



e- Newsletter



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)

WESTERN  
INDIA  
REGIONAL  
COUNCIL

MARCH  
2020

# INDIA stands UNITED in fight against

# #COVID-19

Record Fall  
Sensex index closed down 13%, the biggest fall ever

S&P BSE SENSEX Index - Last Price



Source: Bloomberg

### Vision

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

### Motto

सत्यं वद। धर्मं चर।

इष्टार्क the truth. abide by the law.

### Mission

"To develop high calibre professionals facilitating good corporate governance"

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*From the Desk of the Chairman...*

**I have so much that I want to do.  
I hate wasting time.  
- Stephen Hawking”**



**CS Rahul Sahasrabudde**

Dear Professional Colleagues,

By now, we all must have realized that the current “social-distancing” positively forced upon us is for a greater good of the mankind. Novel Corona Virus (“Covid-19”) has turned the whole world upside down and has forced many economies, including India to a grinding halt.

The swift actions by the Central Government and respective State Governments have tried its level best to contain the damage caused by this demonic virus. The regulators like Ministry of Corporate Affairs, Securities and Exchange Board of India, Insolvency and Bankruptcy Board of India, etc. have issued various circulars, notifications, directions after comprehending hardships caused by the nationwide lock down. In this issue of Focus, we have consciously added articles covering analysis of these regulatory developments.

During these challenging circumstances, ICSI under the able leadership of Shri. Ashish Garg, President, has contributed over Rs. 5 Crore till date to Prime Minister’s National Relief Fund/ PM CARES Fund. We may also play a squirrel’s role by contributing to this noble cause through the link <http://www.icsi.in/DonationCovid19>.

Friends, post-lock down, business will not be the same and every businessman and professional will have a different strategy and approach. Earlier, work from home was an exception, now it may be the trend. Human resource centric companies will consider the infrastructure cost, travel cost and other associated costs at the time of hiring employees. This change in business strategies may also change dynamics of corporate law advisory services.

The great Karl Marx, while describing his theory of alienation explained that, "work renders man an alien to himself and to his own products." Similarly, and to sum up on a positive note, we all must have used current mandatory “home locked work environment” to unshoulder unwanted baggage, learn and relearn contemporary skills, to read long pending books, spending much needed time with the family or to even (re)discover hobbies. Last but not the least, let us swallow the current bitter pill of ‘lock down’ in honing our skills sets for better future. Never waste a slowdown (read lockdown.....)

Yours Truly,

Rahul Sahasrabudde  
Chairman  
WIRC of ICSI

Place: Mumbai  
Date: April 9, 2020



**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)

Dear Professional Colleague,

**Subject: Appeal to Members for voluntary Contribution for COVID-19 and Supportive measures undertaken by ICSI**

The spread of COVID-19 virus has warranted the need for dedicated efforts on the part of each one of us. While appreciating the Government of India including all the State Governments for their multifarious initiatives to control the situation, we also extend our gratitude towards the Regulatory Authorities for taking cognizance of the gravity of the public health situation and relaxing various regulatory and compliance requirements for Corporates and Professionals.

The ICSI stands committed to taking all possible measures in containing this pandemic that has affected the entire world. Realising its social responsibility in these trying times, the ICSI has undertaken following measures:

- a) Allowed all the officials and employees (including contractual) PAN India to work from home to avoid any exposure to COVID-19 or its spread.
- b) Contribution of a sum of INR 5 (five) lakh to the Prime Minister National Relief Fund or 'PM-CARES' Fund.
- c) Voluntary contribution of one-day salary by employees of ICSI.

Further, the ICSI has taken following initiatives to support its members and students:

**A. For Members**

- a) Representation to MCA for relaxation of regulatory compliance requirements;
- b) Relaxation in Guidelines for Compulsory Attendance of Professional Development Programmes and shifting it entirely to online/virtual mode;
- c) Online Certification courses to support their continuous learning;
- d) Obtaining Program Credit Hours through self-assessment series;
- e) Extension of time period for obtaining mandatory PCH for the current block of 2017-20 upto 30th June, 2020;
- f) Publishing of April, 2020 issue of Chartered Secretary in e-mode only.

**B. For Students**

- a) Temporary relaxation for complying with the requirement of **Pre-Examination Test and One Day Orientation Programme** for enrolment to June, 2020 Examination;
- b) Extension of date for filing Examination Form;
- c) Facility of e-MSOP has been extended to all the candidates who have completed Company Secretaryship Final/ Professional Programme examinations including the newly qualified candidates;
- d) E-learning facilities through Live Webcast for students will soon be made available.

In addition to above, understanding the gravity of the situation and realising the need to support those affected by COVID-19, we appeal all our worthy members, to come forward and support to the cause by making voluntary contributions by clicking the following link:

<http://www.icsi.in/DonationCovid19/>

The consolidated amount shall be deposited to the Prime Minister National Relief Fund or 'PM-CARES' Fund.

We are hopeful that with appropriate precaution and committed efforts on the part of all of our stakeholders, we shall soon be able to overcome this situation and come out as a much stronger nation.

Regards,

(CS Ashish Garg)

President

The Institute of Company Secretaries of India



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PBC:2020

March 31, 2020

Dear Professional Colleagues,

**Subject: Revised effective date for applicability of (a) ICSI Auditing Standards and (b) Guidelines on Issuance of Diligence Report for Banks by Peer Reviewed Units**

**a) ICSI Auditing Standards**

The Institute has issued the following four ICSI Auditing Standards mandatorily applicable for Audit Engagements accepted by the Auditor on or after 1<sup>st</sup> April, 2020

- Auditing Standard on Audit Engagement (CSAS-1)
- Auditing Standard on Audit Process and Documentation (CSAS-2)
- Auditing Standard on Forming of Opinion (CSAS-3)
- Auditing Standard on Secretarial Audit (CSAS-4)

**In view of the developments arising due to the spread of Covid-19 pandemic, the mandatory applicability of ICSI Auditing Standards CSAS-1 to CSAS-4 is hereby extended for Audit Engagements accepted by the Auditor on or after 1<sup>st</sup> October, 2020.**

**b) Issuance of Diligence Report for Banks by Peer Reviewed Units only**

The Council has issued Guidelines for mandatory Peer Review for various Certification and Audit services in phased manner starting from 1<sup>st</sup> April, 2020. The detailed Guidelines are available at website at weblink: <https://www.icsi.edu/prb/guidelines-peer-review/>

**In view of the current situation, it is hereby informed that the requirement to issue Diligence Report for Banks in case of Consortium Lending / Multiple Banking Arrangements by Peer Reviewed Units only shall be effective from 1<sup>st</sup> July, 2020 instead of 1<sup>st</sup> April, 2020.**

Regards

(CS Ashish Garg)  
President

## AMENDMENTS IN SEBI (LODR) REGULATIONS 2015



**CS Ashish Bhat**

[csashishbhat96@gmail.com](mailto:csashishbhat96@gmail.com)

“Business must harness the power of ethics which is assuming a new level of importance and power.”- James Joseph

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (*LODR*) was brought into force w.e.f. December 1, 2015 to consolidate the provisions governing listed entities which was till such notification done through Listing Agreements. We can say that LODR is a macro level regulation which controls the micro level operations and disclosures made by the listed entities. The broad intention of implementing LODR was to bring in transparency between the corporate entities and the stakeholders.

LODR has been subsequently amended vide following amendment regulations:

Date of notification	Particulars
Jul 29, 2019	SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2019
Jul 29, 2019	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Last amended on July 29, 2019]
Jun 27, 2019	SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2019 - Dated June 27, 2019
May 07, 2019	SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2019
Mar 29,	SEBI Board of India (Listing Obligations and Disclosure Requirements)

2019	(Amendment) Regulations, 2019 dated March 29, 2019
Nov 16, 2018	SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2018
Sep 06, 2018	SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2018
Jun 08, 2018	SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 - [Notification dated 30.11.2018 in respect of the SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018]
Jun 01, 2018	SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2018
May 30, 2018	SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2018
May 09, 2018	SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018
Apr 13, 2017	SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Last amended on March 06, 2017]
Feb 15, 2017	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2017
Jan 04, 2017	SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2016
Jul 08, 2016	SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016
May 25, 2016	SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations 2016
Dec 22, 2015	SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2015

To enhance the standards of Corporate Governance (CG) leading to sustainable growth of entity while safeguarding the interests of various stakeholders especially in the case of large listed entities, a committee on Corporate Governance was formed under the chairmanship of Mr. Uday Kotak on June 2, 2017. The Securities and Exchange Board of India (SEBI)

approved the recommendations of the committee with and without modifications and issued directions to implement the recommendations vide notification dated May 9, 2018 and circular SEBI/HO/CFD/CMD/CIR/P/2018/79 dated May 10, 2018.

This article attempts to explain the changes that have been made to the existing provisions of the LODR, provisions which have been newly inserted and their implications based on the approved CG committee recommendations that have been notified in Amendment regulations dated May 7, June 27 and July 29, 2019. The provisions discussed herein are made effective from April 1, 2019 or/would be made effective from the dates specified therein.

**Abbreviations used**

- SEBI- Securities and Exchange Board of India
- LODR- Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
- MCA- Ministry of Corporate Officers
- CG- Corporate Governance
- AGM- Annual General Meeting
- MD- Managing Director
- CEO- Chief Executive Officer
- CFO- Chief Financial Officer
- CS- Company Secretary

**Amendments discussed in this article- A bird's-eye view**

Sr. No.	Particulars	Reference in the LODR
1	Senior Management- Definition	Reg. 16
2	Board of Directors of the Listed Entity- Constitution, Meetings, Remuneration, Evaluation and Directorships.	Reg. 17, 17A and 25 and Schedule II
3	Committees of the board- Applicability, Role and Constitution of the committees, frequency of meetings and quorum.	Reg. 19, 20 and 21
4	Related party transactions- Definition, Policy inclusions, approval and disclosures.	Reg. 2 and 23
5	CG requirements with respect to subsidiaries of the listed entity.	Reg. 16, 24, 24A, 33 and 52
6	Disclosures of Events or Information.	Reg. 30 and Sch. III
7	Compliances related to Annual Report.	Reg. 32, 34, 36 and Sch. V
8	Contents of the Management Discussion and Analysis and CG Report.	Reg. 34, 53 and Sch. V
9	Compliances related to appointment of statutory	Reg. 36



	auditors.	
10	Formats of disclosures.	Reg. 36
11	Annual General Meetings.	Reg. 44
12	Obligations of listed entities which has listed its non-convertible debt securities or non-convertible redeemable preference shares or both.	Reg. 52
13	Amendments in relation to equity shares with Superior Rights (SR)	Reg. 17, 18 and 19

**1.Senior Management- Definition**

“Senior Management” earlier comprised of all members of management one level below executive directors, including all functional heads. The definition has now been amended and shall specifically include-

- all members of management one level below the CEO/MD/WTD/manager (including CEO/ manager, in case they are not part of the board); and
- CS and CFO

It is to be observed that CS and CFO have been specifically included in the definition of senior management and the compliances as regards to the senior management are to be made for all the employees covered under the amended definition.

**2. Board of Directors- Constitution, Meetings, Remuneration, Evaluation and Directorships**

Amendments in LODR relating to aspects of Board of Directors, have attempted to optimize the composition of board, ensure independence in spirit of independent directors and to undertake consistent and frequent evaluation of the board and individual board members. Table 2.1 states the compliances that are required to be made by certain companies w.e.f. the date specified therein. Further, Table 2.2 states compliances required to be made by all the listed entities in respect to appointment, remuneration, evaluation and directorships of directors.

