examples of famous people under each type, which further adds to our clarity about each type.

We definitely have come across each of the four types of people, and reading this book significantly increases our understanding of people and how they communicate. This book convinces you that why people communicate the way they do is mostly because of who they are, more than it is about who they are communicating to.

The book gives a language for the brain to think by sorting people into different colours. It simplifies things for you more than you would believe at first.

Apparently, this book is not the first one that approaches personality classification in this manner, but it is definitely worth reading. It would also be worth it to take up this approach while trying to communicate to the people around us and see if we can communicate better.

If you are here for the first time, this column intends to impart byte 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 taste of an acquaintance with 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.

# Verdict Vista

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**Bombay HC Interprets Sole Member's Liability of One Person Company, Upholds Principle of 'Limited Liability'**

Personal liability of the sole member of One Person Company ('OPC') has been a matter of concern and debate right from the time when the concept of OPC was introduced in the Companies Act, 2013. One of the objectives of introducing OPC was to corporatise sole proprietorships by giving them similar benefits of the company, which include perpetual succession, limited liability, power to acquire, hold, and dispose of property (movable/immovable, tangible/intangible), to contract, and to sue and be sued by the said name.

In a recent arbitration matter, OPC along with its sole member/director was directed to deposit claimed sum in a fixed deposit in a nationalised bank, disclose all assets, details of all companies and firms in which he has interest, disclose income-tax returns along with the profit and loss account and all ledger statements along with narrations and disclose details of all bank accounts. On appeal, the Bombay High Court interpreted the liability of the sole member and the OPC. This article is an analysis of the judgment of the Single Bench of the Bombay High Court (by Justice Somasekhar Sundaresan) in the case – Saravana Prasad v. Endemol India (P.) Ltd. ([2025] 176 taxmann.com 442 (Bombay); Commercial Arbitration Petition (L) No. 22714 and 22746 of 2024, July 3, 2025).

**Facts of the case:**

1. Innovative Film Academy Private Limited ('Innovative') is an OPC formed by Mr. Prasad. Innovative entered into a 'Production Agreement' whereby Endemol would create, produce, edit post-production, and deliver episodes of the well-known cookery television show franchise 'MasterChef' in Tamil, Telugu, Kannada, and Malayalam. As agreed by the parties, the payments were due on the basis of milestones across the span of work to be carried out.
2. Endemol delivered the episodes in Tamil and Telugu and was contractually entitled to payment on the four invoices it raised on Innovative from time to time, aggregating to Rs. 15.93 crores. It is also common ground that a sum of Rs. 4.45 crores has been paid by Innovative to Endemol. A sum of Rs. 1.08 crores was adjusted against dues in another contract between the parties. The outstanding dues on the invoices were stated to be Rs. 10.40 crores.
3. Disputes and differences relating to the claim to these dues are the trigger for the Arbitral proceedings, which led to the order being passed as an interlocutory measure u/s 17 of the Arbitration Act. The Arbitral Tribunal has ordered the Respondents (in the arbitral proceedings i.e. Innovative and Mr. Prasad – sole member) to do the following: (a) Deposit the claimed sum of Rs. 10.40 crores in a fixed deposit in a nationalised bank, to be maintained without disturbance pending the hearing and final disposal of the arbitration; (b) Disclose all assets (movable and immovable) and all encumbrances, charges and attachments on such assets since March 2019; (c) Disclose details of all companies and firms in which they are shareholders, directors or partners and the extent of their interest in such enterprises; (d) Disclose all income-tax returns since March 2019 along with the profit and loss account and all ledger statements along with narrations; and (e) Disclose details of all bank accounts held by them since March 2019.

**Issue before the Bombay High Court**: The issue that arises in the Petition is whether the Order of the Arbitral Tribunal represents a reasonable and plausible view or whether it adopts a view that is implausible and untenable.

**Observations of the Bombay High Court**: The observations of the Bombay High Court ('HC') are summarised as follows:

1. HC noted that Innovative is an OPC, a concept introduced in the Companies Act, 2013, to enable the formation of a company with just one shareholder. Such a legal framework was explicitly introduced into the law, in a departure from the conventional concept that it takes at least two individuals to keep each other 'company'. By such a construct, the Companies Act enabled the creation by a sole individual of a body corporate that is an artificial juridical person. Even perpetual existence has been envisaged – the OPC does

not come to an end with the death of the sole shareholder since he would need to nominate another individual who would become the sole shareholder of the OPC, which continue as such. By such creation of legal fiction, the OPC is meant to create a framework whereby individuals who need the protection of limited liability can ring-fence their personal liability and personal assets from the risks involved in the businesses run by them.

