

SPOM SET A

ALL IMPORTANT POINTS

MUST DO PDF

WINDING UP

- Winding up of a company commences from the date on which the application for winding up is filed.
- If the Registrar of Companies (ROC) files a petition for winding up, prior sanction of the Central Government (CG) is required.
- The National Company Law Tribunal (NCLT) may constitute an advisory committee to guide the liquidator, consisting of not more than 12 members.
- The NCLT shall pass an order within 90 days from the date of receipt of the winding-up petition.
- Within 7 days of passing the order, the NCLT shall intimate the Company Liquidator (CL) or Provisional Liquidator (PL) and the ROC.
- The liquidator shall submit a declaration of no conflict of interest to the NCLT within 7 days of appointment.
- The liquidator shall submit a report within 60 days from the date of the winding-up order.
- Within 3 weeks of the winding-up order, the liquidator shall apply to the NCLT for constitution of the OSP.
- The liquidator may disclaim any onerous property within 12 months.
- The liquidator shall present to the NCLT an account of receipts and payments not less than twice every year.
- Priority of payments shall be given to workmen's dues for the two years preceding the winding up and to secured creditors.
- Refer to Section 327 for detailed provisions regarding priority payments.

- Any fraudulent preference given to a creditor placing him in a better position within 6 months prior to winding up shall be void.
- Transfers made not in good faith within 1 year prior to winding up shall be void.
- A floating charge created within 12 months before winding up shall be invalid, unless the company was solvent at that time; in such case, it shall be valid only to the extent of cash received plus 5% interest thereon.
- The company shall have no responsibility in respect of anything after 5 years from the date of winding up.
- If the winding up is not completed within 1 year, the liquidator shall, within 2 months, apply to the NCLT and ROC stating the reasons for the delay.
- Dividends and undistributed assets remaining unpaid for 6 months shall be transferred to the Company Liquidation and Undistributed Assets Account (CLDUA A/c).
- If such amounts are not claimed within 15 years, they shall be transferred to the Central Government General Revenue Account.
- A person entitled to such amount may claim it from the ROC, who shall settle the claim within 60 days; failing which, the ROC shall submit a report to the Regional Director (RD) stating the reasons for failure.
- Any liquidator retaining such amount shall be liable to pay interest at 12% per annum and other prescribed consequences.
- The NCLT may declare its order of dissolution void within 2 years from the date of dissolution.

FCRA, 2010

- Gifts received for personal use up to ₹1,00,000 are not included in the aggregate value of foreign contribution.
- The United Nations (UN), International Monetary Fund (IMF), World Bank, and agencies notified by the Central Government (CG) are not treated as foreign sources.
- “Person” under FCRA includes an Individual, HUF, Association, and Section 8 Company.
- Foreign contribution received from a relative is not prohibited under Section 3; however, if it is ₹10 lakhs or more in a financial year, the Central Government must be informed in Form FC-1 within 3 months.
- Members of Legislature and other specified persons must obtain prior approval of the Central Government before accepting any foreign hospitality.
- In case of medical needs, prior approval is not required; however, the Central Government must be informed within 1 month if the expense exceeds ₹1,00,000.
- Foreign contribution shall not be used for speculative business, and not more than 20% of such contribution shall be used for administrative purposes.
- Prior approval or registration from the Central Government is required for persons engaged in cultural, economic, religious, or social programmes before accepting foreign contribution.
- A person applying for registration must have undertaken reasonable activity for the benefit of society, meaning the entity should be in existence for at least 3 years and must have spent ₹15 lakhs or more on its core activities for societal benefit during the last 3 previous financial years.
- The application is made to the Central Government, which shall approve it within 90 days, and the registration remains valid for 5 years.

- The FCRA account must be opened with SBI, New Delhi.
- Application for renewal must be made at least 6 months before the expiry of registration. A further 1 year may be permitted on reasonable cause, and the Central Government may renew the certificate for 5 years within 90 days.
- The certificate may be cancelled if the organization is not engaged in reasonable activity for 2 years; after cancellation, it is not eligible for re-registration for 3 years.
- The Central Government may suspend the registration for 180 days, which may be extended by another 180 days. During suspension, no new foreign contribution can be received, and only 25% of the already received contribution may be utilized with prior approval of the Central Government.
- FCRA bank account statements must be preserved for 6 years.
- An appeal against the order of the Central Government may be filed before the High Court within 60 days, or an application for revision may be made to the Central Government itself within 1 year, with a possible extension of another 1 year.
- The Central Government may also revise its order suo motu within 1 year.
- Where the confiscated amount is up to ₹10 lakhs, the order may be passed by an officer not below the rank of Assistant Sessions Judge, and an appeal can be filed within 1 month, with a further 1 month allowed to approach the Court of Session.
- Where the confiscated amount exceeds ₹10 lakhs, the order is passed by the Court of Session, and an appeal lies before the High Court.
- Any offence under this Act is compoundable; however, if a similar offence is repeated within 3 years, it becomes non-compoundable.
- Under foreign contribution provisions, politicians and certain other persons (including media) are prohibited from receiving foreign contribution. However, in the case of foreign hospitality, politicians are not prohibited but must obtain prior approval of the Central Government (no specific provision is mentioned for media in this case).

ADJUDICATION, NCLT, NCLAT, SPECIAL COURTS, AND E-FILING

- The NCLT may amend or rectify any order passed by it within 2 years if a mistake is brought to its notice by the parties.
- An appeal to the NCLAT against an order of the NCLT may be filed within 45 days, with a further extension of 45 days, from the date on which the NCLT order is made available.
- The NCLT and NCLAT shall dispose of applications or appeals within 3 months, with a possible extension of 90 days granted by the President or Chairperson.
- An appeal against an NCLAT order may be filed before the Supreme Court, on a question of law, within 60 days, extendable by another 60 days from the date of receipt of the order.
- The NCLT and NCLAT have the powers of a Civil Court, and all their proceedings are deemed to be judicial proceedings. Contempt of the NCLT or NCLAT is treated as contempt of the High Court.
- For taking custody of books, property, etc., the NCLT may make a written request to the Chief Metropolitan Magistrate, Chief Judicial Magistrate, or the District Collector.
- The provisions of the Limitation Act, 1963 shall apply to proceedings or appeals before the NCLT or NCLAT.
- Where the offence involves imprisonment of 2 years or more, the Special Court shall consist of a single judge who is a Sessions Judge or Additional Sessions Judge. For other offences, the Special Court shall consist of a Metropolitan Magistrate or a Judicial Magistrate of the First Class.

- Special Courts are meant for prosecution involving fines and imprisonment, and not for penalties. The Special Court is treated as a criminal court and not a civil court.
- A Judicial Magistrate may authorize detention for up to 15 days, whereas an Executive Magistrate may authorize detention for up to 7 days.
- Summary trials may be conducted for cases involving imprisonment of up to 3 years; however, in such summary trials, no sentence exceeding 1 year of imprisonment shall be passed.
- Every offence under this Act is non-cognizable. Any compoundable offence, if repeated within 3 years, becomes non-compoundable.
- The Central Government (CG) maintains a panel of experts known as the Mediation and Conciliation Panel, which may dispose of cases within 3 months.
- The Central Government may direct any of its prosecutors to present an appeal against an order of acquittal passed by any court other than the High Court.
- An appeal against the order of an Adjudicating Officer may be filed before the Regional Director (RD) within 60 days.
- The full form of SRN is Service Request Number.
- Companies required to file financial statements in XBRL under Section 137 include Ind AS companies, companies with turnover of ₹100 crores or more, companies having paid-up share capital of ₹5 crores or more, and listed companies along with their subsidiaries.

PREVENTION OF OPPRESSION AND MISMANAGEMENT

- Applications under this chapter are made to the NCLT.
- The rule of majority is based on the case law Foss vs. Harbottle.
- A certified copy of the order of the NCLT must be filed with the ROC within 30 days.
- Any order of the NCLT altering the MOA or AOA must also be filed with the ROC within 30 days.
- A Managing Director, Manager, or Director whose agreement is terminated shall not be reappointed for 5 years without the leave of the NCLT.
- The cooling period for a restricted director is 5 years, during which such person should not be connected with the company in any manner unless permitted by the Central Government (CG) with the leave of the NCLT. Upon removal, such person is not eligible for compensation for loss of office.
- Required members for class action: In the case of a company without share capital, not less than 1/5th of the total members.
- Required members for class action: In the case of a company with share capital, not less than 100 members or not less than 5% of the total members, whichever is less, OR members holding not less than 5% of the issued share capital in case of an unlisted company and not less than 2% of the issued share capital in case of a listed company.
- Required depositors for class action: Not less than 100 depositors or not less than 5% of the total number of depositors, whichever is less, OR any depositor(s) to whom the company owes 5% of the total deposits.
- The NCLT may provide for setting aside any transfer of property that amounts to a fraudulent preference made within 3 months before the date of application.

FEMA

- Citizenship is not a relevant criterion for determining residential status.
- If a person goes out of India for Employment, Business/Vocation, or an indefinite period (EBU), such person is treated as a Person Resident Outside India (PROI) irrespective of the stay of 182 days in the previous year.
- If a person comes to India for a purpose other than EBU, such person is considered a PROI, irrespective of the stay of 182 days in the previous year.
- If a person comes to India for EBU, such person is treated as a Person Resident in India (PRI) irrespective of the stay of 182 days in the previous year.
- EBU stands for Employment, Business/Vocation, and indefinite period.
- Capital Account Transactions (CAT) are always prohibited unless specifically permitted, whereas Current Account Transactions (CuAT) are always permitted unless specifically prohibited.
- Debt instrument transactions are regulated by the RBI, whereas non-debt instrument transactions are regulated by the Central Government (CG).
- Import of assets or liabilities with short-term credit (up to 6 months) is treated as a Current Account Transaction (CuAT).
- A resident individual can remit up to USD 2,50,000 per financial year under the Liberalised Remittance Scheme (LRS) for both CAT and CuAT.
- A PROI can invest in the development of townships, construction of residential or commercial premises, roads, bridges, and REITs, but not in farmhouses.
- Must read prohibited current account transactions, transactions requiring prior approval of the Central Government, transactions requiring prior approval of the RBI, and facilities available for persons other than individuals.