- Table 2.1

Reg. No.	Particulars	Applicability*	Compliances to be made
17(1)	Appointment of independent woman director	- For top 500 listed entities by April 1, 2019. - For top 1000 listed entities by April 1, 2020.	Board of directors of the listed entity shall have at least one independent woman director.
17(1)	Number of Directors	- For top 1000 listed entities w.e.f. April 1,	Board of directors of the listed entity shall comprise of not less than six

		<p>2019.</p> <p>- For top 2000 listed entities w.e.f. April 1, 2020.</p>	<p>directors.</p>
17(1B)	Chairperson of the Board	<p>- For top 500 listed entities w.e.f. April 1, 2020.</p> <p><u>Note:</u> This provision shall not be applicable to the listed entities which do not have any identifiable promoters as per the shareholding pattern filed with stock exchanges.</p>	<p>Chairperson of the board of such listed entity shall be a non-executive director and shall not be related to the MD or the CEO as per the definition of the term “relative” defined under the Companies Act, 2013.</p>
17(2A)	Quorum for a Board meeting	<p>- For top 1000 listed entities w.e.f. April 1, 2019.</p> <p>- For top 2000 listed entities w.e.f. April 1, 2020.</p> <p>Note: Participation of the directors by video conferencing or by other audio-visual means shall also be counted for the purposes of such quorum.</p>	<p>The quorum for every meeting of the board of directors shall be one-third of its total strength or three directors, whichever is higher, including at least one independent director.</p>
25(10)	Directors and Officers insurance for independent directors	<p>- For top 500 listed entities w.e.f. October 1, 2018</p>	<p>The listed entity shall undertake Directors and Officers insurance (‘D and O insurance’) for all their independent directors of such quantum and for such risks as may be determined by its board of directors.</p>

\*Explanation: The top 500, 1000 and 2000 entities shall be determined on the basis of market capitalization, as at the end of the immediate previous financial year.

• Table 2.2

Reg. No.	Particulars	Compliances to be made
17(1A)	Appointment/ Continuation of non-executive director who has attained the age of seventy five years.	The listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five years when it has- i. passed a special resolution to that effect ii. an explanatory statement to this resolution, indicates the justification for appointing such person
17(6)	Remuneration payable to non- executive directors.	The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof.
17(6)	Fees or compensation payable to executive directors who are promoters or members of the promoter group	The fees or compensation payable to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if- (i) the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or (ii) where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the listed entity: <u>Explanation:</u> For the purposes of this clause, net profits shall be calculated as per section 198 of the Companies Act, 2013.
17(10)	Evaluation of independent directors	The evaluation of independent directors shall be done by the entire board of directors which shall include - i. performance of the directors; and ii. fulfilment of the independence criteria as specified in these regulations and their independence from the management: Provided that in the above evaluation, the directors who are subject to evaluation shall not participate.
17(11)	Explanatory statement	The statement to be annexed to the notice as referred to in sub-section (1) of section 102 of the Companies Act, 2013 for each item of special business to be transacted at a

		general meeting shall also set forth clearly the recommendation of the board to the shareholders on each of the specific items.
17A	Directorships	<p>The directors shall comply with the following conditions with respect to the maximum number of directorships, including any alternate directorships that can be held by them at any point of time in the listed entities whose equity shares are listed on a stock exchange.-</p> <p>i. A person shall not be a director in more than eight listed entities with effect from April 1, 2019 and in not more than seven listed entities with effect from April 1, 2020 of which he shall not serve as an independent director in more than seven listed entities.</p> <p>ii. Notwithstanding the above, any person who is serving as a whole time director / MD in any listed entity shall serve as an independent director in not more than three listed entities.</p>
25(8)	Declaration by independent directors	<p>Every independent director shall submit a declaration that he meets the criteria of independence as provided in Reg. 16(1)(b) and that he is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his ability to discharge his duties with an objective independent judgment and without any external influence as below-</p> <p>i. at the first meeting of the board in which he participates as a director; and</p> <p>ii. at the first meeting of the board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director</p>
25(9)	Board to assess the veracity of declarations submitted by independent directors	The board of directors of the listed entity shall take on record the above declaration and confirmation submitted by the independent director after undertaking due assessment of the veracity of the same.
27(1) & Part E of Sch. II	Appointment of Chairperson and MD or CEO	It will not be necessary for the listed entity to appoint separate persons for the post of chairperson and MD or CEO w.e.f. April 1, 2020.

**3. Committees of the board- Applicability, Role and Constitution of the committees, frequency of meetings and quorum.**

With a view to strengthen the core safeguarding committees of the board and enhancing their scope, amendments have been made in the various aspects of the committees of listed entities.

- **Audit Committee**

The scope of Audit committee shall now include reviewing the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.

- **Nomination and remuneration committee**

The Nomination and remuneration committee shall meet at least once in a year and the quorum for a meeting of the committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance. The committee shall recommend to the board, all remuneration, in whatever form, payable to senior management.

- **Stakeholders Relationship Committee**

The Stakeholders Relationship Committee was constituted to specifically look into the mechanism of redressal of grievances. The role of the committee has now been widened and the committee shall prominently, post amendment, look into various aspects of interest of shareholders, debenture holders and other security holders. The role of the committee shall *inter-alia* include the following:

- i. Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.
- ii. Review of measures taken for effective exercise of voting rights by shareholders.
- iii. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- iv. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

The committee shall comprise of at least three directors, with at least one being an independent director and shall meet at least once in a year. The Chairperson of the committee shall be present at the AGMs to answer queries of the security holders.

- **Risk Management Committee**

The provisions of Risk Management Committee shall be applicable to top 500 (*earlier 100*) listed entities, determined on the basis of market capitalisation, as at the end of the immediate previous financial year.

The majority of members of the committee shall consist of members of the board of directors and the committee shall meet at least once in a year. The functions of committee, as delegated by the board, shall specifically cover cyber security.

#### **4. Related party transactions- Definition, Policy inclusions, approval and disclosures.**

- **Definition of “Related Party”**

The definition of “Related Party” is amended to include any person or entity who-

- i. Belongs to the promoter or promoter group of the listed entity; and
- ii. Such person or entity holds 20% or more of shareholding in the listed entity.

Following this, any transaction with any such person or entity shall be a Related Party Transaction (*RPT*) and thus shall require prior approval of the audit committee. Further, if such RPT is a material RPT (*as stipulated under Reg. 23(1) of the LODR*), it shall also require approval of shareholders through ordinary resolution.

- **Policy inclusions, approval and disclosures**

The policy on materiality of related party transactions and on dealing with related party transactions formulated by the listed entity shall include clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

A transaction involving payments made to a related party with respect to brand usage or royalty shall, with effect from July 01, 2019, be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two (before June 26, 2019) or five (w.e.f. June 27, 2019) percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

All entities falling under the definition of related parties shall not vote to approve the relevant RPT, whether material or otherwise, irrespective of whether the entity is a party to the particular transaction or not. It may thus be concluded that the related party may vote to disapprove the RPT, case in which, it shall be considered a valid vote.

Finally, the listed entity shall, w.e.f. half year ending March 31, 2019, submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

## 5. CG requirements with respect to subsidiaries of the listed entities

To provide shareholders with a holistic and transparent view of performance of the listed entities, provisions for enhanced monitoring of group entities and subsidiaries have been incorporated.

- **Definition of “Material Subsidiary”**

The threshold limit for a subsidiary to qualify as a “Material Subsidiary” has been changed. Material Subsidiary shall mean a subsidiary, whose income or net worth exceeds ten percent (*earlier twenty percent*) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year. Thus, Material Subsidiary referred to in the LODR shall mean a subsidiary as stated above except for the CG requirement under Reg. 24(1) (*as substituted*) of the LODR.

Reg. 24(1) requires the listed entity to appoint at least one independent director its board of directors as a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not. As specifically ascertained by substitution of the said sub-regulation, for the purposes of this provision and notwithstanding anything to the contrary contained in Reg. 16, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

- **Recording of significant transaction or arrangement entered into by unlisted subsidiary** **R**

For the purpose of periodic reporting of significant transaction or arrangement entered into by the unlisted subsidiary to the board under Reg. 24, the term “significant transaction or arrangement” shall mean any individual transaction or arrangement that exceeds or is likely to exceed ten percent of the total revenues or total expenses or total assets or total liabilities, as the case may be, of the unlisted subsidiary (*earlier ‘unlisted material subsidiary’*) for the immediately preceding accounting year.

- **Secretarial Audit for listed entities and their material unlisted subsidiaries incorporated in India** **S**

Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex with its annual report, a secretarial audit report, given by a company secretary in practice, in such form as may be specified with effect from the year ended March 31, 2019. As per the SEBI circular

CIR/CFD/CMD1/27/2019 dated 8<sup>th</sup> February, 2019, the format of this report is kept to be same as under Companies Act, 2013 i.e. in Form MR-3.



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**Submission of financial results**

The listed entity shall submit as part of its standalone and consolidated financial results for the half year, by way of a note, statement of cash flows for the half-year.

The listed entity having subsidiaries, prior to amendment, had an option to submit quarterly/year-to-date consolidated financial results. However, such submission has been mandatory w.e.f. April 1, 2019. Further, in the results for the last quarter in the financial year, the listed entity shall disclose, by way of a note, the aggregate effect of material adjustments made in the results of that quarter which pertain to earlier periods.

- C

**Consolidation of financial results**

The statutory auditor of a listed entity shall undertake a limited review of the audit of all the entities/ companies whose accounts are to be consolidated with the listed entity as per AS 21 in accordance with guidelines issued by the board on this matter. The listed entity shall further ensure that, for the purposes of quarterly consolidated financial results, at least eighty percent of each of the consolidated revenue, assets and profits, respectively, shall have been subject to audit or in case of unaudited results, subjected to limited review.

## 6. Disclosures of Events or Information

Events relating to resignation of auditors and independent directors have been included in Part A of Sch. III. Such events with such details shall be disclosed to stock exchange(s) without any application of the guidelines for materiality as specified in Reg. 30(4).

## 7. Compliances related to Annual Report

Transactions of the listed entity with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the listed entity, shall be disclosed in the format prescribed in the relevant accounting standards for annual results.

Where an entity has raised funds through preferential allotment or qualified institutions placement, the listed entity shall disclose every year, the utilization of such funds during that year in its Annual Report until such funds are fully utilized.

Further, the listed entity shall submit to the stock exchange and publish on its website-

- a copy of the annual report sent to the shareholders along with the notice of the AGM not later than the day of commencement of dispatch to its shareholders;

- in the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not later than 48 hours after the AGM.

The listed entity shall also send the soft copies of full annual report to all those shareholder(s) who have registered their email address(es) either with the listed entity or with any depository.

## **8. Contents of the Management Discussion and Analysis and CG Report**

- **Management Discussion and Analysis**

The Management Discussion and Analysis shall additionally contain details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor, including Debtors Turnover, Inventory Turnover, Interest Coverage Ratio, Current Ratio, Debt Equity Ratio, Operating Profit Margin (%), Net Profit Margin (%) or sector-specific equivalent ratios, as applicable. It shall also contain details of any change in Return on Net Worth as compared to the immediately previous financial year along with a detailed explanation thereof.