2. The concept of OPC has its parallels in other advanced economies of the world, including the European Union, the United States of America, the United Kingdom, and even in Asian economies such as China and Singapore.
3. HC referred to the hallowed case of Salomon that laid the foundation of 'limited liability' for companies. As a matter of Indian company law, the concept of the OPC is now a matter of special corporate law policy of India introduced into the Companies Act to enable individual entrepreneurs to ring-fence their assets from exposure to liability arising out of the conduct of business by the OPC formed by them.
4. HC observed that the Arbitral Tribunal has taken a reasonable approach of ensuring that the money directed to be deposited is not alienated from the petitioners; however, the order of the Arbitral Tribunal represents a material error by treating Mr. Prasad and Innovative as one and the same in terms of liability owed to Endemol. The order of Arbitral Tribunal makes no distinction between Innovative and Mr. Prasad and the HC further observed that "By directing both of them to make the deposit, and worse, by directing each of them to make a full disclosure of all personal assets, liabilities, tax returns, and ownership interests in any enterprise, this facet of the impugned order is in direct conflict with the fundamental policy of the India."
5. The HC observed that order of Arbitral Tribunal is vulnerable on two counts, "first, it does not provide reasons as to why it would treat Innovative and Prasad as one and the same in terms of liability owed; and second, it is directly contrary to Innovative being a limited liability company, which implies that no final relief of liability is possible against Prasad for no reason other than being the sole shareholder of Innovative". HC stated that Innovative, being a limited liability company, totally undermines the ability to direct Mr. Prasad to meet obligations by way of interim relief since there cannot arise final relief that fastens Innovative liabilities onto Mr. Prasad;
6. While criticising the order of the Arbitral tribunal, HC stated that "There is also no analysis of any contemporaneous evidence that would make Prasad contractually liable without being a party to the agreement. If such a factual matrix had been in existence and dealt with, one could have considered that, despite being ring-fenced from Innovative liability as its shareholder, Prasad may have some obligation to meet."

7. On the liability of OPC, the HC observed that "…. The OPC is meant to be the business and social alter ego of the OPC, and that is by legal design. The legal framework explicitly protects such a sole shareholder by limiting the liability as for any other company. If the director signing on behalf of the OPC is reason enough to wish away the statutory scheme of limited liability, it would render the very framework of the OPC redundant and otiose. If being an alter ego were enough to dilute the limited liability of the sole shareholder of the OPC, the very legal framework governing OPCs would stand obliterated."
8. The HC noted that section 2(62) of the Companies Act defines an OPC as a company that has only one person as a member. The HC observed that "shareholders of a company whose liability is limited by the shares held, cannot be called upon to discharge the obligations contracted by the company. It is nobody's case that Innovative is a company with unlimited liability. By law, it is positively required to suffix its name as a "private limited company". Therefore, no liability of Innovative can result in a liability of Prasad."
9. Finally, the HC concluded by stating that: (a) Since Mr. Prasad's liability is limited by the Companies Act, no direction against Prasad to make a deposit or make any disclosure is legally sustainable or tenable – such a direction is in direct conflict with the fundamental policy of Indian law governing OPCs, as enshrined in the Companies Act; (b) Even a final relief against Prasad looks, prima facie, unlikely – it is left open to the course of arbitration to see if there is any other basis at all for any claim to be made against Prasad, but at this stage there is not even a, prima facie, case for issuing any directions involving personal liability on Prasad. Therefore, directing him to make a deposit or to make disclosures of his personal assets and liabilities (which can only be in aid of a potential future personal liability) is untenable and liable to be set aside; (c) Therefore, the Arbitral Tribunal order, insofar as it directs imposition of any personal obligations on Mr. Prasad, is hereby set aside; (d) Arbitral Tribunal order, insofar as it imposes obligations on Innovative – whether in the nature of maintaining a fixed deposit in a bank, or disclosing assets, liabilities and ownership interests of Innovative – cannot be faulted with.