- Cultural tours, advertisement in foreign print media by State Governments (SG) and Public Sector Undertakings (PSU) exceeding USD 10,000, remittance of prize money exceeding USD 1,00,000, and remittance for membership of a club require prior approval of the Central Government.
- Donations for creating chairs in institutions, contributions to educational institutions, contributions to funds promoted by such institutions, and contributions to technical institutions exceeding 1% of their foreign exchange earnings during the previous 3 years (aggregate) or USD 50,00,000, whichever is less, require approval.



FEMA (Additional Points)

- Commission per transaction to agents abroad for the sale of flats in India is permitted up to USD 25,000 or 5% of inward remittances, whichever is more.
- Remittances for consultancy services in respect of infrastructure projects are permitted up to USD 1,00,00,000 per project.
- Remittances for consultancy services procured from outside India are permitted up to USD 10,00,000 per project.
- Reimbursement of pre-incorporation expenses is permitted up to 5% of the investment brought into India or USD 1,00,000, whichever is more.
- If the above limits are exceeded, approval from the RBI is required even if the remittance is made from an EEFC Account. Additionally, Central Government approval is required if the remittance relates to membership of a PCL club.
- Declaration to the RBI is not required in case of gifts up to ₹5,00,000.
- Sale proceeds of exports must be realised and repatriated within 9 months.
- Contravention of these provisions is compoundable within 180 days from the date of receiving the application by the Enforcement Directorate (ED).
- Order passed by Adjudicating Authority (AA): If the order is passed by the Assistant Director or Deputy Director, an appeal can be filed within 45 days to the Special Director, followed by a further appeal within 45 days to the Appellate Tribunal, and thereafter on a question of law, an appeal may be filed to the High Court within 60 days, extendable by another 60 days.
- Order passed by Adjudicating Authority (AA): If the order is passed by an authority other than the Assistant or Deputy Director, an appeal can be filed within 45 days to the Appellate Tribunal, and thereafter on a question of law, an appeal may be filed to the High Court within 60 days, extendable by another 60 days.

INSPECTION, INQUIRY, AND INVESTIGATION

- The Central Government (CG) may direct the inspection of the books of a company by an Inspector or other statutory authority.
- During inquiry or inspection, the Registrar of Companies (ROC) and the Inspector have the powers of a Civil Court.
- For seizure of books and property, an order from the Special Court is required.
- Books seized must be returned within 180 days, which may be extended by a further 180 days.
- In the case of a company having share capital, not less than 100 members or not less than 1/10th of the total voting power, and in the case of a company without share capital, not less than 1/5th of the total number of members, may apply to the NCLT with supporting evidence for investigation into the affairs of the company.
- Security must be given by the applicant to the Central Government, which is refundable if the investigation leads to prosecution. The amount of security is:
 1. Turnover $\leq$ ₹50 crore – ₹10,000
 2. Turnover $>$ ₹50 crore and $\leq$ ₹200 crore – ₹15,000
 3. Turnover $>$ ₹200 crore – ₹25,000
- The Central Government may establish the Serious Fraud Investigation Office (SFIO) to investigate frauds relating to a company.
- The SFIO consists of a Director of SFIO, experts, and other officers and employees, appointed by the Central Government.
- Assets of the company may be frozen for a period not exceeding 3 years.
- Restrictions on transfer of securities may be imposed for a period not exceeding 3 years.
- Reasonable Opportunity of Being Heard (ROBH) must be given in cases initiated by the ROC, but it is not required in cases initiated by the NCLT.

PROHIBITION OF INSIDER TRADING

- A connected person is one who has been associated with the company during the 6 months prior to the concerned act and holds more than 10% holding or interest.
- Unpublished Price Sensitive Information (UPSI) must be preserved in a structured digital database for 8 years after completion of the relevant transactions.
- The burden of proof, in cases other than those involving a connected person, lies on SEBI.
- The company shall report any transfer of UPSI to the Stock Exchange within 2 working days.
- An insider must submit the trading plan to the Compliance Officer for approval and public disclosure. Trading can commence only after 120 calendar days from the public disclosure of the plan.
- The trading plan should specify either a specific date or a time period not exceeding 5 consecutive trading days.
- Under the trading plan, buy trades are allowed up to 20% higher, and sale trades are allowed up to 20% lower.
- Once approved, the trading plan is irrevocable.
- The Compliance Officer must approve or reject the trading plan within 2 trading days of its receipt.
- Every person, upon appointment as a KMP or becoming part of the promoter group, shall disclose such details within 7 days of the appointment or change in status.

- Continual disclosures: Promoters and other specified persons must disclose to the company the number of securities traded if the value exceeds ₹10 lakhs, whether through a single transaction or a series of transactions in any quarter, within 2 trading days of such transaction.
- Continual disclosures by the company: The company must notify the Stock Exchange within 2 trading days of receiving such disclosure.
- All disclosures must be maintained by the company for a minimum of 5 years.
- VIDF (Voluntary Information Disclosure Form) must be submitted to SEBI within 7 days through a legal representative (if applicable). OIP stands for the Office of Informant Protection.
- Every company must publish on its website the Code of Fair Disclosure as prescribed in Schedule A and must also intimate the same to the Stock Exchange.
- Minimum standards for listed companies are provided in **Schedule B**, while those applicable to intermediaries are specified in **Schedule C**.


NEXTGEN
CAREER CIRCLE

ICDR, 2018

- A Composite Issue means a combination of a Public Offer and a Rights Issue.
- These regulations apply to a Rights Issue of ₹50 crores or more by a listed issuer, listing on the Innovators Growth Platform, and other specified cases.
- Regulation 6(1) – Eligibility for IPO
 1. Net Tangible Assets: At least ₹3 crores in each of the 3 previous financial years, with not more than 50% held in monetary assets. If monetary assets exceed 50%, firm commitments must be made for deployment of the excess monetary assets.
 2. Average Operating Profit: At least ₹15 crores during the 3 previous financial years.
 3. Net Worth: Minimum ₹1 crore in each of the 3 previous financial years.
 4. Change of Name: If the company has changed its name within the last 1 year, at least 50% of revenue must be earned from the activity indicated by the new name.
- Regulation 6(2) – Alternate Route

If the conditions of Regulation 6(1) are not satisfied, the IPO can be undertaken through the book-building process, provided that at least 75% of the net offer is allotted to QIBs (Qualified Institutional Buyers).
- Regulation 6(3) – IPO where SR Equity Shares are Issued

An issuer that has issued Superior Rights (SR) equity shares is allowed to undertake an IPO only of ordinary equity shares, subject to the following:

 1. Net worth of SR equity shareholders must not exceed ₹1000 crores.
 2. Voting Rights Ratio (VR) must be minimum 2:1 and maximum 10:1.

- The issuer must ensure that firm arrangements for finance are made for at least 75% of the stated means of project cost.
 - a. General corporate purposes shall not exceed 25%.
 - b. General corporate expenses + objects where the issuer has not identified the investment target shall not exceed 35%.Only fully paid-up shares held by sellers for at least 1 year can be offered for sale.
- Offer for Sale (OFS) Limits in Book Building IPO
 1. Sellers holding more than 20% of pre-issue shareholding → cannot sell more than 50% of their holding.
 2. Sellers holding less than 20% → cannot sell more than 10% of their holding.
- Minimum Promoter Contribution
Minimum promoter contribution of 20% of the post-issue capital is mandatory (skin in the game).
- Lock-in of Securities
 1. Minimum promoter contribution: Locked in for 18 months.
 2. Holding in excess of minimum requirement: Locked in for 6 months.
 3. Pre-issue capital: Locked in for 6 months.
- Price and Price Band
 1. The cap price must be at least 105% of the floor price and shall not exceed 120% of the floor price.
 2. Retail Individual Investors (RII) or employees may be offered shares at a discount, but not more than 10% of the base price.
 3. In cases covered under Regulation 6(2), the price offered to anchor investors shall not be lower than the price offered to other investors.
 4. The minimum subscription required is 90% of the offer, except in the case of an Offer for Sale (OFS) of specified securities.

5. The IPO must remain open for a minimum of 3 working days and a maximum of 10 working days. The issue period may be extended through the Red Herring Prospectus (RHP) for a minimum period of 3 working days.
6. The minimum application money (before the first call) is 25% of the issue price, and 100% in case of OFS. Shares must be offered only in lots, with the minimum application value ranging between ₹10,000 and ₹15,000 for determining the lot size.
7. Outstanding subscription money must be called within 12 months from the date of allotment; otherwise, the shares are liable to be forfeited.
8. The minimum number of prospective allottees must be 1000.

TAKEOVER CODE / SAS REGULATIONS

Takeover may be undertaken either by the acquirer himself or together with PAC (Persons Acting in Concert).

Immediate relatives under these regulations include the spouse, and the parent, brother, sister, or child of such person or of the spouse.

Acquisition of more than 5% requires disclosure, while acquisition of 25% or more triggers a takeover requirement.

Disclosure Requirements

Disclosure must be made within 2 working days to the Stock Exchange in the following cases:

- Acquisition by the acquirer along with PAC of more than 5% shares or voting rights (VR) in the target company.
- Any change in shareholding or voting power exceeding 2% from the last disclosure made.
- Any change that results in shareholding falling below 5%.