- **CG Report**

The CG Report shall additionally contain the following-

- a. A chart or a matrix setting out the skills/expertise/competence of the board of directors specifying the following:
  - i. The list of core skills/expertise/competencies identified by the board of directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the board w.e.f. the financial year ending March 31, 2019.
  - ii. The names of directors who have such skills / expertise / competence w.e.f. the financial year ended March 31, 2020.
- b. Confirmation that in the opinion of the board, the independent directors fulfill the conditions specified in these regulations and are independent of the management.
- c. Detailed reasons for the resignation of an independent director who resigns before the expiry of his tenure along with a confirmation by such director that there are no other material reasons other than those provided.
- d. Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Reg. 32 (7A).
- e. A certificate from a company secretary in practice that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the board/MCA or any such statutory authority.

f. Where the board had not accepted any recommendation of any committee of the board which is mandatorily required, in the relevant financial year, the same to be disclosed along with reasons thereof.

g. Total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part.

### **9. Compliances related to appointment of statutory auditors**

The notice being sent to shareholders for an annual general meeting, where the statutory auditor(s) is/are proposed to be appointed/re-appointed shall include the following disclosures as a part of the explanatory statement to the notice:

- Proposed fees payable to the statutory auditor(s) along with terms of appointment and in case of a new auditor, any material change in the fee payable to such auditor from that paid to the outgoing auditor along with the rationale for such change;
- Basis of recommendation for appointment including the details in relation to and credentials of the statutory auditor(s) proposed to be appointed.

### **10. Formats of disclosures**

The disclosures made by the listed entity with immediate effect from date of notification of the amendments-

- to the stock exchanges shall be in XBRL format in accordance with the guidelines specified by the stock exchanges from time to time; and
- to the stock exchanges and on its website, shall be in a format that allows users to find relevant information easily through a searching tool:

Provided that the requirement to make disclosures in searchable formats shall not apply in case there is a statutory requirement to make such disclosures in formats which may not be searchable, such as copies of scanned documents.

### **11. Annual General Meetings**

The top 100 listed entities by market capitalization, determined as on March 31st of every financial year, shall hold their annual general meetings within a period of five months from the date of closing of the financial year and provide one-way live webcast of the proceedings of the annual general meetings. The top 100 listed entities shall be determined on the basis of market capitalization, as at the end of the immediate previous financial year.

### **12. Obligations of listed entities which has listed its non-convertible debt securities or non-convertible redeemable preference shares or both (w.e.f. May 7, 2019)**

In case of entities which have listed their equity shares and debt securities, a copy of the financial results submitted to stock exchanges shall be provided to Debenture Trustees on the same day the information is submitted to stock exchanges.

The listed entity shall, within seven working days from the date of submission of the financial results, submit to stock exchange(s), a certificate signed by debenture trustee that it has taken note of the contents of it.

**13. Amendments in relation to equity shares with Superior Rights (SR) (w.e.f. November 29, 2019)**

Where the listed company has outstanding SR equity shares, it shall comply with the following requirements-

- i. At least half of the board of directors shall comprise of independent directors.
- ii. The audit committee shall only comprise of independent directors.
- iii. At least two thirds of the nomination and remuneration committee, Stakeholders Relationship Committee and Risk Management Committee shall comprise of independent directors.

**Conclusion**

SEBI, from time to time, has amended the regulation to ensure a step closer to its purpose of regulating the operations of listed entities by providing obligations for continued listing and provision of sufficient disclosures to the stakeholders in that regard. The regulation aims to establish, gradually but firmly, complete transparency between listed entities and various stakeholders thus allowing the stakeholders to take an informed decision. Further, Corporate Governance having become a necessary driver for development of any entity, major changes are being brought towards strengthening the Corporate Governance in the listed entities. Keeping in view the above intentions of the regulation, compliance of the regulation, not only in letter but also in spirit, needs to be observed by the entities.

===== X =====

## FAST TRACK MERGER & ANALYSIS OF THE MCA CLARIFICATION REGARDING THE APPOINTED DATE & EFFECTIVE DATE – OPPORTUNITIES & CHALLENGES

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### **PREAMBLE**

Merger/Amalgamation is a restructuring tool which helps companies in expansion and diversification of their business. In legal & commercial parlance, merger/amalgamation means an arrangement whereby one or more existing companies merge their identity into another. Concept of Fast Track Merger for Small Companies and merger of wholly owned subsidiary companies with its holding company has been introduced in the Companies Act, 2013 (“the Act”). Section 233 of the Act read with Rule 25 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 deals with the procedure of Fast Track Merger.

Introduction of Fast Track Merger Route in the Companies Act, 2013 read with Rule 25 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 has created an opportunity for merger of wholly owned subsidiary companies with its Holding Company. Unfortunately, this simplified process still remains a ‘road less travelled’ because of poor response of the regulatory authorities

This Article is having two parts. In the first Part, the analysis of provisions pertaining to the fast track mergers and practical difficulties are highlighted and in the second part, the clarification of the MCA which has stated that companies are now free to link the Appointed Date to the Effective Date, in cases where there is a need to link the Scheme to the happening of a particular contingent event / events. This now gives the leeway to mitigate the risk in case any particular approval is not received before the filing of the NCLT order with the Registrar of Companies. A relief that MCA has provided in addressing this issue is appreciable.

**Part I**

**Relevant Sections of the Companies Act, 2013 and the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016** :-Section 233 stipulates: Notwithstanding the provisions of Sections 230 and 232, a scheme of merger or amalgamation may be entered into between two or more small companies or between a holding company and its wholly owned subsidiary company or such other class or classes of companies as may be prescribed.

The process for the fast track merger is as under: -

1. Issuance of Notice of the proposed Scheme in Form CAA-9 to invite objections or suggestions from the Registrar of Companies (“ROC”) / Official Liquidator (“OL”) whose jurisdiction the registered office is situated and to persons affected by the Scheme giving 30 days’ time to revert.
2. The objections/suggestions, if any, received within 30 days of the Notice to be considered.
3. Declaration of Solvency in Form CAA-10 to be filled with the ROC.
4. Notice of the General Meeting to the members/class of members, creditors/class of creditors which should be accompanied by a statement disclosing the details of the compromise or arrangement with a copy of the Scheme.
5. Approval from the Members holding 90% of total number of shares.
6. Approval from the creditors in their meeting by majority holding 90% of value of creditors; and
7. Filing of the above approvals within 7 days of conclusion of the meeting of Members and Creditors along with a report of each meeting in Form CAA-11 with the Regional Director (“RD”), ROC and OL office.
8. Issue of order by the Central Government (Regional Director) in Form CAA-12 approving the scheme in case no objection/suggestion from OL and ROC is received. However, in case the objection(s)/suggestion(s) is/are received from OL and ROC, and after considering the objections, RD is of the opinion that the scheme is not in public interest or in the interest of the creditors, RD may file an application before the NCLT within a period of 60 days from the receipt of the scheme stating its objection in Form CAA – 13.
9. Filing of Order – Form INC 28 within 30 days of receipt of the order from the RD office.
10. As an effect of filing the order, the transferor company will be dissolved without winding up process and assets and liabilities, charges and litigations would be transferred/vested in the transferee company.
11. For getting the reclassification/merger of the Authorized Capital, the transferee company needs to file an application with the ROC separately.

**Benefits of Fast Track Merger:**

1. No approval of NCLT required
2. No Public Notice required to be published

3. No NCLT Convened Meetings required
4. Less Administrative hassle and cost
5. Number of Hearing is reduced drastically.

*Considering the Demerger*, there are two completely different views. As per one view, demerger is not possible under Section 233 of the Act. According to the other view, demerger is also possible as Section 233(12) states that the provisions of this section shall *mutatis mutandis* apply to a company or companies specified in sub section (1) in respect of a scheme of compromise or arrangement referred to in Section 230 or division or transfer of a company referred to in clause (b) of sub-section (1) of 232, which indicates that demerger is also possible under Fast Track route.

The biggest challenge to get the Scheme under Fast Track route is to get the same approved from the members/class of members at a general meeting holding at least ninety percent of the total number of shares and similarly getting it approved from the Creditors/Class of Creditors in a meeting, who represent nine-tenths in value of the creditors. In case the members and creditors do not attend the Meetings, then how can someone get the scheme approved? It is beneficial for a small company wherein internal persons are members as well as creditors, otherwise it looks difficult to pass this test.

Although the aforesaid simplification of process would have encouraged the corporate entities to rationalize the subsidiary structure however the response of the regulatory authorities are not very encouraging. It is observed that RDs are reluctant to pass any order under fast track scheme and refer the matter to the NCLT and in that process, lot of time gets wasted and hence, the corporate entities are also not inclined to approach the RD under this route. It is further observed that even if RD approves the merger and with the order of that merger, the corporate entities approach other regulatory authorities for example for mutation of land, transfer of licenses, tax benefits, etc. those officials are not ready to act upon the request of the corporate entities which might be because in the hierarchy of matters, the said regulatory authorities may be on a higher position than RD. Had it been the NCLT/Court Order, in general, regulatory authorities are more considerate and act upon the application made by the transferee companies.

### **Conclusion:**

Only public companies having holding and wholly owned subsidiary relationship can get benefitted under Fast Track Merger route and not others. The Ministry of Corporate Affairs (“MCA”) might consider coming up with a circular clarifying that the merger order passed by the RD is having the same effect as passed by the NCLT.

## **Part II**

### **Clarification Regarding ‘Appointed Date’ and ‘Effective Date’:-**

The MCA vide its General Circular No. 09/2019 dated 21<sup>st</sup> August, 2019 has clarified regarding the 'appointment date' and 'effective date' after examining the provisions of the Act, applicable rules, prevalent practices and orders passed by the Courts/NCLT. It is a very welcomed move and it shall put to rest unnecessary confusion caused by some orders of the NCLT Benches. In this part, let us analyse the same and how one could get benefit pursuant to such clarification.

Section 232(6) of the Act states that the scheme shall be deemed to be effective from the 'Appointed Date' and not a date subsequent to the 'Appointed Date'. This is an enabling provision to allow the companies to decide and agree upon an 'Appointed Date' from which the scheme shall come into force and is a matter of corporate democracy.

### *Executive Summary of the MCA circular:*

- (1) Appointed Date can be a calendar date or may be tied to the occurrence of an event such as grant of license by a competent authority or fulfilment of any preconditions agreed upon by the parties, or meeting any other requirement as agreed upon between the parties, etc., which are relevant to the scheme.
- (2) This event would have to be indicated in the scheme itself upon occurrence of which the scheme would become effective.
- (3) In case of such event based date being a date subsequent to the date of filing the order with the Registrar under section 232(5), the company shall file an intimation of the same with the Registrar within 30 days of such scheme coming into force.

The whole confusion and controversy started with the few orders of NCLT Benches which were passed based on the observations of RDs taking a view that the Appointed Date must be a specified calendar date. Although there was no public purpose whatsoever being served by insisting on a specific calendar date to be appointed date in the scheme.

In the matter of Century Textiles & Industries Limited and UltraTech Cement Limited, the NCLT Mumbai bench rejected the appointed date stating that the said date is arbitrary and without justification. Similarly, in East West Pipeline Limited and Pipeline Infrastructure Private Limited, the NCLT Bench directed that the Appointed Date should be date on which valuation was undertaken for demerger of business. Thereafter, the NCLT Benches started compelling the corporates to fix the specified calendar date as the appointed date.