**Analysis & impact of Bombay HC judgment**: This is a very interesting judgment of the Bombay HC that clarifies the contractual liability of the sole member of the OPC and the OPC. Very aptly, the Bombay HC has referred to the principle of 'limited liability' as laid down in Salomon v. Salomon (1897) AC 22 (para 12). The Salomon case is a landmark case in corporate laws w.r.t. liability of the shareholder, and the Bombay HC has rightly relied on the same. In my view, this would be the first judgment that identifies the separate legal existence of a One Person Company (i.e., company) and the sole shareholder and sole director.

In a different context with different facts, had the OPC been used as a vehicle by the sole shareholder to evade taxes, exploit laws, avoid contractual liability, commit fraud, then the observations of the HC would have been

different. Therefore, this judgment of the Bombay HC does not provide for immunity to the sole members of the OPC in all possible situations and facts. The routine exceptions to the principle of 'limited liability' still continue to apply to OPC.

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# ROC Adjudication Order

**Order under Section 92 and Section 137**

**Legal Provisions**

**Section 92: Annual Return**

(4) Every company shall file with the Registrar a copy of the annual return, within sixty days from the date on which the annual general meeting is held or where no annual general meeting is held in any year within sixty days from the date on which the annual general meeting should have been held together with the statement specifying the reasons for not holding the annual general meeting, with such fees or additional fees as may be prescribed

**Section 137: Copy of Financial Statements to be filed with Registrar**

(1) A copy of the financial statements, including consolidated financial statement, if any, along with all the documents which are required to be or attached to such financial statements under this Act, duly adopted at the annual general meeting of the company, shall be filed with the Registrar within thirty days of the date of annual general meeting in such manner, with such fees or additional fees as may be prescribed1

(3) If a company fails to file the copy of the financial statements under sub-section (1) or sub-section (2), as the case may be, before the expiry of the period specified [therein], the company shall be [liable to a penalty] of [ten thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of two lakh rupees, and the managing director

and the Chief Financial Officer of the company, if any, and, in the absence of the managing director and the Chief Financial Officer, any other director who is charged by the Board with the responsibility of complying with the provisions of this section, and, in the absence of any such director, all the Directors of the company, shall be liable to a penalty of [ten thousand rupees] and in case of continuing failure, with further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of [fifty thousand rupees.]

**Facts of the Case:**

The Company WEALTH SHORE MANAGEMENT PVT.LTD., is a Company incorporated under the Companies Act, 2013 having its registered office in Mumbai and having paid-up share capital of Rs. 1,00,000/-.

A complaint was received by the ROC from the office of the Regional Director based on the inputs received from the Department of Revenue, CEIB and SEBI vide letter no. EI/01-23/2018-CEIB dated 12.09.2018 against several companies including Wealth Shore Management Pvt. Ltd. On perusal of e-filing of the Company it was found that the Company had not filed its annual return and financial statements since incorporation till FY ending 2019 in contravention of Section 92(4) and Section 137(3) read with Section 454 of Companies Act, 2013.

Show cause letters dated 16.10.2019 was sent to the Company and its five Directors. Out of the five letters, three letters were returned with postal remarks- 'Left' and 'intimation'.

On perusal of the e-filing of the Company on MCA-21, it was observed that the Company had not filed its annual returns since its incorporation till the date of this order.

**Decision:**

The Company has not filed its annual returns and financial statements since 2018 till the date of this order, that is, 25.07.2025. The Company does not fall under the definition of 'small company' since its turnover is unknown due to the non-filing of its annual returns and financial statements since its incorporation.

Thus, the Company and its officers in default are liable for a penalty under the provisions of Section 92(5) and Section 137(3).

a) The due date for filing the Annual Return for F.Y. 2017-18 was 28.11.2018. Till 25.05.2025, the Company has not filed its annual return, which is a total of 2431 days.
b) The due date for filing the Annual Return for F.Y. 2018-19 was 28.11.2019. Till 25.05.2025, the Company has not filed its annual return, which is a total of 2066 days.

c) The due date for filing Financial Statements for F.Y. 2018-19 was 29.10.2019, and till 25.05.2025, the Company has not filed its annual return, which is a total of 2096 days.