For a listed entity whose securities are listed on the Innovators Growth Platform, read:

- 5% as 10%
- 2% as 5%

Disclosure of Encumbered Shares (By Promoter)

- Pledging or creating encumbrance on shares of the target company → Disclose within 7 working days to the Stock Exchange and the target company.
- Invocation or release of pledge/encumbrance → Disclose within 7 working days to the Stock Exchange and the target company
- Annual declaration confirming that the promoter and PAC have not created any encumbrance other than those already disclosed → Disclose within 7 working days from the end of the financial year to the Stock Exchange and the Audit Committee.

Initial Trigger for Takeover

The initial trigger occurs when the acquirer along with PAC acquires 25% or more voting rights, unless the acquirer makes a public announcement (PA) of an open offer for acquiring shares of the target company.

An escrow account must be opened for the open offer amount at least 2 working days before the Detailed Public Statement (DPS).

The DPS must be published within 5 days from the initial Public Announcement to the Stock Exchange in newspapers.

Open Offer Timeline

- Draft Letter of Offer to SEBI within 5 working days.
- SEBI comments within 15 working days.
- Final Letter of Offer dispatched to shareholders within 7 days from receipt of SEBI comments.
- Offer opens within 12 days from SEBI comments.
- Tendering period: 10 days.
- Offer closes → Payment to shareholders within 10 working days.
- Post-issue advertisement within 5 working days.

Additional conditions:

- No upward revision in offer price is allowed in the last 1 working day before the offer opens.
- An advertisement for commencement of the tendering period must be made 1 week before the offer opens.

Creeping Acquisition Trigger

Where the acquirer along with PAC already holds 25% or more voting rights but less than the maximum permissible non-public shareholding, they may acquire additional shares. However, if the acquisition exceeds 5% voting rights in any financial year, an open offer must be made again.

Key Takeover Triggers

- Existing holding < 25% → Post-acquisition 25% or more VR: Initial trigger.
- Holding between 25% and 75% → Increase of more than 5% in a financial year: Creeping acquisition trigger.
- Acquisition of control, irrespective of shares or voting rights → Control trigger.
- For listed entities on the Innovators Growth Platform, 25% should be read as 49% everywhere.

Voluntary Open Offer

A voluntary open offer may be made to acquire at least an additional 10% shares. Upon receipt of the DPS, the Board of Directors of the target company must constitute a Committee of Independent Directors to provide reasoned recommendations on the open offer, and the target company must publish such recommendations.

REGISTERED VALUER (RV)

- A Registered Valuer is appointed by the Audit Committee, and in its absence, by the Board of Directors (BOD).
- A Registered Valuer must not undertake the valuation of any asset in which he has had an interest during the 3 years prior to his appointment or for 3 years after the valuation.

- All partners or directors of the valuer entity must satisfy the following eligibility conditions:
 1. Must have passed the valuation examination within the last 3 years.
 2. Must meet Rule 4 qualifications, namely:
 - 1) Postgraduate degree with 3 years' experience, OR
 - 2) Bachelor's degree with 5 years' experience, OR
 - 3) Membership of a professional institute with 3 years' experience.
- Application for registration is made in Form A by individuals and in Form B by a firm or company.
- The IBBI shall grant the certificate of registration for the relevant asset class within 60 days of the application, excluding 21 days allowed for submission of additional documents.
- Records of registration must be maintained for 3 years.
- If a member surrenders his membership, the Registered Valuers Organisation (RVO) must inform the IBBI within 7 days and also place on its website the details of members who have revived or surrendered their membership.
- An organisation seeking recognition as an RVO must be registered under Section 8 and should be a professional institute established by Parliament.
- Any society or trust registered as an RVO must convert into a Section 8 company within 1 year.

STRIKING OFF NAME

The ROC may strike off the name of a company suo motu in the following cases:

- Business has not commenced within 1 year of incorporation.
- Business has not been carried on for 2 consecutive financial years, and the company has not applied for dormant status.
- Subscribers to the MOA have not paid the subscription, and the declaration has not been filed within 180 days of incorporation.
- The company is not carrying on business, as revealed after physical verification. Before striking off, the company and all its directors must send their representation within 30 days.

A company cannot apply for strike off if it has carried out ABCDE activities within the previous 3 months.

Restoration of Name – Application to NCLT

- ROC: Within 3 months.
- Company, member, creditor, or workman: Within 20 years.
- Any person aggrieved: Within 3 months.

The order of the NCLT must be submitted to the ROC within 30 days, after which the ROC shall issue a fresh Certificate of Incorporation (COI).

DORMANT COMPANY

- Form MSC-1 is used to apply for the status of a dormant company.
- An inactive company is one that has no significant accounting transactions or has not filed Annual Returns (AR) or Financial Statements (FST) during the last 2 financial years.
- The ROC grants dormant status through Form MSC-2.
- The minimum number of directors required are:
 - 3 in a public company
 - 2 in a private company
 - 1 in an OPC
 - Further, rotation of auditors is not applicable to dormant companies.
- A dormant company must file its Annual Return in Form MSC-3 within 30 days from the end of the financial year.
- An application for obtaining the status of an active company must be made in Form MSC-4.
- If a company remains dormant for 5 years, the ROC shall initiate strike-off proceedings.

GOVERNMENT COMPANY

- Employees of a Government company are not considered Government employees.
- Where the Central Government (CG) is a member of a Government company, the Annual Report must be submitted before both Houses of Parliament within 3 months of the AGM.
- Where the State Government (SG) is also a member, the report must additionally be laid before the State Legislature.

NIDHI COMPANY

- A copy of every exemption notification granted to a Nidhi Company must be laid before each House of Parliament for a total period of 30 days. Any period during which the House is adjourned for more than 4 consecutive days shall not be counted in the above 30 days. Form NDH-4 must be filed for declaration as a Nidhi Company and for updating its status.
 1. For companies incorporated before 19/04/2022, NDH-4 must be filed within 60 days after the expiry of 1 year from the date of incorporation, or within the extended period of 1 year granted by the Regional Director (RD).
 2. For companies incorporated on or after 19/04/2022, NDH-4 must be filed within 120 days of incorporation, provided the company fulfills the following:
 - Minimum 200 members
 - Net Owned Funds (NOF) of ₹20,00,000 or more
- The Central Government (CG) has the power to grant exemptions to Nidhi Companies.
- Along with NDH-4, the company must file a declaration confirming fulfillment of the “fit and proper person” criteria by all promoters and directors. Such promoter or director must not be a director in 5 or more Nidhi companies or a promoter of 3 or more Nidhi companies.
- The Central Government must convey its decision within 45 days, failing which deemed approval shall apply after 45 days.

- Every Nidhi Company is required to file a half-yearly return in Form NDH-3 within 30 days from the conclusion of each half-year, duly certified.
- The company must have a paid-up equity share capital of at least ₹10 lakhs, consisting only of fully paid-up equity shares, and only public companies can be Nidhi companies.
- A member shall not transfer more than 50% of his shares (held on the date of availing a loan or making a deposit) during the subsistence of such loan or deposit.
- Net Owned Funds (NOF) = Aggregate of Paid-up Equity Capital + Free Reserves – Accumulated Losses – Intangible Assets, as per the latest audited balance sheet.
- The ratio of NOF to deposits must not exceed 1:20.
 - The company must maintain unencumbered term deposits of at least 10% of the outstanding deposits.
 - Locker facilities may be provided only to members, and only if the rental income does not exceed 20% of the gross income.
- Issue of preference shares, debentures, or any other debt securities is prohibited.
- The maximum rate of dividend allowed is 25%.
 - A director must be a member of the Nidhi Company, with a maximum tenure of 10 years, followed by a cooling period of 2 years.
- The cooling period for auditors is also 2 years.

APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL

- The following provisions apply generally to Key Managerial Personnel (KMP):
 - Appointment of MD or CEO or Manager or Whole-Time Director (WTD), Company Secretary (CS), and CFO is mandatory in a listed company and every public company having paid-up share capital (PSC) of ₹10 crores or more. A whole-time Company Secretary is mandatory in any private company having PSC of ₹10 crores or more. However, this requirement is not applicable to the appointment of MD, CEO, Manager, or WTD in a Government company.
 - The same person shall not act as both Chairperson and MD/CEO unless the Articles of Association provide otherwise or the company carries on a single business. This restriction does not apply to companies having PSC of ₹100 crores or more and turnover of ₹1000 crores or more, provided they have multiple businesses with separate CEOs for each business.
 - A person may be appointed as MD even if he is already serving as MD or Manager of another company, provided unanimous consent of all directors present at the meeting is obtained.
- Any casual vacancy in the office of a KMP must be filled by the Board within 6 months. Managerial Personnel (Specific Provisions)
 - For the purpose of this chapter, MD, WTD, and Manager are referred to as managerial personnel, and the following provisions apply specifically to them (not to all KMPs).

- A company shall not appoint both an MD and a Manager simultaneously.
 - The tenure shall be one term of 5 years, and reappointment cannot be made earlier than 1 year before the expiry of the term (this should not be confused with a cooling period).
 - Form MR-1 must be filed within 60 days for such appointments; however, this procedure is not applicable to private companies. The maximum tenure of 5 years and the prescribed procedure are also not applicable to Government companies.
 - The managerial person must be a resident of India, meaning a continuous stay of at least 12 months preceding the date of appointment.
 - The minimum age is 21 years, and the maximum age is 70 years. A person above 70 years may be appointed by passing a Special Resolution (SR); if the SR does not pass but the votes in favor exceed the votes against, approval of the Central Government (CG) is required.