In my view, the NCLT benches have gone against the set principles and even the aforesaid circular of MCA has given the reference of case law - Marshall Sons & Co. India Ltd v/s. ITO [223 ITR 809] wherein the Hon'ble Supreme Court held that every scheme of amalgamation has to necessarily provide a date with effect from which the amalgamation/transfer shall take place, and that such date may precede the date of sanctioning of the scheme by the Court, the date of filing of certified copies of the orders of the Court before the Registrar of Companies, and the date of allotment of shares, etc. It was



observed therein that, the scheme, however, would be given effect from the transfer date (Appointed Date itself).

Further, in another case, in the matter of amalgamation of Equitas Housing Finance Limited and Equitas Micro Finance Limited with Equitas Finance Limited in C.P. Nos. 119 to 121 of 2016, the Hon'ble Madras High Court held that the provisions of section 394 (1) of the Companies Act, 1956 (corresponding to section 232 of the Act) provided enough leeway to a company to delay the date on which the scheme of amalgamation shall take effect and tie the same to the occurrence of an event. Thus, the Court rejected the argument that the 'appointed date' in the scheme should necessarily be a specific calendar date.

Now, let us understand the opportunities, implications and challenges professional colleagues will face particularly where in the scheme the 'Appointed Date' is identified based on the occurrence of a trigger event which is key to the proposed scheme. For example, for a mobile company, the licence granted by the Regulatory Authority to operate in a particular jurisdiction is most important and without that even if the transferor company is merged which was having a valid licence, the transferee company will not be able to operate. Similarly, take the example of a company which is manufacturing some equipment for the defence sector for which specific licence has been taken by the transferor company and the regulatory authority who has issued the licence is not ready to issue fresh licence/endorse the existing licence in the name of the transferee company and because of that even after obtaining the NCLT Order and filing the same with the ROC, the underline objective of the Transferee company could not be achieved. In other words, the whole scheme is based on the condition of getting those incentives and leasehold rights transferred to the transferee company.

The above clarification of the MCA is certainly going to help such mergers wherein in the scheme itself, the effective date of the scheme is based on occurrence of a particular event. It is worth advisable to include 'Long Stop Date' for obtaining such approvals as once the NCLT approves the scheme, within 30 days of receipt of the order, the transferor and the transferee company are required to file Form INC – 28 with the ROC in whose jurisdiction the registered office of the companies are situated. This will give the flexibility to the transferee company to obtain necessary approvals by the Long Stop Date and keep the liquidation of Transferor Company without winding up process in abeyance. While the problem to be faced in filing the INC-28 is described hereunder, let us first understand what and how really the aforesaid MCA clarification is beneficial for the corporate entities. Let us take an example of a scheme of amalgamation by absorption wherein 'Appointed Date' is linked to 'Occurrence of an Event' and upon occurrence of that event and intimation to the respective ROCs only, the scheme will be effective. Upon receipt of the certified true copy of the order from the NCLT, the Form INC 28 is filed by both the companies, however the transferor company will continue to be alive (would not wind-up) till the time the intimation of occurrence of event is filed with the ROCs. It means, although the NCLT has approved the scheme of arrangement, however both the companies will still continue their respective

business 'on as is where is' basis till the time the event specified in the scheme has occurred and intimation is filed with the respective ROCs.

**What to do/Recommendation:**

In absence of specified 'Appointed Date' in the scheme, the corporate entities may face a challenge from accounting and tax perspective. To tackle the problem for preparing the accounts from an odd date, it is advisable to define the 'Appointed Date' as the same as the 'Effective Date'. And while defining the 'Effective Date' it can be defined as '1<sup>st</sup> date of the calendar month succeeding the month in which the last of the approvals or conditions mentioned in the Scheme are obtained and filed with the ROC'.

Now let us describe the problems one may face while filing the certified true copy of the NCLT Order with the respective ROCs:

1. Point 5(a) of Form INC 28, the person filing the form needs to select option from the drop down button. In case for filing NCLT Order, Section 232 is selected, the ROC may go ahead merging the records of the Transferor Company with the Transferee Company although the scheme is yet to be effective on occurrence of an event and intimation to the ROC. The transferor company would not be able to file any form thereafter. Further, in this example, in case 'Others' is selected, there are chances of rejection of the Form INC 28 by the ROC. To avoid that, it is advisable to visit the concerned ROC Office and brief him beforehand that he should not give effect to the merger till the further intimation is received from both the companies.
2. As of now, no separate form has been specified for filing the intimation upon occurrence of any event with the ROC. Even for the second time, the same Form INC 28 is filed with the ROC and after considering that the previous Form INC 28 has been filed with the ROC and he has taken the cognizance of the transferor company still continuing the business as the scheme is yet to be effective, the problem would be the selection of option in column 3 (a) of INC 28 which specifies order of the NCLT/Court or any other competent authority. The other regulatory authorities who have to permit transfer of some licence, incentive or other benefits would not be a competent authority under the Act and moreover the permission granted by them would not amount to passing an order, rather it would be NOC/permission letter/endorsement on an existing licence.

**Conclusion:**

Wherever the scheme of arrangement for merger is being considered and the merger is subject to approval of any statutory authority whether is IDRA, RBI, DoI and State Development Corporation, the professional colleagues can take the advantage of the clarification provided by the Ministry and when it is expected that the clearance of the statutory authorities are going to take a longer period, the effective date can be linked to the

occurrence of an event otherwise, the transferor company will cease to be in existence after filing of NCLT Order under Form INC 28 with the ROC and result in hardship for the transferee company from the continuity of business perspective. Further, MCA needs to come up with another Form wherein the intimation for subsequent occurrence of event under the scheme to be given to the ROCs as this will enable the corporate entities in real sense to avail the benefit of the clarification under 232 (6) of the Act.

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## NBFCs IN INDIA: CURRENT SCENARIO AND REGULATORY FRAMEWORK

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Non-Banking Financial Companies (NBFCs) in India constitute an integral part of the Indian Financial system. An alternative to the formal banking system, NBFCs are also referred to as shadow banking systems as they typically cater to the under-served segments of the economy that are not easily funded by the regular banking system.

NBFCs are a sun-set of Financial Institutions and are further classified on the basis of their:

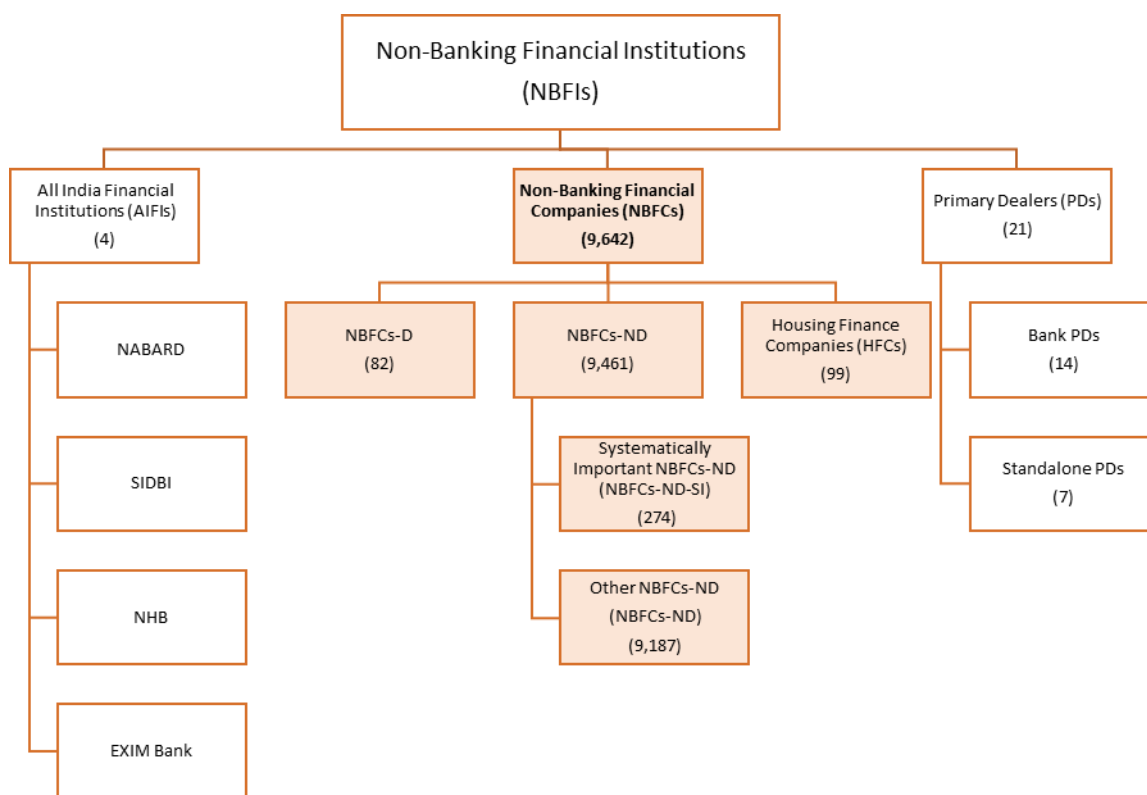
- (a) asset/ liability structure;
- (b) systematic importance; and
- (c) activities they undertake

When talking of liability structures, NBFCs are further categorized as:

- (a) Deposit-taking (NBFCs-D) i.e. NBFC that can accept and hold deposits and
- (b) Non-deposit taking (NBFCs-ND) i.e. those NBFCs that rely on markets/ banks to raise funds.

Further, NBFCs-ND are categorized based on their Asset size i.e. NBFCs-ND with an asset size of 500 Cr or more are classified as systematically important (NBFCs-ND-SI).

**Structure of Non-Banking Financial Institutions (NBFIs) regulated by RBI, Including**



**NBFCs**

**Note:**

1. Provisional data as at Sept end 2019
2. Figures in parenthesis indicate the number of institutions.
3. Source: RBI publications

Since their inception in the late 90s, NBFCs have been growing steadily. The growth of NBFCs may be attributed to their ability and willingness to adopt non-traditional methods of business, technology/ technology driven data analytics and customization of product lines, among other things.

NBFCs as a sector grew in size from 26.2 lakh crores in 2017-18 to 30.9 lakh crores in 2018-19. However, in spite of the seemingly upward growth trend, the sector grew at a slow pace as a consequence of **the IL&FS (Infrastructure Leasing and Financial Services) fiasco that brought to light the severe liquidity crisis prevalent in the NBFC space.**

Since August 2018, IL&FS had been defaulting on its debt obligations. With outstanding borrowings from Banks and Financial Institutions amounting to nearly Rs. 63,000 Crores as on March 31, 2018, the Company is debt-ridden. The core of the liquidity crisis in IL&FS is

mainly the asset-liability mismatch arising out of borrowings for a short term of 3-5 years and lending for longer terms of 10-15 years. Further, the inadequacies in the internal Risk Management Framework of the Company also added to the cause.

Such bad loans have made lenders wary of lending to NBFCs which has further added to the existing liquidity crisis and may lead to further defaults by Companies in the sector.

In the wake of the said liquidity crisis, the chief regulator of NBFCs in India; the Reserve Bank of India (RBI), in an attempt to streamline/ regulate the Liquidity and Risk Management Framework of NBFCs in India, released a *draft* circular on “Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies” on May 24, 2019, pointing out the need for a stronger Asset Liability Management (ALM) framework in NBFCs.