Therefore, the following is the penalty imposed:

**2017-18- No. of days of default- 2431**

Rs. 50000/- each (Company and Directors) for the first default, total amounting to = Rs. 3,00,000

Rs. 2,43,000 each (Company and Directors), being Rs. 100 for 2431 days of default = Rs. 14,58,000

**2018-19- No of days of default- 2066**

Rs. 50000/- each (Company and Directors) for the first default, total amounting to = Rs. 3,00,000

Rs. 2,06,500 each (Company and Directors), being Rs. 100 for 2065 days of default = Rs. 12,39,000

**2018-19- Financial Statements- No. of days of default- 2096**

Rs. 1,00,000/- each (on all five Directors) for the first default, total amounting to = Rs. 5,00,000

Rs. 1000 for each day of default on the Company total amounting = Rs. 20,65,000, but limited to a maximum penalty of Rs. 10,00,000

Rs. 2,09,500 each (Company and Directors), being Rs. 100 for 2095 days of default = Rs. 12,57,000

**Order under Section 155**

**Legal Provisions**

**Section 155: Prohibition to Obtain More than One Director Identification Number.**

No individual who has already been allotted a Director Identification Number under section 154 shall apply for, obtain, or possess another Director Identification Number.

**Section 159: Penalty for Default of Certain Provisions**

If any individual or director of a company makes any default in complying with any of the provisions of section 152, section 155 and section 156, such individual or director of the company shall be liable to a penalty which may extend to fifty thousand rupees and where the default is a continuing one, with a further penalty which may extend to five hundred rupees for each day after the first during which such default continues

**Facts of the Case:**

Mr. Vamsi Anirudh Krishna Dhaduvai, Director with DIN: 01442458, had submitted a suo motu application dated 21.08.2024 to the office of ROC Hyderabad for violation of Section 155 of the Act read with Rule 11 of Companies (Appointment of Directors) Rules, 2014. From the application, it was seen that the applicant applied for his first DIN on 13.06.2007. On obtaining his first DIN, he was appointed as Director and is still holding directorships in Sneha Cold Storage Pvt. Ltd. and Foster Cold Storage Pvt. Ltd.

Later the applicant applied for another DIN and was allotted DIN: 10016672 vide approval letter dated 23.08.2022 and was appointed as Director in Cold Links LLP. However, the applicant realized only later that the application for a second DIN was made inadvertently and in contravention of the Act following which he applied for surrendering of the second DIN vide DIR-5 on 25.06.2024. Hearing was conducted on the suo motu application on 11.09.2024 and the Director was represented by a Practicing Company Secretary at the hearing.

**Decision**:

It is established from the application and records that there is a violation of Section 155 of the Act for the duration of 23.08.2022 to 25.06.2024 i.e. 672 days which is punishable under section 159 of the Act which provides for a maximum one-time penalty of Rs. 50,000 and further maximum penalty of Rs. 500 per day during which the default continues. Therefore, the total penalty has amounted to Rs. 3,86,000/-.

**Unity in diversity is India's strength. There is simplicity in every Indian. There is unity in every corner of India. This is our strength.**

NARENDRA MODI

Students Corner

**Ms. Kavita Arora**

CS Professional Student, Semi-Qualified

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## Finding Motivation After Every Setback

For months, I tried staying away from LinkedIn because the anxious me was not ready to see others getting ahead while I was at the same place.

Failure. The word itself is enough to haunt us. Just like me, a lot of students saw the failure for the first time in their professional courses. The world shatters for us. Self-doubt replaces self-worth. Family and friends show sympathy. But all we know is - we deserve more and we deserve better.

Professional courses not only test our knowledge but also our patience. While everyone else around me saw the potential in me, I was the one who took multiple failures to heart.

In reality, our failures disappoint us but what disappoints us more is other people's achievements, not because we are not happy for them but because it makes us ask ourselves a question - **IS THERE SOMETHING WRONG WITH ME, THAT I FAILED?** We are left behind while everyone else gets ahead in their journey.

When I scored an All-India Rank (AIR) in my Foundation exam, I never thought that the journey would be this tough. Then, in no time, I saw so many friends, juniors, and acquaintances clearing their exams sooner than I did. There was always something happening in my life, especially during my exams. There was a family problem or a health issue or a marriage in the family, or a preparation gap. Every time I surrendered to the circumstances.

Yet, when the results came, I still expected to pass. So did my family.

Words like “it's okay to feel behind” or “it's okay to fail” made no sense to me. But then, I realized something. When I connected with people who had to go through more than one attempt to clear their exams, it made me feel like there is so much more to everyone's story.