Secretarial Audit

- The following companies are required to obtain a Secretarial Audit:
 - Listed companies
 - Public companies with PSC $\geq$ ₹50 crores
 - Public companies with turnover $\geq$ ₹250 crores
 - Every company having loans $\geq$ ₹100 crores as on the last day of the preceding financial year

Director Remuneration

- Provisions relating to director remuneration are not applicable to private companies and Government companies.
- Calculation of profits for salary computation:
 - Add:
 - A. Net Profit Before Tax (PBT)
 - B. Provisions (deduct actual expense if not already deducted)
 - C. Voluntary damages or compensation
 - D. Loss of capital nature (except loss on sale of fixed assets)
 - E. Government subsidies or bounties (if not already added)
 - Less:
 - A. Profit on sale of shares or debentures
 - B. Profit on sale of forfeited shares
 - C. Profit of capital nature
 - D. Profit on sale of fixed assets
 - E. Any unrealized or notional gains

Actual expenses such as working charges, if not already deducted, must be deducted while computing profits.

LIMITS OF DIRECTOR'S SALARY

- Overall managerial remuneration shall not exceed 11% of net profits, unless approved by the General Meeting (GM) and in accordance with Schedule V.
- For one MD/WTD/Manager, remuneration shall not exceed 5% of net profits; this limit may be exceeded with a Special Resolution (SR).
- Where there is more than one MD/WTD/Manager, the total remuneration shall not exceed 10% of net profits.

Non-Executive Directors

1. Where the company has an MD/WTD → Remuneration shall not exceed 1% of net profits.
2. Where the company does not have an MD/WTD → Remuneration shall not exceed 3% of net profits
 - The maximum sitting fees payable is ₹1,00,000 per meeting, and sitting fees paid to a Woman Director or Independent Director shall not be less than that paid to other directors.
 - A listed company must disclose the ratio of director remuneration to the median employee salary in the Board's Report.
 - Insurance premium paid for indemnity insurance is included in remuneration only if the director is found guilty.

REMUNERATION IN CASE OF INADEQUATE OR NO PROFITS

Limits Based on Effective Capital

- Effective capital < ₹5 crores: Managerial Person: ₹60 lakhs Other Directors: ₹12 lakhs
- Effective capital ≥ ₹5 crores but < ₹100 crores : Managerial Person: ₹84 lakhs Other Directors: ₹17 lakhs
- Effective capital ≥ ₹100 crores but < ₹250 crores: Managerial Person: ₹120 lakhs Other Directors: ₹24 lakhs
- Effective capital ≥ ₹250 crores Managerial Person: ₹120 lakhs + 0.01% of effective capital exceeding ₹250 crores. Other Directors: ₹24 lakhs + 0.01% of effective capital exceeding ₹250 crores

Effective Capital = Paid-up Share Capital + Share Premium Account + Reserves C Surplus + Long-term loans and deposits repayable after 1 year – Investments – Accumulated losses – Preliminary expenses not written off.

Perquisites (Not Included in Ceiling)

The following are allowed as perquisites and are not included in the remuneration ceiling:

- Gratuity up to half month's salary
- Leave encashment
- Provident Fund, etc.

For an expatriate managerial person, the following are also excluded from the ceiling:

- Children's education allowance
- Return holiday passage for family and children (once a year by economy class or once in two years by first class)

Compensation for Loss of Office

The compensation payable shall be the lower of:

- Average remuneration for the remainder of the term, OR
 - 3 years' average remuneration
- (Average remuneration means the average salary during the lesser of the period of office or 3 years.)

SEBI ACT, 1992

The SEBI Act, 1992 came into force on 30th January 1992, and its head office is in Mumbai. Composition of SEBI (1–2–1–5)

1. 1 Chairman – Appointed by the Central Government (CG).
 2. 2 Members – Nominated by the CG from the Finance Ministry.
 3. 1 Member – Nominated by the RBI.
 4. 5 Other Members – Appointed by the CG, out of whom at least 3 shall be Whole-Time Members.
- The term of office is 5 years, subject to a maximum age of 65 years. Termination is done by the Central Government by giving 3 months' notice or salary in lieu thereof.
 - For meetings, in the absence of the Chairman, the members present shall select one among themselves to preside, and the Chairman or presiding member shall have a casting vote in case of a majority decision.
 - Powers and Functions
 - SEBI also performs the powers of the Securities Contracts (Regulation) Act (SCRA) and has the powers of a Civil Court. It may attach property for a period not exceeding 90 days, subject to confirmation by the Special Court within 90 days of such attachment.
 - Any amount disgorged by SEBI shall be transferred to the Investor Protection and Education Fund (IPEF) established by SEBI.
 - Under Section 25, SEBI is exempt from Income Tax and Wealth Tax.

Collective Investment Scheme (CIS)

- Any pooling of funds under a scheme registered with SEBI is deemed to be a Collective Investment Scheme (CIS) if it has a minimum corpus of ₹100 crores.
- The investigating authority appointed by SEBI may apply to a Magistrate or Judge of the designated court to obtain an order for the seizure of books.

Funds, Accounts, and Audit

- The Central Government may make grants to SEBI after due appropriation by Parliament. The SEBI General Fund consists of:
 1. Grants received by SEBI
 2. Fees and charges collected
 3. Sums received from other sources as decided by the Central Government

This fund is utilized for:

1. Remuneration of employees
2. Expenses incurred in discharging functions
3. Expenses for the purposes of the Act

Books of accounts of SEBI are audited by the CAG and forwarded annually to the Central Government, which lays them before both Houses of Parliament.

Adjudication and Penalties

- SEBI may appoint an Adjudicating Officer (AO) not below the rank of a Division Chief.
- SEBI may pass an order enhancing the penalty within 3 months from the date of the order or disposal of appeal under the IST, whichever is earlier.
- Penalties collected are credited to the Consolidated Fund of India (CFI).
- An appeal against a penalty order lies with the Securities Appellate Tribunal (SAT), and on a question of law, a further appeal may be filed before the Supreme Court.

LODR, 2015

The LODR Regulations, 2015 apply only to listed entities, including those with equity shares, convertible securities, non-convertible securities, IDRs, securitized debt instruments, security receipts, and mutual fund units.

Board of Directors (BOD) – Composition

- Minimum 6 directors in the top 2000 listed entities.
- At least 50% shall be Non-Executive Directors (NED).
- At least 1 Woman Director is mandatory.
- The top 1000 listed entities (based on market capitalization) must have at least 1 Independent Woman Director.

Independence requirement based on Chairperson:

- If the Chairperson is a Non-Executive Director (NED):
 - Related to promoter / is promoter / related to managerial personnel → More than 1/2 of the Board must be Independent Directors (ID).
 - Not related → At least 1/3rd of the Board shall be Independent Directors.
- If the Chairperson is not a Non-Executive Director → At least 1/2 of the Board must be Independent Directors.
- In case a listed entity has issued Superior Rights (SR) equity shares, at least 50% of the Board must be Independent Directors.
- The Board shall meet at least 4 times a year, with a maximum gap of 120 days between two meetings.
- Quorum (Top 2000 listed entities): 1/3rd of total strength or 3 directors, whichever is higher, including at least 1 Independent Director.

Directorship Limits

- A person shall not be a director in more than 7 listed entities.
- A person shall not serve as an Independent Director in more than 7 listed entities.
- A person who is MD/WTM in any listed entity shall not serve as an Independent Director in more than 3 listed entities.

Board Committees

-Audit Committee

- Minimum 3 directors as members.
- At least 2/3rd shall be Independent Directors.
- In case of SR equity shares → All members must be Independent Directors.
- All members must be financially literate, and at least one member must have accounting expertise.
- The Chairperson shall be an Independent Director and must be present at the AGM.
- The Company Secretary shall act as Secretary to the committee.

-Nomination and Remuneration Committee (NRC)

- Minimum 3 directors, with at least 2/3rd Independent Directors.
- All members must be Non-Executive Directors.
- The Chairperson shall be an Independent Director and may be present at the AGM.
- The Chairperson of the company can be a member of the NRC but cannot chair the NRC.

-Stakeholders Relationship Committee (SRC)

- Minimum 3 directors, including at least 1 Independent Director.
- In case of SR equity shares → At least 2/3rd must be Independent Directors.
- The Chairperson shall be a Non-Executive Director and must be present at the AGM.

-Risk Management Committee

- Applicable only to the **top 1000 listed entities** or **high-value debt listed companies**.
- Minimum **3 members**, with a **majority being directors**, including **at least 1 Independent Director**.
- The **Chairperson shall be a Director**.

Committee Membership Limits

A director shall not be a member of more than 10 committees or act as Chairperson of more than 5 committees across all public companies (listed or unlisted). This limit applies only to Audit Committees and Stakeholders Relationship Committees.

Subsidiaries

- Unlisted Material Subsidiary (UMS): A subsidiary whose income or net worth exceeds 20% of the consolidated income or net worth of the listed entity in the previous financial year.
- At least one Independent Director of the listed entity must be a director on the board of the unlisted material subsidiary, whether in India or abroad.
- A Significant Transaction or Arrangement means one that exceeds 10% of the total revenue, expenses, assets, or liabilities of the unlisted subsidiary in the previous financial year.
- Material Subsidiary: A subsidiary whose income or net worth exceeds 10% of the consolidated income or net worth of the listed entity in the previous financial year.

LODR – DISCLOSURE REQUIREMENTS

Quarterly Regulations

- Grievance Redressal Mechanism: File with the Recognized Stock Exchange (RSE) on a quarterly basis details of complaints received, pending, resolved, and unresolved.
- Other Corporate Governance Matters: The report shall be signed either by the Compliance Officer or by the CEO.
- Holding of Specified Securities and Shareholding Pattern:
 - 1 day prior to listing
 - Within 21 days from the end of the quarter
 - Within 10 days of any capital restructuring resulting in a more than 2% change in paid-up capital.
- Statement of Deviations and Variations: Required for public issue, rights issue, preferential issue, etc.

Financial Results:

- Submit quarterly and year-to-date results within 45 days.
- Audited annual financial statements, along with audited or limited review financial statements for the last quarter, must be submitted within 60 days from the end of the financial year.