The draft proposed inter alia a ‘Liquidity Coverage Ratio’ (LCR) to be introduced in all deposit taking NBFCs and all Non-Deposit taking NBFCs with an asset size of Rs. 5,000 Crore and more, in a phased manner over a period of four years commencing from April 2020 to April 2024 and also the maintenance of an adequate level of unencumbered HQLA (High Quality Liquid Assets) by NBFCs that can be converted into cash to meet liquidity needs.

Further owing to the continuing liquidity crisis, the government stepped in, and in the Union Budget 2019-20 announced an additional liquidity facility to Banks for purchase of high-rated pooled assets of financially sound NBFCs by way of a one-time six months’ partial credit guarantee to Public Sector Banks for first loss of up to 10%, amounting to a total of Rs. 1,00,000 Crore, during the said Financial Year. A circular in this regard is yet to be issued.

**On August 13, 2019, the Reserve Bank of India notified guidelines on Lending by banks to NBFCs for On-Lending** with a view to boost credit to needy segments of borrowers. The guidelines categorize Agriculture, Micro & Small enterprises and Housing as Priority Sectors and specify limits for on-lending by NBFCs to such sectors.

Regulators continue to stay optimistic and are certain that their efforts to avert the crisis being faced by the sector will yield positive results.

### **Regulatory and Compliance framework**

The RBI, being the primary body governing NBFCs in India, has from time to time issued and amended the guidelines to create an environment of Compliance which aims to address concerns of all the stake-holders involved. In addition to the guidelines issued by the RBI, the Ministry of Corporate Affairs, through timely amendments of the Companies Act, 2013 has incorporated the essence of these guidelines.

NBFCs are required to comply with the Master Directions and Notifications issued by the RBI, relating to the specific Category of NBFC namely; Deposit Taking NBFCs (NBFC-D), Non-Deposit taking NBFCs (NBFC-ND) and Systematically Important NBFCs (NBFC-ND-SI).

Master Directions issued by the RBI consolidate instructions on all the rules and regulations framed by the RBI under various acts thus covering all instructions on that subject matter and are updated when there is a change in the applicable rules/ regulations or in the policy.

The general Master Directions applicable to the said Categories of NBFCs are as follows:

- Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
- Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016
- Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016
- Fit and Proper Criteria for Sponsors - Asset Reconstruction Companies (Reserve Bank) Directions, 2018
- Information Technology Framework for the NBFC Sector
- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016
- Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016
- Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016

Apart from the abovementioned regulations/ Master Directions, specified sub-categories of NBFCs and residual Non-Banking Institutions are required to comply with the specific regulations applicable to them and notified by the RBI from time to time.

From a compliance perspective, each NBFC is required to file Annual/ half-yearly/ quarterly disclosures/ reports with the RBI and/ or other authorities, as applicable to the respective NBFCs.

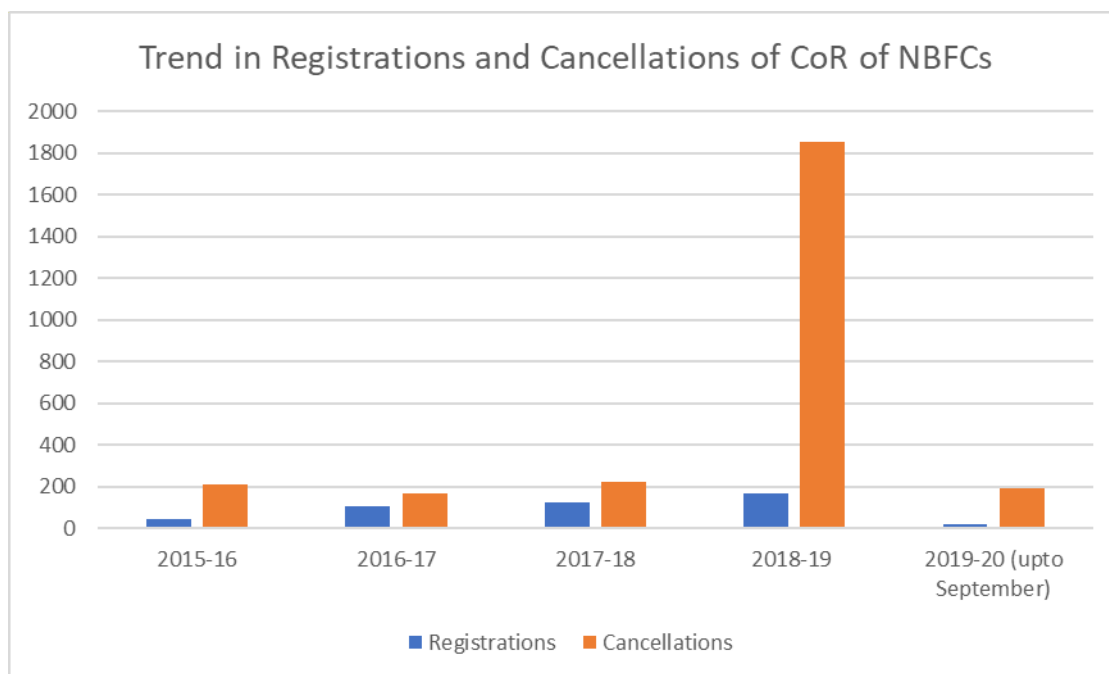
## **Licensing to NBFCs**

It is evident that in the last few years, NBFCs have come to be recognized as a crucial element of the Indian financial system. As such, a manifold change in the regulatory environment was witnessed with the introduction of various Master Directions and guidelines, as mentioned above, to streamline and assist the smooth functioning of the sector, long before the current liquidity crisis came to light.

The said change in regulatory environment encompassed cancellation of licenses issued to NBFCs failing to meet regulatory norms. As on October 31, 2019, a total of

5217 Certificates/ Licenses were cancelled (including licenses that were voluntarily surrendered). Around 195 licenses were cancelled by the RBI in the first half of FY 2019-20 alone. Prior to that, FY 2018-19 saw a record number of cancellations of 1851 licenses. This was viewed as RBIs attempt to clean up the sector and enforce compliance with the required norms.

Even though at the outset, the action taken by RBI may have been viewed as a threat to the sector and the stakeholders thereof, such was not the case as a sizable number of cancelled licenses were of entities/ businesses that were not economically viable. Registrations on the other hand witnessed an upward trend. However, it has become increasingly challenging to be granted a Certificate of Registration (CoR) as the RBI has been stressing on a strong promoter profile with persons experienced in the financial sector on Board.



**Note:** Data is provisional.

**Source:** RBI publication based on Supervisory Returns, RBI.

The number of NBFCs registered with the Reserve Bank declined from 9,856 at the end of March 2019 to 9,642 at the end of September 2019. At the end of September 2019, there were a total of 82 NBFCs-D and 274 NBFCs- ND-SI as compared to 88 and 263, respectively at the end of March 2019.

Although **applications for grant of Certificate of Registration (CoR) to conduct NBFC activities** (under Section 45-IA of the RBI Act, 1934) go through a rigorous and strict check, the application process itself has been simplified to a great extent. The procedure and major considerations for application for grant of CoR are discussed hereunder, in brief.



## Pre-requisites for Application for grant of CoR:

- The Applicant shall be a Company registered under the Companies Act, 2013 or any earlier enactment thereof.
- The main object of the applicant Company shall reflect NBFC activities.
- The Applicant Company shall to have Net Owned Funds (NOF) of not less than Rs. 2 Crores.

## Process of Application for grant of CoR:

1. Applicants shall file an online application with the RBI through its website - <https://cosmos.rbi.org.in>
2. Simultaneously, a physical application (in original) in the prescribed format is to be submitted with the Chief General Manager, Department of Non-Banking Regulation, RBI, along with the recommended supporting documents and the Company Application Reference Number (CARN) of the application submitted online on the COSMOS website.

The Company is to retain one copy of the final complete application submitted with the RBI for its record.

3. On receipt of the application and after a preliminary check, in case the RBI requires any further documentation or clarifications with regard to the Application, the RBI shall communicate the same to the Applicant through e-mail sent to the Companies e-mail ID as provided in the Application.
4. On furnishing the required documents/ clarifications, the RBI may, after being satisfied that the conditions as per Section 45-IA (4) of the RBI Act, 1934, and other conditions as per the discretion of the RBI are found to be correct, **grant the Certificate of Registration** to the Company subject to such conditions which it may consider fit to impose.
5. However, if the conditions are not satisfied and the RBI is of the opinion that the grant of CoR is not in the interest of the public, the **Application may be rejected**.
6. In case the applicant is aggrieved by the order rejecting the grant of COR, an **appeal may be preferred to the Central Government within 30 days** of communication of such order of rejection.

In recent times, when considering the applications for grant of CoR, apart from the conditions mentioned under sub-section 4 of Section 45-IA of the RBI Act, 1934, as mentioned above,

the RBI also takes into consideration various other factors including but not limited to the Promoter-Director Profile, viability of the Business, scope and geographical area of operation, proposed clientele and market segment, IT Infrastructure deployed, projected financials/ investment and income and the overall business plan, etc. Further, the nature of business and objective of the entities in which the Directors have substantial interest are also taken into consideration.

Companies are required to have a strong promoter profile with at least one Director on the Board having experience in the Financial Services Sector/ having retail lending experience. CoR may not be granted to Companies whose Directors hold substantial Interest in other entities conducting NBFC activities or Unincorporated Bodies (UIBs) in the group where the Director(s) hold substantial interest and where the UIB has accepted public deposits.

### Post-registration Compliance

On grant of the CoR by RBI, Companies are required to complete certain post-registration Compliances as follows:

1. Registration of the Reporting Entity as a User on the FINnet portal
2. Appointment of Designated Director and reporting such appointment to the Financial Intelligence Unit-India (FIU-Ind)
3. Appointment of a Principal Officer and registering the said officer on the FINnet Gateway
4. Registration with the Central KYC Registry (C-KYC) for ongoing reporting of borrowers details
5. Application for membership with all four Credit Rating Agencies [Transunion (CIBIL), Equifax, Experian Credit Information Co. of India Pvt. Ltd. and CRIF Highmark Credit Information Services Private Ltd]

With the Ministry of Finance (MoF) placing emphasis on Compliance and with its enhanced supervisory framework operative through the Department of Non-Banking Supervision, Companies intending to conduct business of a Non-Banking Financial Company and those who have been granted CoR to conduct NBFC activities are expected to focus on compliance and reporting requirements as required by the RBI from time to time.

The recent series of events and the ongoing crisis in the NBFC sector has brought about significant changes in the market, regulatory environment and the perspective of the lenders and other stake-holders towards the sector. However, even though lenders and regulators have become more cautious, regulators are committed to mitigating the effects of the crisis and working towards stability and growth in the sector.

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## COMPANIES (WINDING UP) RULES, 2020 – ALTERNATIVE FOR WINDING-UP OF COMPANIES UNDER COMPANIES ACT 2013

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### **BACKGROUND**

The Ministry of Corporate Affairs, Government of India (“MCA”) has, on 24 January 2020, notified the Companies (Winding Up) Rules, 2020 (“Winding-up Rules”) under the Companies Act, 2013 (“Companies Act”) with a view to streamline the procedure of winding-up of companies and providing another route for winding up of companies apart from the Corporate Insolvency Resolution process (“CIRP”) and Voluntary Winding-up process under Insolvency and Bankruptcy Code, 2016 (“IBC”).