**Life is All about Turning Lessons into Opportunities.**

Failure teaches a lot. With each unsuccessful attempt, I was learning not just about the syllabus but a lot about myself. My anxiety became worse. And I quietly accepted my timeline.

My life came to a point where it all became about surviving. And I survived - each time, each attempt.

Some of us start late. Some start fresh. Some start with experience. Some reach the finish line early, and some reach it late. No matter what the timeline, it is never meant that reaching late is a failure. **What really matters is reaching.**

I once spoke to a senior who cleared after multiple attempts. He told me, ‘My degree came late, but lessons came early.’ That stuck with me.

I stopped comparing myself to the achievements that people posted online. Social media is not reality. No one is posting about sleepless nights, about sadness, and about their problems. Everyone is posting about good things, and that is not reality; it is an illusion.

**Illusions can be Misleading** — they pull us away from what’s real. It is important to pause, reflect, and remind ourselves of the truth. A reality check helps us see beyond the social media filters, the big achievements, and the highlight reels and brings us back to our own path, our own pace.

Maybe my journey didn’t go as planned — but maybe it’s going exactly as it’s meant to. And I trust that my time will come, just as it came for others.

And even though I haven't reached the finish line yet, I am proud of how far I have come. The journey is making me into a strong version of myself, which I would not have become without setbacks.

Setbacks help us realize what we really want from our career, our degree, and our life.

**Life is not always fair**. But, today with all the wisdom, I stand here, knowing that the present circumstances are my best circumstances. That no matter what happens, all that I have to do -- and you have to do -- is: **SHOW UP**.

All I have learned is that attempts don't erase your worth. They don't take away your potential. They don’t define who you are.

To anyone who is struggling in this journey, **keep showing up for yourself**; it is just a matter of time.

Whether you are just starting the course, repeating an attempt, or waiting for results — **stay in the game.**

You will make it.

**Because we are all capable of rising again and again.**

Corporate Riddle

# "Corporate Riddle"

1. I contain key financial and business information but lack final details. Investors use me to preview what's coming

2. I give you a glimpse into the company's operations, risks, and plans—but don't expect me to tell you the exact number of shares or their price.

3. My name sounds fishy, but I'm all business. I'm not the final say, but I help investors decide if they want to dive deeper.

**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


Riddler

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Founder & Director

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**Answered by**

CS Shivam Bhatt, LLB

## Last Month's Corporate Riddle

1. I'm the silent guardian of market integrity, ever vigilant but often unseen. My presence is felt when rules are broken.
2. I'm the architect of market rules, shaping the framework that governs the flow of capital. My designs impact the fortunes of many.
3. I'm the shield that protects investors from the storm of market volatility. My strength lies in my ability to adapt and evolve.

Who am I?

**Answer: Securities and Exchange Board of India (SEBI)**

# Compiled by:


**Mr. Prajwal Rangaraju**

Management Trainee

Accrescent Managed Services Private Limited



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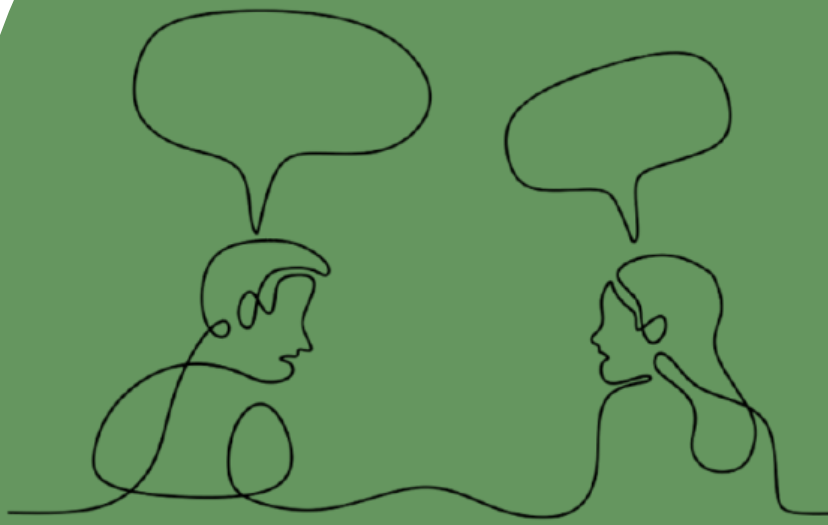
## Column - 5



## Manthan

1. Whether the provisions of the Act and Secretarial Standards are applicable to the State Bank of India, Punjab National Bank, HDFC Bank Limited, Electricity Companies, and Insurance Companies?