Yearly Regulations

- Annual Financial Results: To be submitted along with the Audit Report.
- Annual Report: Must be submitted to the Stock Exchange and uploaded on the website. Any changes must be sent not later than 48 hours after the AGM.
- Annual Report to Shareholders: The Annual Report must also be sent to the shareholders.

Event-Based Regulations

- Financial Results: Prior intimation must be given to the Stock Exchange about the Board Meeting in which financial results are to be considered.
- Other Matters: Prior intimation must be given to the Stock Exchange about the Board Meeting in which matters such as buy-back, delisting, fund raising, bonus issue, dividend, etc. are to be discussed.
- Prior Intimation of Alteration: Any proposal placed before the Board regarding alteration in the form or nature of listed securities, or change in dates of interest payment on debentures, must be intimated to the Stock Exchange.

Record or Closure Date:

- In case of a rights issue
- To all Stock Exchanges in other cases
- Dividend: Dividend must be recommended or declared before the record date fixed for the purpose.
- Change in Website: Any change in the content of the website must be intimated.

COMPROMISE, ARRANGEMENTS & AMALGAMATIONS

- Applications are made to the NCLT by the company, creditors, members, or liquidator.
- A Scheme of Corporate Debt Restructuring (CDR) consented to by not less than 75% of secured creditors must also be disclosed in the application made to the NCLT.
- The meeting of creditors may be dispensed with if creditors representing more than 90% in value give their consent.
- A notice (voting to be completed within 1 month) along with a statement explaining the effects of the scheme shall be sent to:
 1. Creditors
 2. Members
 3. Company website
 4. SEBI / Stock Exchange (in case of listed company)
 5. Newspapers
 6. Sectoral regulators (who must provide their representation within 30 days)
- Objection to the scheme may be raised only by:
 1. Shareholders holding **not less than 10% of shareholding by value**, OR
 2. Creditors holding **not less than 5% of the outstanding debt**.

The order of the NCLT must be filed with the ROC within 30 days of receipt of the order.

- In case of a government company, the Central Government (CG) has the power to sanction the compromise or arrangement.
- In case of merger and amalgamation (MCA), the notice must clearly state the Appointed Date, which is the effective date of the scheme irrespective of the actual date of completion.
- The books and papers of the amalgamated company shall not be disposed of without prior approval of the Central Government.
- RBI approval is required in case of cross-border mergers.

FAST TRACK MERGERS

- Fast Track (FT) mergers are permitted for:
 1. Small companies
 2. Holding company and its Wholly Owned Subsidiary (WoS)
 3. Start-up companies
 4. Start-up company and small company
 - Under FT merger, the applicant shall give a notice along with the draft scheme to the ROC, Official Liquidator (OL), and persons affected, inviting objections within 30 days.
 - The scheme must be approved by:
 1. Members holding not less than 90% of total shares, AND
 2. Majority of creditors representing not less than 90% in value of debt.
 - In FT mergers, the powers of the Central Government are delegated to the Regional Director (RD).
 - The approved scheme filed with the ROC and OL is communicated to the Central Government along with objections, if any, within 30 days, or the applicant may directly file it with the Central Government.
 - If there is any objection, the Central Government may:
 1. Issue a confirmation order, OR
 2. Apply to the NCLT within 60 days to consider the scheme under Section 232.
 - If there is no objection, the Central Government may directly issue a **confirmation order**.
- (OL means Official Liquidator.)

APPEALS

- Any person aggrieved by an order of the Central Government passed for amalgamation may file an appeal to the Central Government on any ground other than compensation within 2 months. For matters relating to compensation, appeal shall lie to the NCLT.
- A copy of the order shall be notified in the Official Gazette (OG) and laid before both Houses of Parliament.

SECTION 235 – TAKEOVER OF UNLISTED COMPANY

- Section 235 deals with takeover of an unlisted company only.
- The procedure includes:
 1. 4 months' notice to the transferor company.
 2. 2 months' notice by the transferee company to dissenting shareholders for acquisition of their shares.

The members approving the scheme must hold not less than 90% of shares, where total shares for this purpose = Total shares – shares held by transferee company / its nominee / its subsidiary.

SECTION 236 – PURCHASE OF MINORITY SHAREHOLDING

- Under Section 236, the acquirer shall offer to purchase minority shareholding at a price determined by a Registered Valuer.
- The amount collected shall be disbursed to entitled shareholders within 60 days.
- Where shareholders holding not less than 75% of minority equity shareholding receive any additional compensation, such compensation shall be shared among all minority shareholders on a pro-rata basis.

MEETINGS OF THE BOARD AND ITS POWERS

- The first Board Meeting (BM) must be held within 30 days of incorporation. Every company must hold at least 4 Board Meetings every year, with a maximum gap of 120 days between two meetings.
- Section 8 companies and IFSC companies: At least 1 meeting in every 6 months.
- IFSC companies: First BM must be held within 60 days of incorporation.
- OPC, Small, Dormant, and Start-up companies: At least 1 meeting in each half of the calendar year with a minimum gap of 90 days.
- A minimum 7 days' written notice must be given for a Board Meeting. In case of shorter notice, at least one Independent Director (ID) must be present; if not, the decision must be circulated to all directors and shall be ratified by at least one ID, if any.
- Quorum (Sec 174): 1/3rd of total strength or 2 directors, whichever is higher. For Section 8 companies, quorum is 8 members or 25% of total strength, whichever is less, but at least 2 members.
- If the number of directors falls below the quorum, the continuing directors may act only for increasing the number of directors to the quorum or for calling a General Meeting (GM).
 - A Resolution by Circulation (RBC) must be approved by the majority of directors entitled to vote. However, it must be placed before the meeting if 1/3rd of the directors requires it.
 - Every director must disclose his interest at:
 - The first Board Meeting
 - The first BM of every financial year
 - Whenever there is any change

- A director shall not participate if he holds more than 2% interest or is a promoter, manager, or CEO of the concerned body corporate. If participation still occurs, the contract is voidable at the option of the company.
- Draft minutes must be circulated within 15 days and finalized within 30 days.
- All powers of a company are exercised by the Board, except those reserved for members. Certain powers under Section 179 can be exercised only at a Board Meeting (not by RBC).

POWERS OF COMPANY

- Members: Handle ordinary or special business through Ordinary Resolution (OR) or Special Resolution (SR) via General Meeting (show of hands, poll, e-voting) or postal ballot.
- Directors: Act through Board Resolution (majority) or Unanimous Resolution. RBC is allowed, but Unanimous Resolution can be passed only at a Board Meeting.
- Unanimous resolution is required in 3 cases:
 1. Rule 7 of Depositors Rules
 2. Section 186
 3. Section 203
- Restrictions on Board powers under Section 180 are not applicable to private companies.
- The Board may contribute any amount to the National Defence Fund or any other fund approved by the Central Government for national defence.

SECTION 185 – LOANS, GUARANTEES, SECURITY (LGS) TO DIRECTORS

- **Prohibited:**

Loans, guarantees, or security to:

1. Directors
2. Partner or relative of such director
3. Firm in which the director or relative is a partner

- **Allowed (with Special Resolution + loan used for principal business activities):**

1. Private company in which such director is a director or member
2. Body corporate where the director (alone or with others) holds **≥25% voting power**
 3. Body corporate whose Board acts as per the directions of the lending company's director

- **Exceptions:**

1. Loans to MD/WTD as part of conditions of service or approved by SR
 2. LGS in the ordinary course of business with interest at least equal to the yield of 1/3/5/10-year Government Security
3. Loans/Guarantees/Security to Wholly Owned Subsidiary (WoS) for principal business activities
4. Guarantee/Security to subsidiary for loans used for principal business activities Important: Sale of flats on an instalment basis to a director is NOT treated as a loan.

- **Section 185 is NOT applicable to a private company** (i.e., when the private company is giving LGS) if:
 1. No other body corporate has invested in its share capital
 2. Borrowings from banks/FIs are less than 2× Paid-up Share Capital or ₹50 crores, whichever is lower
 3. There is no default in such borrowings
- **Steps to Apply Section 185**
 1. Check whether any director is interested → determine applicability.
 2. Check if the private company exemption applies (3 conditions).
 3. Check whether the case falls under any exceptions.
 4. Finally determine whether it falls under Sec 185(1) or 185(2).

SECTION 186 – LOANS, GUARANTEES, SECURITY & INVESTMENTS (LGS)

- Only 2 layers of investment companies are permitted, except where a law (Indian or foreign for overseas investment) requires otherwise.
- Loans/Guarantees/Security to a Joint Venture (JV) and LGS to a WoS are allowed even without passing a Special Resolution.
- Exemptions from Section 186 conditions:
 - A. Loans to employees
 - B. LGS by banking companies, insurance companies, and housing finance companies
 - C. LGS by companies engaged in industrial financing or infrastructure facilities
 - D. Investment by NBFCs
 - E. Investment by an investment company
 - F. Rights issue

- **Conditions for LGSi**
 - A. Unanimous Board Resolution
 - B. No default in deposits
 - C. Maintain a register
 - D. Interest rate $\geq$ yield of 1/3/5/10-year GOI securities
 - E. PFI approval required if a term loan is subsisting (not required if within limits and no default)
 - F. Special Resolution required if limits exceed:
 - 1. 60% of (Paid-up Share Capital + Free Reserves + Securities Premium) OR
 - 2. 100% of (Free Reserves + Securities Premium), whichever is higher.

NON-CASH TRANSACTIONS WITH DIRECTORS

- A company shall not enter into non-cash transactions with a director of the company/holding/subsidiary/associate company unless prior approval of the General Meeting is obtained.
- If the director belongs to the holding company, approval of the holding company's GM is also required. Otherwise, the transaction is voidable at the option of the company, unless restitution is not possible.