Under the Winding-up Rules, companies can initiate winding-up under the following provisions of the Companies Act:

- Section 271 – for the circumstances mentioned under Section 272; and
- Section 361 – for summary procedure for liquidation of prescribed class of companies.

The summary procedure for liquidation introduced under Part V of the Winding-up Rules, is the highlight of these Rules. Under the summary procedure, Companies are required to get approval of the Central Government for undertaking winding-up process, instead of the approval of the National Company Law Tribunal (“NCLT”). The rationale, it seems, is to allow smaller companies to wind-up without having to go to NCLT, thereby reducing the time and cost involved in the said process. Since the Winding-up Rules paved way for new regime under the Companies Act for winding-up of Companies, which will be effective from 1 April 2020, one would have to carefully evaluate their impact and viability.

This article provides the highlights of the Winding-up Rules.

**REGULATORY FRAMEWORK FOR WINDING-UP OF COMPANIES**

With the introduction of the Winding-up Rules, the regulatory framework for winding-up is elucidated below:

Sr. No.	Mode of Winding-up	Applicable Law	Applicable Rules / Regulations	Key Considerations
1.	CIRP on committing “default”	IBC	Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016	<ul style="list-style-type: none"> <li>• Applicable to Companies (other than financial services providers) which are unable to pay debts and committed default</li> <li>• In case Company cannot be revived through CIRP it goes into liquidation</li> </ul>
2.	Voluntary winding-up of Companies	IBC	Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017	<ul style="list-style-type: none"> <li>• Applicable to Companies other than financial services providers</li> <li>• Companies which are Solvent i.e. having excess of assets over liabilities can only make application for winding-up.</li> </ul>
3.	CIRP for financial service companies	IBC	The Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019	<ul style="list-style-type: none"> <li>• Applicable to NBFCs (including Housing finance companies) having asset size of INR 500 crores or more</li> <li>• Only RBI can make an application for CIRP.</li> </ul>
4.	Winding-up on grounds other than inability to pay debts	Companies Act	Companies (Winding Up) Rules, 2020	<ul style="list-style-type: none"> <li>• Applicable to all Companies</li> <li>• Insolvent companies can also also apply for winding-up</li> </ul>

**SALIENT FEATURES OF THE WINDING-UP RULES**

- As per Section 271 read with section 272 of the Companies Act, the following can file a petition for winding-up of the Company:
  - The Company by passing a special resolution;
  - Any contributory or contributories;
  - All or any of the persons specified above;
  - The Registrar of Companies; or
  - Any person authorized by Central Government or State Government.
- The scope of the Winding-up under the Winding-Up Rules is wider than that under the IBC. Under the Winding-up Rules, companies can be wound-up irrespective of the nature of business as against IBC, where financial service providers are excluded.
- Under the Winding-up Rules, there is no requirement of having solvency for winding-up i.e. even insolvent companies can apply for winding-up which is not allowed in case of voluntary winding up under the IBC.
- The scope for winding up under summary proceedings provided under section 361 of the Companies Act have been widened.

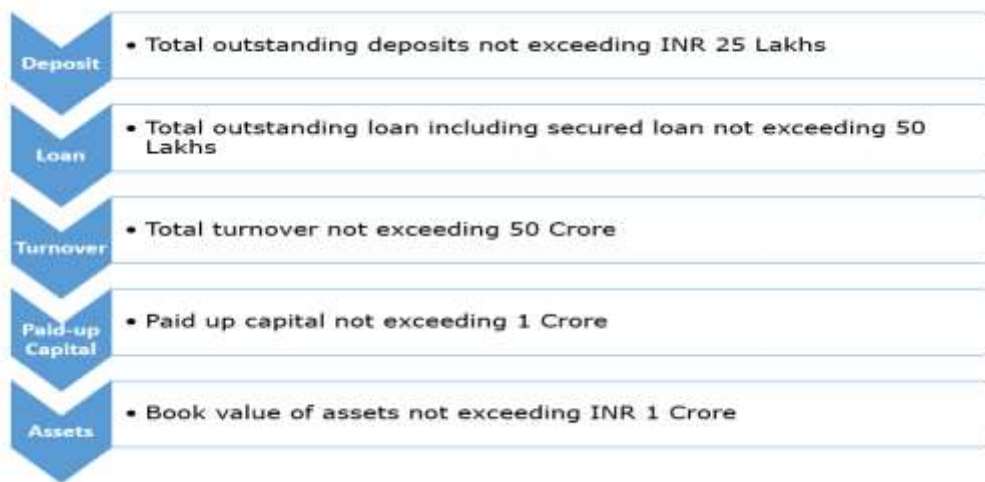
**BROAD OVERVIEW OF THE PROCEDURE FOR WINDING-UP UNDER WINDING-UP RULES****A. WINDING-UP OF COMPANIES OTHER THAN SUMMARY PROCEEDINGS**

- NCLT may appoint a Provisional Liquidator (Insolvency Professional) on an application of winding-up till the passing of winding-up order.
- At the time of passing of winding-up order, NCLT may appoint Official Liquidator or Liquidator (Insolvency Professional) as Company Liquidator.
- Committee of Creditors and Advisory Committee comprising of shareholders and creditors to be formed for effective process of winding-up by NCLT.
- NCLT to provide time frame within which winding-up proceedings to be completed on the basis of report on assets and financials of the Company submitted by Company Liquidator.
- A Report on assets and liabilities of Company and creditors is required to be given by NCLT to ROC as a process of winding-up proceedings.
- The Company Liquidator shall undertake winding up proceedings viz. calling-upon creditors for claim, acceptance / rejection of claim, etc. as per the provisions of Winding-up Rules.
- The Company Liquidator is required to file his accounts to NCLT twice a year (i.e. as on 31st of March and 30th of September every year and should file the same by 30th of June 31st of December respectively). The accounts shall be audited by empanelled Chartered Accountants appointed by the NCLT.
- The Company Liquidator shall sell the property or asset belonging to company which is being wound up with the prior permission of the NCLT and every such sale shall be subject to confirmation of NCLT.

- The Company Liquidator shall maintain books and registers as prescribed under the Winding-up Rules.
- When the affairs of a company have been completely wound up, the Company Liquidator shall make an application to the NCLT for dissolution of such company.

**B. WINDING-UP OF COMPANIES UNDER SUMMARY PROCEDURE**

- The following class of companies may make an application for winding-up to the Central Government without having to go to NCLT:



- Prior to notification of the Winding-up Rules, the summary procedure for winding-up of companies was only available to companies which had assets of book value not exceeding INR 1 Crore which is further extended to above companies.
- Under summary procedure, Central Government shall appoint the Official Liquidator as the liquidator of the company for conducting winding-up proceedings.
- The provisions of the Winding-Up Rules for the following items shall be applicable in cases of winding-up under summary procedure:
  - filing and audit of the Company Liquidator’s accounts and its procedure (Rule 91 to 99 of the Winding-up Rules) and
  - disposing assets (Rule 165 to 167 of the Winding-Up Rules).
- The Official Liquidator shall maintain books and registers as prescribed under the Winding-up Rules.
- The Central Government may, at any stage during settlement of claims, if considers necessary, refer the matter to the NCLT for necessary orders.
- When the affairs of a company have been completely wound up, the Official Liquidator shall make an application to the Central Government for dissolution of such company.
- On passing dissolution order by Central Government, ROC shall strike off the name of the company from the register of companies and publish a notification to this effect.

**CONCLUSION**

The highlight of this notification is the summary procedure for liquidation introduced under Part V of the Winding-up Rules. Under the summary Procedure, the Central Government will provide required approvals to such companies for the winding-up process which is otherwise undertaken through the NCLT, thereby reducing the burden on NCLT and shortening the overall winding-up timelines.

This Winding-up Rules will provide alternative route to Companies for winding-up affairs of the Companies under the Companies Act apart from the options available under the IBC. Considering that this Winding-up Rules are newly introduced which will be effective from 1 April 2020 and will be at nascent stage, one has to practically see and analyse its implementation and effectiveness.

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## MCA'S SPECIAL MEASURES AMID COVID – 19 OUTBREAK



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Amid the COVID-19 outbreak, the Ministry of Health and Family Welfare has come up with various schemes for the public. Quite a few Regulatory Authorities have issued circulars/notifications and extended necessary timelines for compliance and / or extended the timelines for payment of fees/taxes. This article is a compilation of the relevant circulars issued by MCA with respect to the change in compliance timelines. MCA has taken the following special measures amid COVID – 19 Outbreak:

- 1. Board Meeting through video conferencing or audio visual means:** The MCA has amended the Companies (Meetings of Board and its Powers) Rules, 2014 and has permitted board of directors to discuss and deliberate the following matters in their meeting through video conferencing or other audio visual means: (i) Approval of the annual financial statements, (ii) Approval of the Board's Report, (iii) Approval of the prospectus, (iv) Audit Committee Meetings for consideration of financial statement including consolidated financial statement, if any, to be approved by the Board under sub-section (1) of section 134 of the Act and (v) Approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover. Such relaxation is available from March 19, 2020 to June 30, 2020.
- 2. CSR funds for COVID-19:** With an objective to promote the companies to spend their CSR funds for COVID-19, the MCA has clarified to include the promotion of health care, including preventive healthcare, sanitation and disaster management activities as a part of the Schedule VII to the Act. Since, the activities are already part of the Schedule, the MCA Circular seems to promote the companies to spend their CSR funds for COVID-19.
- 3. No Additional Fees during moratorium period:** MCA has stated that, April 1, 2020 to September 30, 2020 shall be a moratorium period, i.e. during this time no additional fees would be charged for late filing, in respect of any document, return, statement etc., required to be filed, irrespective of its due date. In relation to this, the MCA has issued Companies Fresh Start Scheme, 2020 (CFSS-2020) and also amended LLP Scheme;
- 4. Board Meetings:** According to the provisions of Section 173 of the Act, every company shall hold the first meeting of the Board of Directors within 30 days from the date of its



incorporation and thereafter hold a minimum number of four meetings of its board of directors every year in such a manner that not more than 120 days shall intervene between two consecutive board meetings. Now, the MCA has relaxed the provision increasing the gap by 60 days i.e. the MCA has provided one-time relaxation between two consecutive meetings of the board of directors to 180 days till the end of the next two quarters. According to the MCA Circular, the benefit can be taken only till September 30, 2020.

5. **Declaration of Commencement of Business:** Presently, the newly incorporated companies are required to file a declaration for the Commencement of Business within a period of 180 days from the date of the incorporation (Form 20A (under section 10A of the Co. Act, 2013)). In this regard, an additional period of 180 more days has been granted i.e. now the compliance is to be done within a period of 360 days from the date of the incorporation of the company.
6. **Resident Director:** According to the extant provisions, every company shall have at least one Director who stays in India for a total period of not less than 182 days during the financial year. As per the MCA circular, if none of the directors of the company have complied with the said provision, then the same shall not be treated as a non-compliance for financial year 2019-20 (Circular No. 11 dated March 24, 2020);
7. **CARO, 2020:**The CARO, 2020 shall now be applicable from the FY 2020-21, instead of FY 2019-20;
8. **Independent Directors Meeting:** Under the extant provisions, the Independent Directors shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management. As per the MCA circular, for FY 2019-20, if Independent Director(s) have not been able to hold such a meeting, the same shall not be a violation of the provisions. The MCA has clarified that, the Independent Director(s) may share their views amongst themselves through telephone or e-mail or any other mode of communication, if they deem it to be necessary.
9. **Deposit Repayment Reserve:** As per extant provisions (u/s 73(2)(c) of Co. Act, 2013), there is a requirement to create a Deposit Repayment Reserve of 20% of the deposits maturing during FY 2020-21 before 30<sup>th</sup> day of April 2020. As per the MCA Circular, the duration stands extended to June 30, 2020.
10. **Investing / Depositing 20% of maturing deposits:** As per Rule 18 of the Companies (Share Capital & Debentures) Rules, 2014, a company is required to invest or deposit at least 15% of the amount of debentures maturing in specified methods of investments or deposits before 30<sup>th</sup> day of April 2020. As per MCA Circular, the duration stands extended to June 30, 2020.