**Core Questions**

- Whether State Bank of India and Punjab National Bank a companies under the Companies Act, 2013?
- Whether HDFC Bank Limited, Electricity Companies, and Insurance Companies are companies under the Companies Act, 2013?
- What is the applicability of Section 1(4) on the above-mentioned entities
- Which of the acts shall be given preference - Provision of the Special Act governing the above-mentioned companies or the Companies Act 2013
- Whether Secretarial Standards are applicable to the above-mentioned entities?

**View of the Manthanities**

- **Entities Governed by Special Acts**

  State Bank of India (SBI) and Punjab National Bank (PNB) are constituted and governed under special acts, namely:

  - The State Bank of India Act, 1955;
  - The Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970.

  Accordingly, these institutions fall within the scope of Section 1(4)(e) of the Companies Act, 2013, which states that the provisions of the Act will apply to such entities only to the extent that they are not inconsistent with the provisions of their respective governing Special Acts. In the event of any inconsistency, the provisions of the Special Acts shall prevail.

- **Entities Incorporated under the Companies Act, 2013, and also Regulated by Special Acts**

  The following entities are incorporated under the Companies Act, 2013, but are also governed by respective sectoral legislations:

  - **HDFC Bank Limited** – Regulated by the Banking Regulation Act, 1949 – [Section 1(4)(c)]
  - **Insurance Companies** – Regulated by the Insurance Act, 1938 and the Insurance Regulatory and Development Authority Act, 1999 – [Section 1(4)(b)]
  - **Electricity Companies** – Regulated by the Electricity Act, 2003 – [Section 1(4)(d)]

  For these entities, the Companies Act, 2013, applies to the extent its provisions are consistent with the applicable special legislation. In case of any conflict arising, the special legislation will take precedence.

**Applicability of Secretarial Standards**

Section 118(10) of the Companies Act, 2013 mandates that every company shall observe the Secretarial Standards relating to Board and General Meetings as issued by the Institute of Company Secretaries of India (ICSI), constituted under the Company Secretaries Act, 1980.

Further, section 2(20) of the Companies Act, 2013 defines a "company" as a company incorporated under this Act or under any previous company law. Based on this definition, the requirement to comply with Secretarial Standards is applicable only to:

- HDFC Bank Limited
- Insurance Companies
- Electricity Companies

These entities are incorporated under the Companies Act, 2013 or earlier company laws. However, the requirement does not extend to entities like State Bank India and Punjab National Bank, which are entirely governed by their respective Special Acts and are not incorporated under the Companies Act.

**Conclusion:**

While all the aforementioned entities may be subject to various provisions of the Companies Act, 2013, the extent of such applicability is determined by the nature of their incorporation and the governing special legislations. In case of conflict, the provisions of the Special Acts will override those of the Companies Act, 2013. Additionally, the observance of Secretarial Standards is restricted to those entities that qualify as "companies" under Section 2(20) of the Act.

Brainy Bits

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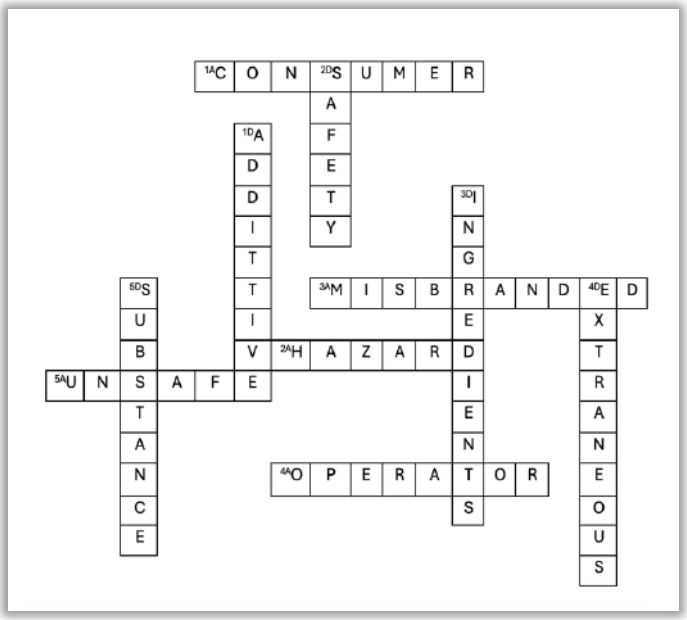
# Cross Word – 6