NEXT GEN
CAREER CIRCLE

RELATED PARTY TRANSACTIONS (RPT) – SECTION 188

(Board Resolution required at a meeting.)

- Interested members may participate if $\geq 90\%$ of members are relatives of promoters or related parties.
- Ordinary Resolution required if limits exceed:
 - Sale/purchase/supply of goods or appointment of agent $\rightarrow \geq 10\%$ of turnover
 - Sale/purchase of property or agent $\rightarrow \geq 10\%$ of net worth
 - Leasing of property $\rightarrow \geq 10\%$ of turnover
 - Availing/rendering services or agent $\rightarrow \geq 10\%$ of turnover
 - Office or place of profit $\rightarrow$ More than ₹2,50,000 per month
 - Underwriting of securities $\rightarrow$ More than 1% of net worth
- OR is NOT required for RPT with a Wholly Owned Subsidiary whose accounts are consolidated.
- Violation: Transaction is voidable at the option of the Board, and if entered into with a director or employee, such person must indemnify the company for the loss.

AUDIT COMMITTEE

- Companies required to appoint Independent Directors must constitute an Audit Committee.
- Minimum 3 directors, with Independent Directors forming the majority.
- Majority members and the Chairperson must be able to read and understand financial statements.
- Directors may enter into RPT up to ₹1 crore and obtain ratification from the Audit Committee within 3 months.
- The Audit Committee may grant Omnibus Approval for RPT:
 - Valid for maximum 1 year
 - Maximum ₹1 crore per transaction
 - Not allowed for sale or disposal of an undertaking.

VIGIL MECHANISM

- Mandatory for companies that are:
 - Listed, OR
 - Accepting public deposits, OR
 - Having borrowings from banks/FIs exceeding ₹50 crores.
- The mechanism must:
 - Allow directors/employees to report concerns
 - Provide safeguards against victimization
 - Allow direct access to the Chairperson in exceptional cases
- **NOMINATION & REMUNERATION COMMITTEE (NRC)**

Applicable to companies required to constitute an Audit Committee.

1. Minimum 3 directors
2. ≥50% shall be Non-Executive Directors
3. Chairperson of the company may be a member but cannot chair the NRC.

- **STAKEHOLDERS RELATIONSHIP COMMITTEE (SRC)**

Required for companies having more than 1000 shareholders. The committee shall be headed by a Non-Executive Director, with other members as decided by the Board.

INSOLVENCY AND BANKRUPTCY CODE (IBC)

- Untreated insolvency in non-corporate persons is known as bankruptcy, whereas in corporates, it results in liquidation/winding up.
- The term Corporate Debtor does not include financial service providers; however, NBFCs having asset size of ₹500 crores or more are included.
- Once an IBC application is admitted by the NCLT, the promoters of the corporate debtor effectively lose control of the company.
- The Code applies where the minimum default is ₹1 crore. For MSMEs, where default is ₹10 lakhs or more, an alternate mechanism called the Pre-Packaged Insolvency Resolution Process (PIRP) is available.
- It is essential to understand the distinction between Financial Creditors (FC) and Operational Creditors (OC).

FIVE STAGES OF IBC

Stage 1: On default exceeding ₹1 crore, an application for initiating the Corporate Insolvency Resolution Process (CIRP) may be filed by a Financial Creditor, Operational Creditor, or Corporate Applicant.

Stage 2: Upon admission of the application, the NCLT:

1. Declares a moratorium
2. Causes a public announcement of CIRP
3. Appoints an Interim Resolution Professional (IRP)

Stage 3: The IRP constitutes the Committee of Creditors (CoC), primarily comprising Financial Creditors. The CoC then appoints the Resolution Professional (RP).

Stage 4: The RP invites resolution plans from applicants, submits them to the CoC, and if approved by the CoC and NCLT, the CIRP is completed.

Stage 5: If CIRP fails, liquidation is initiated.

PROCESS FOR INITIATION

Financial Creditor (FC)

- A. Files application to NCLT.
- B. NCLT must decide within 14 days.
 - If satisfied → Application admitted (CIRP commencement date). Within 7 days, admission is communicated to FC and OC.
 - If not satisfied → 7 days allowed to rectify defects; if not rectified, rejection is communicated within 7 days.

Operational Creditor (OC)

1. Delivers demand notice and invoice to the corporate debtor.
2. Corporate debtor must reply within 10 days.
3. If no reply → OC files application with NCLT → same process as FC.

Corporate Applicant

1. Files application with a Special Resolution (or 3/4th partners' resolution in case of partnership).
2. Thereafter, the process is the same as for FC and OC.

TIME LIMIT FOR CIRP

- CIRP must be completed within 180 days from the commencement date.
- If instructed by 66% vote of the CoC, the RP may apply to NCLT for an extension of up to 90 days (total 270 days).
- No extension is allowed more than once, and CIRP must be mandatorily completed within 330 days, including extensions and time taken in legal proceedings.
- NCLT may allow withdrawal of application if approved by 90% voting share of the CoC.
- During the moratorium, supply of essential goods and services shall not be terminated, except where dues for such supply are unpaid.

PUBLIC ANNOUNCEMENT & APPOINTMENTS

- Public announcement of CIRP must be made within 3 days from the appointment of the IRP.
- A Financial Creditor must propose an IRP. If the Operational Creditor does not propose one, the NCLT shall refer the matter to the IBBI, which must recommend a name within 10 days.
- The RP shall not participate in the CoC, except where participation arises solely due to conversion of debt into equity.
- All decisions of Financial Creditors are taken by more than 51% voting share.

COMMITTEE OF CREDITORS (CoC)

- Where there are no Financial Creditors, the CoC shall consist of:
 - a) The 18 largest Operational Creditors by value (or all OCs if fewer than 18)
 - b) 1 representative elected by workmen
 - c) 1 representative elected by employees
- If the CoC requires any information from the RP, it must be provided within 7 days. The first CoC meeting must be held within 7 days of its constitution.
- Notice of CoC meetings must be given to:
 - i. Members of CoC, Suspended Board or partners
 - ii. Operational Creditors whose aggregate dues are at least 10% of total debt

REPLACEMENT OF IRP

If the CoC decides to replace the IRP with another RP:

- a. Application is made to NCLT
- b. NCLT refers it to IBBI
- c. IBBI must confirm within 10 days

If confirmation is not received, the NCLT shall direct the IRP to continue as RP until confirmation is obtained.

ELIGIBILITY OF RESOLUTION APPLICANT

A resolution applicant convicted with imprisonment of 2 years or more becomes eligible after 2 years from release. However, if convicted for more than 7 years, the person shall never be eligible.

APPROVALS FOR RESOLUTION PLAN

- The resolution applicant must obtain all approvals required under applicable laws within 1 year from NCLT approval of the resolution plan, or within the time provided under such law, whichever is later.
- Where Section 5 of the Competition Act is applicable, approval of the Competition Commission of India (CCI) must be obtained prior to approval of the resolution plan by the CoC.

WATERFALL ARRANGEMENT DURING LIQUIDATION (SECTION 53)

The proceeds from liquidation are distributed in the following order of priority:

- a) Insolvency Resolution Process costs and Liquidation costs.
- b) Workmen dues for up to 24 months preceding liquidation and secured creditors who have relinquished their security.
- c) Wages and unpaid dues owed to other employees for up to 12 months.
- d) Financial debts owed to unsecured creditors.
- e) Government dues for up to 2 years and secured creditors who have not relinquished their security.
- f) Any remaining debts and dues.
- g) Preference shareholders.
- h) Equity shareholders or partners.

PREFERENTIAL TRANSACTIONS

Preferential transactions may be declared void if entered into during the following look-back periods preceding the CIRP commencement:

- Transactions with a Related Party (RP): Within 2 years preceding the CIRP announcement.
- Transactions with others (non-related parties): Within 1 year preceding the CIRP announcement.

FAST TRACK CIRP

Fast Track CIRP applies to:

- Small companies
- Start-ups
- Unlisted companies with an asset base not exceeding ₹1 crore

The process must be completed within 90 days, extendable by 45 days if approved by 75% voting share of the CoC. No extension shall be granted more than once.

APPOINTMENT AND QUALIFICATION OF DIRECTORS

Candidature for Directorship

Provisions relating to candidature are not applicable to private companies, wholly owned subsidiaries (WoS) of wholly owned Government companies, and Government companies.

A person proposing candidature must:

- Give 14 days' notice to the company.
- Deposit ₹1,00,000, which is refunded if the person is elected or secures more than 25% of valid votes.
- The company must inform members at least 7 days before the meeting. Deposit is not required if the candidate is:
 - An Independent Director
 - Nominated by the Nomination & Remuneration Committee (NRC)
 - Proposed by the Board where NRC is absent

DISQUALIFICATIONS OF DIRECTOR

A person is disqualified if:

- a) Of unsound mind, insolvent, etc.
- b) The company has not filed Financial Statements or Annual Returns for 3 continuous financial years, or
- c) Failed to repay deposits, debentures, or dividends (3D's) for 1 year.

Such person is not eligible for reappointment for 5 years. The 3D disqualification does not apply to Government companies.

VACATION OF OFFICE

Office becomes vacant if the director:

- Incurs disqualification under Section 164
- Is absent from Board Meetings for 12 months
- Fails to disclose interest under Section 184
- Is removed under Section 169
- Ceases to hold office in the holding/subsidiary company pursuant to which he was appointed
- Is disqualified by a court or convicted for 6 months or more

However, in case of court disqualification/conviction, the office shall not be vacated for:

- Initial 30 days
- If appeal is filed → until 7 days after disposal

NUMBER OF DIRECTORS

- Minimum directors: 3 (Public), 2 (Private), 1 (OPC)
- Maximum: 15, which may be increased by Special Resolution (SR).
- Maximum limit is not applicable to Section 8 companies or Government companies.
- Every company must have at least one Resident Director who stays in India for ≥ 182 days in the current financial year.