*Reference: (i) MCA Notification F. No. 1/32/2013-CL-V-PART, dated Mach 19, 2020, (ii) Circular No. 11 dated March 24, 2020, (iii) MCA Notification F. No. 17/45/2015-CL-V Part I, MCA Order dated March 24, 2020.*

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**SEBI'S SPECIAL MEASURES AMID COVID – 19 OUTBREAK**

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Amid the COVID-19 outbreak, the Ministry of Health and Family Welfare has come up with various schemes for the public. Quite a few Regulatory Authorities have issued circulars/notifications and extended the necessary timelines for compliance and / or extended the timelines for payment of fees/taxes. This article is a compilation of the relevant circulars issued by SEBI with respect to the change in compliance timelines:

- 1. Extension of statutory timelines for various filings under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR') are as follows:**
  - a. Filing of Compliance Certificate w.r.t. share transfer facility falling due on April 30, 2020 extended to May 31, 2020.
  - b. Filing of Statement of Investor complaints falling due on April 21, 2020 extended to May 15, 2020.
  - c. Filing of Secretarial Compliance Report falling due on May 30, 2020 extended to June 30, 2020.
  - d. Filing of Corporate Governance Report falling due on April 15, 2020 extended to May 15, 2020.
  - e. Filing of statement relating to the shareholding pattern falling due on April 21, 2020 extended to May 15, 2020.
  - f. Filing relating to financial year falling due on May 15, 2020 and May 20, 2020 extended to June 30, 2020.
  - g. Filing of Certificate from Practicing Company Secretary on timely issue of share certificates falling due on April 30, 2020 extended to May 31, 2020.
  - h. Holding of AGM (by top 100 listed entities by market capitalization for FY 19-20) due on August 31, 2020 extended to September 30, 2020.
  
- 2. Relaxation of time gap between 2 Board Meetings / Audit Committee Meetings:** The board of directors and Audit Committee of the listed entity are exempted from observing the maximum stipulated time gap of 120 days between 2 meetings for the meetings held or proposed to be held between the period December 1, 2019 and June 30, 2020.

However, the board of directors / Audit Committee shall ensure that they meet at least 4 times a year, as stipulated under LODR regulations.

- 3. Conducting of Committee Meetings:** The Nomination and Remuneration Committee, Stakeholder and Relationship Committee and Risk Management Committee of the listed entities can comply with the requirements of meeting once in a year till June 30, 2020 (instead of March 31, 2020) for the FY 2019-2020.
- 4. Relaxation of the operation of the SEBI circular on Standard Operating Procedure:** The effective date of operation of the issued Standard Operating Procedure (SoP) on imposition of fines and other enforcement actions for non-compliances with provisions of the LODR was for the compliance periods ending on or after March 31, 2020. The said SoP shall now come into force with effect from compliance periods ending on or after June 30, 2020 (SEBI/HO/CFD/CMD/CIR/P/2020/12 dated January 22, 2020)
- 5. Publication of advertisements in the newspapers:** Regulation 47 of the LODR requires publishing in the newspapers, information such as notice of the board meeting, financial results etc. SEBI has exempted such publication of advertisements in newspapers for all events scheduled till May 15, 2020.
- 6. Relaxations in compliance with provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ('SAST'):** SEBI had extended the due date of filing disclosures, in terms of Regulations 30(1), 30(2) and 31(4) of the SAST Regulations for the financial year ending March 31, 2020 to June 01, 2020. Reg. 30(1) of SAST Regulations (continual disclosures) under which every person, who together with PAC with him, holds shares or voting rights entitling him to exercise 25% or more of the voting rights in a target company, shall disclose their aggregate shareholding and voting rights, in the target company. Reg. 30(2) of SAST Regulations (continual disclosures) under which promoter of every target company shall together with persons acting in concert with him, disclose their aggregate shareholding and voting rights in the target company. Reg. 31(4) of SAST Regulations (disclosure of encumbered securities) under which the promoter of every target company shall declare on a yearly basis that he, along with PAC, has not made any encumbrance, directly or indirectly, other than those already disclosed during the financial year.
- 7. Relaxation from compliance with certain provisions of the circulars issued under SEBI (Credit Rating Agencies) Regulations, 1999 :** In view of the developments arising due to COVID-19 pandemic and in light of the moratorium permitted by Reserve Bank of India (RBI) (by Notification No. RBI/2019-20/186, dated March 27, 2020) on loan servicing, working capital facilities etc. for a period of 3 months, a need for temporary relaxations in compliance by CRAs is felt. In view of the nationwide lockdown and the 3 month moratorium/ deferment on payment permitted by RBI, SEBI has stated that CRA will recognize the default after considering whether the default was solely due to the lockdown or loan moratorium as permitted by RBI, where such differentiation in treatment of default will be on a case to case basis. Accordingly, based on its assessment,

if the CRA is of the view that the delay in payment of interest/principle has arisen solely due to the lockdown conditions creating temporary operational challenges in servicing debt, including due to procedural delays in approval of moratorium on loans by the lending institutions, CRAs may not consider the same as a default event and/or recognize default, only after appropriate disclosures are made in the Press Release. Such relaxation for recognizing the default including any rescheduling in the payment of debt obligation prior to the due date is extended till the period of moratorium by the RBI. Considering that the CRAs are dependent on the issuers and third parties for information collection which is impaired due to current lockdown, relaxation from timelines for rating action/ issue of press release by CRAs is being granted. Further, an extension of 30 days is being granted for making annual and semi-annual disclosures by CRAs on its website for the period ended March 2020 (SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/53 dated March 30,2020)

- 8. Extension of deadline for implementation of the circular on Stewardship Code for all Mutual Funds and all categories of AIFs:** SEBI had introduced a Stewardship Code for all Mutual Funds and all categories of AIFs, in relation to their investment in listed equities. The Code was to come into effect from April 1, 2020. The implementation of the Stewardship Code has now been extended to July 1, 2020 (SEBI/HO/CFD/CMD1/CIR/P/2020/55 dated March 30, 2020).
- 9. Continuation of Phase II of Unified Payments Interface with ASBA:** In view of the aforesaid representations and also taking into account that introducing any new changes under the prevailing circumstances where staff at the stakeholders are sparsely populated may not be workable, it has been decided to continue with the current Phase II of the UPI ASBA till further notice (SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020).
- 10. Temporary relaxation in processing of documents pertaining to FPIs:** According to the extant provisions, FPI applicant shall submit duly signed application form (including KYC details) and supporting documents and applicable fees. Further, copies of all the KYC documents submitted by the applicant should be accompanied by originals for verification. In case the original of any KYC document is not produced for verification, then the copies should be properly attested by entities authorized for attesting the documents. SEBI has granted certain relaxations in a situation where FPIs are not in a position to send original and/or certified documents as specified in Operational guidelines for FPIs & Designated Depository Participants (DDPs) issued under SEBI (FPI) Regulations, 2019 (SEBI/HO/FPI&C/CIR/P/2020/056 dated March 30, 2020)
- 11. Relaxation in compliance with requirements pertaining to Portfolio Managers:** The timelines for monthly reporting to SEBI by Portfolio Managers for the periods ending March 31, 2020 and April 30, 2020 & applicability of 'Guidelines for Portfolio Managers' has been extended to a further period of 2 months (SEBI/HO/IMD/DF1/CIR/P/2020/57 dated March 30, 2020).

**12. Relaxation in compliance with requirements pertaining to AIFs and VCFs:** The due date for regulatory filings for AIFs and VCFs for the periods ending March 31, 2020 and April 30, 2020 has been extended by further 2 months as against the timelines prescribed under SEBI (Alternative Investment Funds) Regulations, 2012 and circulars issued thereunder (SEBI/HO/IMD/DF1/CIR/P/2020/58 dated March 30, 2020).

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**LIST OF EXECUTIVE OFFICER/ IN-CHARGE  
OF CHAPTERS OF WIRC**

<b>Sr. No.</b>	<b>Chapter name</b>	<b>Chapter In-Charge</b>	<b>Contact No.</b>	<b>e-mail id of Chapter In Charge</b>
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**VERTICAL (DOWN)**

1. A person who exercise control over the Registrars of Companies (*16 letters*)
4. Member of the group of persons managing the affairs of a Company (*8 Letters*)
5. Office dealing with “ One step above the normal “ Frauds. (*4 letters*)
8. Not Borrowed Funds. (*5 letters*)
9. \_\_\_\_\_ connected to UPSI (*7 letters*)
10. Quasi-Judicial Authority/Judicial Authority (*8 Letters*)
11. A Company which has any of its securities listed on any Recognized Stock Exchange (6 Letters)
12. An instance of something happening; an event or occurrence (8 letters)
13. Similar to Justice; principles of justice (6 Letters)
15. \_\_\_\_\_ has to be approve all RPTs in Listed Companies (14 letters)
16. Coronavirus is not a living organism, but a ..... Molecule (DNA) (*Jumbled*) (*7 letters*)
19. Evaluation of Professional work by another professional in the same field (*10 letters*)
17. \_\_\_\_\_sector accounted for about 55% of the Economy and Gross Value Added (GVA) growth (*8 letters*)
18. Pioneer in Computerized Trading Platform for securities (*3 Letters*)
21. Substitute for surveillance (*9 Letters*)
22. A vital factor in determining the Rate of Return (*9 letters*)
23. Pursuant to Section 100(1) of CA, 2013 ----- can convene EOGM in regard to any matter, whenever they deem fit. (3 Letters)
24. It means right or privilege to buy shares (*7 Letters*)



**MANDATORY COMPLETION OF PROGRAM CREDIT HOURS (PCH) BY MEMBERS**

- It may be noted that the PCH requirement for the block year 2017-2020 as below is ending by 31.03.2020. Members who have not completed the stipulated hours may complete the same by 31.03.2020. The Guidelines for Compulsory Attendance of Professional Development Programmes by the Members is available at link <https://www.icsi.edu/media/webmodules/cp/PDPGuidelines3.pdf>
- PCH for company secretary in employment is mandatory. Members in employment (i.e. members in whose name Form 32 has been filed to work as Company Secretary under the provisions of Sec. 383A of the Companies Act, 1956) shall be required to obtain 10 Programme Credit Hours in each year or 35 Programme Credit Hours in a block of three years.