(Based on Chapter I of the Food Safety and Standards Act, 2006)

**ANSWERS**



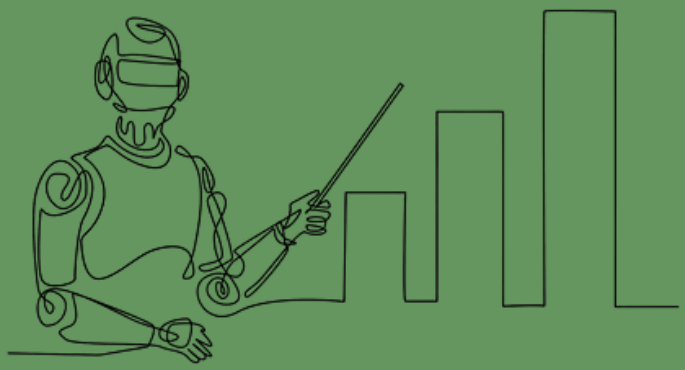

**Across:**

1. _____ includes both the persons and families purchasing and receiving the food to meet their personal needs (8)
2. a biological, chemical or physical agent in, or condition of, food with the potential to cause an adverse health effect is known as _____.(6)
3. Any food which is sold by a name which belongs to another article of food is known as _____ food. (10)
4. Any person who owns or operates a food-related enterprise and is responsible for ensuring compliance of Food Safety and Standards is known as Food Business _____. (8)
5. An article of food that has been altered in its nature, substance, or quality in such a way that it becomes harmful to health is _____ Food. (6)

**Down:**

1. Any substance not normally consumed as a food by itself or used as a typical ingredient of the food is known as a food _____. (8)
2. Food _____ means assurance that the particular food item is fit and acceptable for human consumption in accordance with the intended use. (5)
3. _____ refers to any substance, including food additives, that is utilized during the manufacture or preparation of food and remains present in the finished product, even if altered in form. (11)
4. Any substance present in a food article that may originate from raw materials, packaging materials, or the processing systems used in its production, or that may be added to it, provided that such substance does not make the food article unsafe is known as _____ Matter. (10)
5. Any natural or artificial substance or other matter, whether it is in a solid state or in liquid form or in the form of gas or vapour, is referred to as a _____. (9)

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



Tech Corner

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# Bio-Batteries: A Greener Way to Power the Future

In today's world, where everything runs on batteries—from our phones to electric cars—we're always looking for better, cleaner, and safer ways to power our lives. One of the exciting new ideas scientists are working on is called the bio-battery.

So, what exactly is a bio-battery? In simple terms, it's a battery that uses natural substances—like sugars, enzymes, or even tiny living organisms—to produce electricity. Unlike the regular batteries we use every day, which often contain harmful chemicals and heavy metals, bio-batteries are made from eco-friendly materials and are completely biodegradable.

Bio-batteries work by breaking down organic substances (like glucose, which is basically sugar). When these natural substances are broken down, they release tiny particles called electrons. Those electrons are what create electricity. Instead of relying on metals or synthetic chemicals, bio-batteries use enzymes or microorganisms to start and control this reaction.

One of the biggest advantages of bio-batteries is that they're much safer for the environment. They don't leak toxic materials, and their ingredients can be found naturally or even produced from waste. Imagine being able to power your device using something as common as sugar—or even dirty water!

Scientists are also exploring how bio-batteries could be used in medical devices, small electronics like fitness trackers, and even in remote areas where clean energy is hard to get. There are even experiments using bacteria to clean wastewater while producing electricity at the same time.

But as promising as they are, bio-batteries still have some challenges. Right now, they don't produce as much power as regular batteries, and they don't last as long. Also, the biological materials inside them can wear out faster. That said, researchers around the world are working hard to improve them, and progress is being made every year.

It's easy to imagine a future where instead of throwing away old batteries that pollute the planet, we could use clean, safe bio-batteries that naturally break down and even use waste to create energy.

In short, bio-batteries are a small but powerful step toward a cleaner and more sustainable future. The idea of using nature to power our world isn't just science fiction anymore—it's becoming a reality.