WOMAN DIRECTOR

Mandatory for:

- a. Every listed company
- b. Public companies with Paid-up Capital $\geq$ ₹100 crore OR Turnover $\geq$ ₹300 crore

Intermittent vacancy must be filled by the Board at the next meeting or within 3 months, whichever is earlier.

INDEPENDENT DIRECTOR (ID)

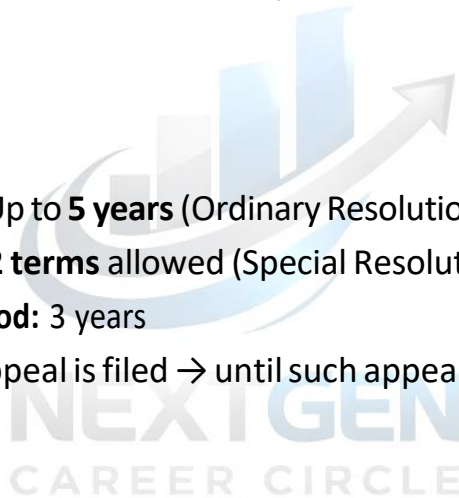
Required in:

- Listed public company: At least 1/3rd of total directors
 - Public company with Paid-up capital $\geq$ ₹10 crore, Loans $>$ ₹50 crore, or Turnover $\geq$ ₹100 crore: Minimum 2 IDs

If limits are breached once, IDs must still be maintained for the next 3 years. Not applicable to Joint Ventures, Wholly Owned Subsidiaries, Dormant companies, and Section 8 companies. Intermittent vacancy must be filled in the immediate next Board Meeting or within 3 months, whichever is later.

Term:

- First term: Up to **5 years** (Ordinary Resolution)
- Maximum **2 terms** allowed (Special Resolution)
- **Cooling period:** 3 years
- If further appeal is filed $\rightarrow$ until such appeal is disposed



QUALIFICATIONS OF INDEPENDENT DIRECTOR

1. Must be a person of integrity with relevant expertise and experience & Must not be:
 - A promoter of the company, holding, subsidiary, or associate company (CASH)
 - Related to promoters or directors of CASH
 2. Pecuniary relationship: None during the 2 immediately preceding financial years or current year.
 - Remuneration allowed
 - Transactions up to 10% of total income permitted
 3. Relative Restrictions (Last 2 Years) i.e. Relative must not:
 - Hold securities exceeding ₹50 lakh or 2% of Paid-up Share Capital
 - Be indebted to the company/promoters/directors beyond ₹50 lakh
 - Provide guarantee/security beyond ₹50 lakh
 - Have other pecuniary transactions exceeding 2% of total income (combined)
- 2. Additional conditions:**
- Not a KMP or employee in the last 3 years (relative may be employee)
 - Not employee/proprietor/partner of auditors, company secretaries, cost auditors, or consulting firms having $\geq 10\%$ of firm income from the company in the last 3 years
 - Should not hold $\geq 2\%$ voting power with relatives

Declaration of Independence

An ID must declare independence:

- At the first Board Meeting
- At the first meeting of every financial year
- Whenever there is a change in status

DATA BANK OF INDEPENDENT DIRECTORS

- Maintained by the Indian Institute of Corporate Affairs (IICA), Manesar.
- An applicant may register for 1 year, 5 years, or lifetime (till continuing as ID). Renewal must be done within 30 days of expiry.
- The Online Proficiency Self-Assessment Test (OPSAT) must be passed within 2 years of inclusion. Restoration is allowed on payment of ₹100, but the test must then be passed within 1 year, failing which a fresh application is required.
- Exemption from test: Persons having ≥ 10 years' experience as an advocate, CA in practice, CS in practice, or Cost Accountant in practice (read additional exception for ≥ 3 years).

APPOINTMENT OF DIRECTORS

- Directors are appointed by members through an Ordinary Resolution (OR).
- If not specified in the Articles of Association (AOA), the individual subscribers to the Memorandum become the first directors and hold office until directors are duly appointed in the General Meeting.
- The appointed director must give consent in Form DIR-2, and the company must file it with ROC in Form DIR-12.

RETIREMENT BY ROTATION

- Not applicable to unlisted Government companies or their subsidiaries.
- If AOA is silent:
 - At least 2/3rd of total number of directors (higher rounding) shall retire by rotation and must have been appointed in a General Meeting.
 - 1/3rd of such rotational directors (nearest rounding) retire at every AGM.
- Total Number of Directors (TNOD) excludes:
 - Independent Directors
 - Nominee Directors appointed pursuant to law(Nominee directors appointed through agreement are included.)

Directors may be appointed in AGM or EGM, but retirement occurs only at AGM.

DIN (DIRECTOR IDENTIFICATION NUMBER)

Every person intending to become a director must apply in Form DIR-3, and the Central Government shall allot DIN within 3 months.

- No person shall obtain more than one DIN.
- Company must intimate DIN to ROC within 15 days.
- Director must intimate DIN to the company within 1 month.

Changes in DIN particulars must be filed in Form DIR-6 within 30 days, and surrender of DIN is made through Form DIN-5. Every DIN holder must file DIR-3 KYC annually on or before 30th September, failing which it may be filed later with a fee of ₹500.

APPOINTMENT THROUGH SINGLE RESOLUTION

Two or more directors cannot be appointed through a single resolution unless approved without any vote cast against it; otherwise, the resolution is void.

SMALL SHAREHOLDERS DIRECTOR (SSD)

- Every listed company may appoint one SSD.
- A small shareholder is one holding shares of nominal value $\leq ₹20,000$.
- Appointment requires notice by:
 - ≥ 1000 small shareholders, OR
 - 1/10th of total small shareholders, whichever is less
- Notice must be given at least 14 days before the meeting. The SSD need not be a shareholder.
- Tenure: Maximum 3 years
- Cooling period: 3 years
- A person may act as SSD in maximum 2 companies, which must not be in competing businesses.

ADDITIONAL, ALTERNATE & NOMINEE DIRECTORS

Additional Director:

- Authorized by AOA
- Appointed by the Board
- Must not be a person rejected in General Meeting
- Holds office until the **AGM or last date when AGM should have been held**

Alternate Director:

- Authorized by AOA or Ordinary Resolution
- Appointed by the Board for a director **absent from India for at least 3 months**
- An existing director cannot act as an alternate
- Alternate for an ID must also be **independent**
- No automatic reappointment
- Holds office until the original director returns or the original tenure expires, whichever is earlier

Nominee Director:

- Authorized by AOA
- Appointed by the Board pursuant to an agreement or law

CASUAL VACANCY

A casual vacancy of a director appointed in a General Meeting may be filled by the Board at a meeting, subject to approval in the immediate next General Meeting. The new director holds office for the remaining tenure of the vacated director.

PROPORTIONAL REPRESENTATION

If provided in AOA, not less than 2/3rd of directors may be appointed through proportional representation for a tenure of 3 years.

LIMIT ON DIRECTORSHIPS

Maximum directorships = 20 companies (excluding dormant and Section 8 companies). Out of these, a person can be director in maximum 10 public companies, including private companies that are holding or subsidiary of a public company.

RESIGNATION OF DIRECTOR

- A director may resign by giving written notice to the company and may forward a copy to ROC in Form DIR-11.

- The company must file DIR-12 with ROC and place the fact in the next General Meeting.

The effective date is the date on which notice is received by the company or the date specified in the notice, whichever is later.

- REMOVAL OF DIRECTOR
 - Ordinary Resolution (OR) is required for removal.
 - To remove a reappointed director, a Special Resolution (SR) is required.
- A return of particulars must be filed with ROC within 30 days of appointment or any change.

APPROVALS AND RESOLUTIONS

PREVENTION OF OPPRESSION AND MISMANAGEMENT

Section 244 – Right of Members to Apply to NCLT:

- Company without Share Capital: Not less than 1/5th of the total number of members.
- Company with Share Capital:
 - Not less than 100 members, OR
 - Not less than 1/10th of the total number of members, whichever is less, OR
 - Any member(s) holding not less than 1/10th of the issued share capital.

ICDR, 2018

A Special Resolution (SR) must be passed for authorization to issue Superior Rights (SR) equity shares.

TAKEOVER CODE / SAST REGULATIONS

If the intention to alienate any material assets outside the ordinary course of business is not disclosed in the Detailed Public Statement (DPS) and the Letter of Offer, and such action is proposed within 2 years from the offer period, it must be approved only through a Special Resolution.

STRIKING OFF NAME

A company (other than a Section 8 company) may voluntarily apply for strike-off by:

- Passing a Special Resolution, OR
- Obtaining consent of 75% of members in terms of paid-up share capital.

DORMANT COMPANY

Application for dormant status in Form MSC-1 must be made after:

- Passing a Special Resolution, OR
- Obtaining written consent of at least 3/4th of shareholders (by value).

APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL

- Every Whole-Time KMP must be appointed by a resolution at the Board Meeting.
- A Whole-Time KMP shall not hold office in more than one company, except in its subsidiary company, but may be appointed as a director in another company with the consent of the Board.

Procedure for appointment of MD/WTG/Manager:

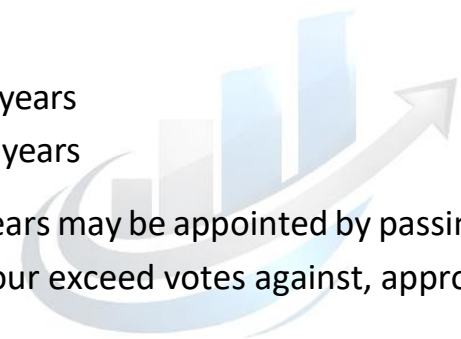
- Resolution at the Board Meeting, AND
- Approval by Ordinary Resolution (OR) in the General Meeting, OR
- Approval of the Central Government, OR
- Compliance with Schedule V

(If Schedule V is not complied with, appointment can still be made with Central Government approval.)