Member's age	Below 60 years		Above 60 years but below 65 years	
Status	Employment	Practice	Employment	Practice
PCH in each year	10	15	5	8
PCH in block of 3 years	35	50	18	25
CoP / Employment taken during	Employment	Practice	Employment	Practice
1 April 2017 – 31 March 2018	20	30	10	15
1 April 2018 – 31 March 2019	10	15	5	8
1 April 2019 – 31 March 2020	0	0	0	0

**REVISED GUIDELINES FOR COMPLETION OF PCH FOR THE CURRENT BLOCK 2017-20**

In view of the advisory issued by Ministry of Health and Family Welfare, Government of India regarding Novel Corona Virus Disease (COVID-19) and in view of the entire country being under lockdown till April 14, 2020 to prevent the further spread of the dreaded virus. the said time limit for obtaining the mandatory PCH has been further extended up to 30<sup>th</sup> June, 2020.

With a view to facilitate the members in obtaining the mandatory PCH the following measures have been taken :

- (i) the ceiling of maximum 8(eight) PCH through webinars is relaxed and the members shall be entitled for PCH through webinars without any limit till 30th April, 2020
- (ii) Members may also obtain up to 60 PCH by enrolling & qualifying the online assessment modules. The fee for appearing in each module shall be Rs.1000 + GST.
- (iii) Members may also obtain 10 PCH for every PMQ/Certificate Course at the time of enrolment

\*(Members who have completed the PCH may kindly ignore)

**PHOTO GALLERY**  
**WIRC IN FOCUS**



Glimpses of Program organized by Bombay Stock Exchange on Recent Amendments in SEBI LODR Regulations, 2015 and Related Party Transactions



Women's Day Celebration Program Organised by WIRC of ICSI



Seminar on Managerial Appointment & Remuneration and Revival of Struck off Companies  
Speaker CS Ashish Lalpuria



Glimpses of Master Class on Company Law organised by WIRC of ICSI

**CHAPTERS IN ACTION**



Seminar on Critical Issues of Companies Act,2013- Organised by Surat Chapter of WIRC of ICSI on 22<sup>nd</sup> February, 2020  
Speaker- CS MC Gupta. 105 Participants



Seminar on RERA Registration Procedure Compliance – Do's and Don'ts", Organised by Kolhapur Chapter of WIRC of ICSISpeaker- CA Aditya Bedear  
40 Delegates



2 Days Residential Seminar: CS : A Corporate's Wing Organised by Ahmedabad Chapter of WIRC of ICSI on 22 & 23 February 2020.  
Speakers: CS Narayan Shankar, CS Deepak Khaitan, CS S. Sudhakar, Swami Adhyatmanandji Maharaj & Sr. Advocate Saurabh Soparkar  
Participants: 250+



42<sup>nd</sup> Foundation Day Celebration of Goa Chapter of ICSI and lectures on Highlights of Union Budget 2020 & Stress Management-  
Speakers: CA Neeru Agnihotri & Dr Ravindra Agrawal  
39 Delegates

# ICSI WIRC Focus

March 2020



Nuances of Changes In Companies Act & Arbitration Laws in India By Kandivali Study Circle held on 14.03.2020.Speaker: CS Narendra Singh



Seminar on Insolvency and Bankruptcy Code & National Company Law Tribunal Organised by Thane Chapter of WIRC of ICSI -60 Delegates

1<sup>st</sup> Lecture of Five Lecture Series on Companies Act 2013- Organised by Thane Chapter of WIRC of ICSI On 29.02.2020- Speaker-CS Makarand Joshi, PCS,Mulund 240 Delegates-



Program on Union Budget Organised by Vadodara Chapter of WIRC of ICSI on 04.02.2020- -Speaker- CA Alok Shah, CA Vadodara -81 Delegates

Women's Day Celebration Program organized by Nashik Chapter of WIRC of ICSI, jointly with Nashik branch of ICAI & Nashik Chapter of ICMAI(Cost) on 29.02.2020- Speaker Adv.Kamiya Jadhav-International Lawyer. - 80 participants

# ICSI WIRC Focus

March 2020



Half Day Seminar on GST Amendments and Stress Management organised by Raipur Chapter of WIRC of ICSI  
Speakers: CS Snehal Shah & CA Ramandeep Bhatia – 84 Delegates



Full Day Seminar organised by Navi Mumbai Chapter of WIRC of ICSI on 16<sup>th</sup> February 2020 at CCGRT  
Speakers- CS Gaurav Pingle and Shri. Arvind Salvi -190 Delegates



Justice Sh. V.S. Sirpurkar (Retired Justice of Hon'ble Supreme Court of India) addressing the gathering during his visit to Nagpur Chapter of WIRC of ICSI,



Glimpses of Program organized by Nagpur Chapter of WIRC of ICSI,



Role of CS in Trademark-Speaker- CS Vikas Chomal, PCS Thane -& Secretarial Audit by CS Rajshree Padia, PCS, Mumbai organized by Nashik Chapter of WIRC of ICSI on 22.02.2020- 45 Delegates



Program Organised by Dombivali Chapter of WIRC of ICSI



Two Days 30th Residential Workshop on Critical issues in Corporate Laws organised by Pune Chapter of WIRC of ICSI on 22&23 February 2020-  
Speakers: CS Dr. K R Chandratre. with CS Mahesh Athavale and CS Makarand Joshi -79 Delegates



Recent Changes in Companies Act, 2013 Seminar on organised by Pune Chapter of WIRC of ICSI on 1<sup>st</sup>February 2020-  
Speaker: CS Devendra Deshpande  
50+ Participants



ICSI President CS Ashish Garg along with other dignarories during 2 days Program on Critical Issues in Companies Act, 2013 organized by Indore Chapter of WIRC of ICSI



Women's Day Program organized by Indore Chapter of WIRC of ICSI,



ICSI President CS Ashish Garg along with other dignarories and Participants during 2 days Program organized by Bhopal Chapter of WIRC of ICSI



**WIRC Chairman CS Rahul Sahasrabudhe with other dignitaries and participants during seminar organised by Aurangabad Chapter of WIRC of ICSI**



Appreciation of ICSI by Hon'ble Prime Minister



**SUB-COMMITTEES OF ICSI – WIRC FOR THE YEAR 2020**

Sl. No.	Name of Committee	Chairperson of committees	Members
1	Executive Committee	CS Rahul Sahasrabuddhe	CS Pawan Chandak CS Rajesh Tarpara CS Snehal Shah
2	Finance Committee	CS Rahul Sahasrabuddhe	CS Pawan Chandak CS Rajesh Tarpara CS Snehal Shah CS Chetan Patel (CCM)
3	Professional Development Committee – Mumbai	CS Amrita Nautiyal	CS Kalpesh Mody CS Narendra Singh CS Sachin Mishra CS Ajit Dabholkar CS Khushboo Gundesha CS Harish Bora CS Pathik Arora CS Rahul Sahasrabuddhe, Ex-officio member CS Rajesh Tarpara, Ex-officio member
4	Professional Development Committee – Outside Mumbai	CS Hrishikesh Wagh	CS Pawan Kumar Baid CS Anu Pasrija CS Divya Pai-Venekar CS Rahul Sahasrabuddhe, Ex-officio member CS Rajesh Tarpara, Ex-officio member
5	Training & Educational Facilities Committee	CS Ashish Karodia	CS Nehal Mahendra Thaker CS Anurag Gangrade CS Palash Jain CS Bhaveshkumar Arjunker Rawal CS Anuj Dilip Jaiswal CS Vikas Ramchandra Chomal CS Aman Rai CS Karan Nenwani CS Sourabh Kumar Sharma CS Shivam Baghel CS Rahul Sahasrabuddhe, Ex-officio member CS Rajesh Tarpara, Ex-officio member
6	Professional Research & Publication Committee	CS Rahul Sahasrabuddhe	CS Nilesh Pradhan CS A Sekar CS Mahesh Hurgat CS Sanjay Parab CS Jigar Gandhi CS Avinash Gandhewar CS Shashank Dave CS Manoj Sonawala CS Aditya

			CS Rajesh Tarpara, Ex-officio member
7	Information Technology Committee	CS Shilpa Dixit	CS Yogesh Choudhari – Vice Chairman CS Kush Gupta CS Vishal Patil CS Nawaj Sayyad CS Amogh Diwan CS Pooja Moghe CS Rohan Shinde CS Rahul Sahasrabuddhe, Ex-officio member CS Rajesh Tarpara, Ex-officio member
8	Practising Company Secretaries Committee	CS Tushar Pahade	CS Dinesh Joshi CS Ranjit Kejriwal CS Amit Rajkotiya CS Ajit Sathe CS Pradyumansinh Vala CS Dilip Kumar Jain CS Rahul Sahasrabuddhe, Ex-officio member CS Rajesh Tarpara, Ex-officio member
9	Editorial Board of FOCUS	CS Rahul Sahasrabuddhe (Editor)	CS Dipika Kataria CS Gaurav Pingle CS Venkataraman CS Sagar Kulkarni CS Jigar Shah CS Sneha Ghuriani CS Swapnil J. Dixit CS Rajesh Tarpara, Ex-officio member
10	Purchase committee	CS Rahul Sahasrabuddhe	CS Snehal Shah CS Yogesh Choudhary
11	Regulator Recognition Committee	CS Rajesh Tarpara	CS Pramod Shah Dr. S K Jain CS Nandlal Bafna CS Shweta Parwani CS Sheetal Dak CS Avinash Bagul CS Anant Amdekar CS Saurabh Agrawal CS Rahul Sahasrabuddhe, Ex-officio member
12	CSBF	CS Yogesh Choudhary	CS Nitesh Chaudhary CS Bal Krishan Pradhan CS Nitin Singhai CS Mukesh Gupta CS Nehil Dugar CS Mukesh Saraswat CS Neelesh Gupta

			<p>CS Ritesh Gupta                  CS Rahul Singh                  CS Palash Jain                  CS Rahul Sahasrabuddhe, Ex-officio member                  CS Rajesh Tarpara, Ex-officio member</p>
13	Sandharbh	CS Ashish Karodia	<p>CS Nusrat Parveen                  CS AkarshakMaheshwari                  CS SahiveAlam Khan                  CS Anjesh Jain                  CS Arvind Kumar Meena                  CS DipikaKataria                  CS Rahul Sahasrabuddhe, Ex-officio member                  CS Rajesh Tarpara, Ex-officio member</p>
14	Abhivyakti	CS Ashish Karodia	<p>CS Ayushi Silot                  CS Ruchi Joshi                  CS Turab H. Chimthanawala                  CS Ankit Medatwal                  CS Karishma Jhaveri                  CS Rahul Sahasrabuddhe, Ex-officio member                  CS Rajesh Tarpara, Ex-officio member</p>
15	Asset Disposal Committee	CS Rahul Sahasrabuddhe	<p>CS Pawan Chandak                  CS Rajesh Tarpara                  CS Snehal Shah</p>

## COMPANY SECRETARIES BENEVOLENT FUND



### Saathi Haath Badhana साथी हाथ बढ़ाना

The Company Secretaries Benevolent Fund (CSBF) provides safety net to Company Secretaries who are members of the Fund and their family members in distress.

#### CSBF

- Registered under the Societies Registration Act, 1860
- Recognised under Section 12A of the Income Tax Act, 1961
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#### How to join

- By making an application in Form A (available at [www.icsi.edu/csbf](http://www.icsi.edu/csbf)) along with one time subscription of ₹10,000/-.
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#### Contact

For further information/clarification, please write at email id [csbf@icsi.edu](mailto:csbf@icsi.edu) or contact Mr. Saurabh Bansal, Executive on telephone no.0120-4082135.

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