Age Limits:

1. Minimum age: 21 years
2. Maximum age: 70 years

A person above 70 years may be appointed by passing a Special Resolution. If the SR fails but votes in favour exceed votes against, approval of the Central Government is required


NEXTGEN
CAREER CIRCLE

LODR, 2015

- Appointment of a Non-Executive Director aged above 75 years requires a Special Resolution.
- Appointment of any director or manager must be approved at the next General Meeting or within 3 months of appointment, whichever is earlier.

A listed entity shall not dispose of shares in a material subsidiary resulting in reduction of shareholding to 50% or below, without passing a Special Resolution.

If selling, disposing, or leasing assets amounts to more than 20% of the assets of a material subsidiary, a Special Resolution must be passed.

COMPROMISE, ARRANGEMENTS & AMALGAMATIONS

A Scheme of Corporate Debt Restructuring (CDR) consented to by not less than 75% of secured creditors must be disclosed in the application made to the NCLT.

For approval of the scheme:

- Must be approved at a meeting of creditors/members by:
 - Majority in number, AND
 - Not less than 75% in value of those voting
- Must be sanctioned by the NCLT
- An Auditor's Certificate confirming proper accounting treatment is required.

MEETINGS OF THE BOARD AND ITS POWERS

A. Special Resolution Required For:

- Selling, leasing, or disposing of an undertaking where:
 - Investment exceeds 20% of net worth, OR
 - Total income is $\geq 20\%$
- Investing otherwise in trust securities
- Applying compensation received from amalgamation or merger
- Providing benefit to a director (e.g., remitting a loan or granting time for repayment)
- Where existing + proposed borrowings exceed Paid-up Share Capital + Free Reserves + Securities Premium. *(Temporary loans from bankers, being revenue in nature and payable within 3 months, are excluded.)*

B. Donations

- Donations $\leq 5\%$ of the average net profits of the past 3 years → Board Resolution (BR) required.
- Donations $> 5\%$ → Ordinary Resolution (OR) required.

c. Political contributions must be approved by a Board Resolution. This provision is not applicable to:

- Government companies
- Companies in existence for less than 3 years

CONDITIONS TO MAKE LGSI (Loans, Guarantees, Security & Investments)

- Unanimous Board Resolution
- No default in deposits
- Proper register must be maintained
 - Rate of interest must be at least equal to the yield of 1/3/5/10-year

Government of India securities

- PFI approval required if a term loan is subsisting (not required if within limits and no default)
- Special Resolution required if limits exceed:
 - 60% of Paid-up Share Capital + Free Reserves + Securities Premium, OR
 - 100% of Free Reserves + Securities Premium, whichever is higher

THE INSOLVENCY AND BANKRUPTCY CODE, 2016 – VOTING REQUIREMENTS

- Application for CIRP by Corporate Debtor: Special Resolution
- Extension of CIRP time limit: 66% voting share
- Withdrawal of CIRP application: 90% voting share
- Residuary decisions: 51% voting share
- Appointment of Resolution Professional (RP): 66% voting share
- Replacement of RP: 66% voting share
- Approval of CoC for certain actions (Section 28): 66% voting share
- Approval of Resolution Plan: 66% voting share
- Liquidation decision: 66% voting share
- Extension of Fast Track CIRP: 75% voting share
- Quorum for CoC meeting: 33% voting share

PENALTIES

WINDING UP

An officer in default shall be punishable with imprisonment of 3 to 5 years or a fine ranging from

₹1 lakh to ₹3 lakhs, or both.

ADJUDICATION, NCLT, NCLAT, SPECIAL COURTS, AND E-FILING

- **For compoundable offences:**
 - Where compounded by the Regional Director (RD): Maximum fine ≤ ₹25 lakhs
 - Where compounded by the NCLT: Fine > ₹25 lakhs
- For non-compliance of any provision, the maximum penalty for OPC, Small Company, and Start-up Company is:
 - Company: Up to ₹2 lakhs
 - Officer in default: Up to ₹1 lakh

Fraud

- Serious fraud: Punishable with imprisonment from 6 months to 10 years and a fine of 100% to 300% of the fraud amount, subject to a minimum of ₹10 lakhs or 1% of turnover, whichever is lower.
- If public interest is involved, minimum imprisonment is 3 years.
 - Fraud not involving public interest: Imprisonment up to 5 years and fine up to ₹50 lakhs. Providing a false statement on oath, affidavit, etc. is punishable with 3 to 7 years imprisonment and a fine up to ₹10 lakhs.

Continuing Contravention

Penalty of ₹10,000, plus ₹1,000 per day from the first day of continuation, subject to a maximum of:

- ₹2 lakhs for the company
- ₹50,000 for the officer in default

Subsequent Offence- Punishable with the same imprisonment plus twice the amount of the original fine.

Section 452 – Wrongful Detention of Property

Officer or employee in default is liable to a fine between ₹1 lakh and ₹5 lakhs, and the court may also order imprisonment up to 2 years. (No imprisonment for PF-related cases.) Failure to comply with orders of the Adjudicating Officer or RD results in:

- Company: Penalty from ₹25,000 to ₹5 lakhs
- Officer in default: Imprisonment up to 6 months, or fine from ₹25,000 to ₹1 lakh, or both. No penalty shall be imposed if Financial Statements or Annual Returns are rectified within 30 days.

FEMA

If an Authorized Person (AP) contravenes provisions → Penalty up to ₹10,000, plus ₹2,000 per day for continuing default. Contravention of any provision:

- Up to 3 times the amount involved, OR
- Up to ₹2,00,000 where the amount is not quantifiable
- Additional ₹5,000 per day for continuing default

If the penalty is not paid within 90 days, civil imprisonment may apply:

- Amount ≥ ₹1 crore: Imprisonment up to 3 years
- Other cases: Imprisonment up to 6 months

INSPECTION, INQUIRY & INVESTIGATION

Any person who commits a wrongful act during inspection is punishable under Section 447 (Fraud).

APPOINTMENT & QUALIFICATION OF DIRECTORS

For contravention of provisions relating to appointment of directors or DIN, the penalty is up to

₹50,000, and in case of continuing default, an additional penalty of ₹500 per day.

PROHIBITION OF INSIDER TRADING

If an insider wrongfully uses UPSI, the penalty shall be not less than ₹10 lakhs and may extend to the higher of:

- ₹25 crores, OR
- 3 times the profit made

This penalty applies to trading and communication of UPSI; in other insider trading cases, the residuary SEBI penalty applies.

APPOINTMENT THROUGH SINGLE RESOLUTION

Two or more directors cannot be appointed through a single resolution unless approved without any vote cast against it; otherwise, the resolution is void.

TAKEOVER CODE / SAST REGULATIONS

Failure to disclose acquisition of 5% may result in a fine of ₹25 crores and imprisonment up to 10 years.

SEBI ACT, 1992

Failure to comply with orders of the **Investigating Authority** (such as producing books, furnishing information, appearing before the authority, or signing examination notes) is punishable with:

- Imprisonment up to 1 year, OR
- Fine up to ₹1 crore, OR both
- Further fine up to ₹5 lakhs per day after the first default

Section-wise Penalties

1. Section 15A – Failure to furnish information / furnishing false information:
 - Minimum: ₹1 lakh
 - Maximum: ₹1 lakh per day, subject to ₹1 crore
2. Section 15B – Failure of intermediary to enter into agreement with client.
3. Section 15C – Failure of intermediary or listed company to redress investor grievances.
4. Section 15D – Mutual Fund or CIS carrying on a scheme without registration.
5. Section 15E – Asset Management Company failing to comply with regulations.
6. Section 15EA – Failure of AIFs, REITs, or INVITs to comply:
 - Minimum: ₹1 lakh
 - Maximum: ₹1 crore or 3 times the gains, whichever is higher
7. Section 15EB – Investment Adviser or Research Analyst non-compliance:
 - Minimum: ₹1 lakh
 - Maximum: ₹1 lakh per day up to ₹1 crore
8. Section 15F:
 - Failure to issue contract notes → ₹1 lakh to ₹1 crore
 - Failure to deliver securities or make payment → ₹1 lakh per day up to ₹1 crore
 - Charging excess brokerage → ₹1 lakh to 5 times the excess brokerage

9. Section 15G – Insider Trading:

- Minimum: ₹10 lakhs
 - Maximum: ₹25 crores or 3 times the gains, whichever is higher
- Section 15H – Non-compliance with takeover code.

10. Section 15HA – Fraudulent and unfair trade practices:

- Minimum: ₹5 lakhs
- Maximum: ₹25 crores or 3 times the gains, whichever is higher

11. Section 15HAA – IT and information-related failures:

- Minimum: ₹1 lakh
- Maximum: ₹10 crores or 3 times the gains, whichever is higher

12. Section 15HB – Residuary penalty (other insider trading defaults):

- Minimum: ₹1 lakh
- Maximum: ₹1 crore

If a person contravenes provisions of the SEBI Act → Imprisonment up to 10 years, or fine up to

₹25 crores, or both. Failure to pay the penalty may also result in imprisonment up to 10 years, or fine up to ₹25 crores, or both

Wishing You the Best For the Exam !!

Shared Repeated Question for all Sets !!

NextGen CA Spom - <https://t.me/nextgencaspom>

NextGen YT Channel - https://youtu.be/LXdvUd0IE_4?si=BDy8SQctJ6OR_mrT

NextGen Career Circle: <https://t.me/nextgencareercircle>

NextGen Career Circle LinkedIn -

<https://www.linkedin.com/company/nextgencareercircle/>

