

## **WEEKLY CORPORATE UPDATES**

*Saturday 27<sup>th</sup> January, 2024*

(Curated & compiled by)

### **Team Indiacorp Law**

**Headed by:**

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## MCA UPDATES

# *The Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024*

*Dated: 24<sup>th</sup> January, 2024*

*Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024: Key Points*

### *1. Short Title and Commencement:*

- The rules are named as the Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024.*
- They come into force upon publication in the Official Gazette.*

### *2. Definitions:*

- Key definitions include "Act" (referring to the Companies Act, 2013), "Authority" (referring to the International Financial Services Centres Authority), "fees," "permissible jurisdiction," "Schedule," and "Scheme."*
- The term "Scheme" refers to the Direct Listing of Equity Shares of Companies Incorporated in India on International Exchanges Scheme.*

### *3. Application:*

- Applicable to unlisted public companies and listed public companies, subject to regulations by the Securities and Exchange Board or the International Financial Services Centres Authority.*
- Application pertains to companies issuing securities for listing on permitted stock exchanges in permissible jurisdictions.*

### *4. Listing on Permitted Stock Exchanges:*

- Unlisted public companies meeting specified criteria may issue equity shares for listing in permissible jurisdictions.*
- Compliance with the Scheme is required.*
- If intending to list on recognized stock exchanges in India, compliance with conditions specified by the Securities and Exchange Board of India is necessary.*
- Filing of the prospectus (in e-Form LEAP-1) and fees within seven days after finalization is mandated.*
- After listing, compliance with Indian Accounting Standards is required for financial statements.*

### *5. Companies Not Eligible:*

- Companies meeting certain criteria are ineligible for listing under these rules.*

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- *Ineligibility includes registration under section 8 or declaration as Nidhi, being a guarantee company with share capital, having outstanding public deposits, having a negative net worth, defaulting in payment to creditors, making applications for winding-up or resolution under the Insolvency and Bankruptcy Code, and defaulting in filing annual returns or financial statements within the specified period.*

Related Link: <https://ibclaw.in/companies-listing-of-equity-shares-in-permissible-jurisdictions-rules-2024/>

## SEBI UPDATES

### *Promoters are now able to extend share offerings to employees via the Offer for Sale (OFS) using the Stock Exchange Mechanism.*

*Dated: 23<sup>th</sup> January, 2024*

*AS per Circular No.: SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/6 dated 23.01.2023*

*The current method of offering shares to eligible company employees through the Offer for Sale (OFS) takes place outside the stock exchange mechanism. Feedback from stakeholders indicates that this process is time-consuming, incurs additional costs, and involves multiple activities. To streamline efficiency, ease compliance, and reduce costs, SEBI has started a mechanism where promoters can now offer shares to employees through the OFS using the Stock Exchange Mechanism as an additional option alongside the existing procedure conducted outside the exchange mechanism.*

Related Link: [https://www.sebi.gov.in/legal/circulars/jan-2024/framework-for-offer-for-sale-ofs-of-shares-to-employees-through-stock-exchange-mechanism\\_80842.html](https://www.sebi.gov.in/legal/circulars/jan-2024/framework-for-offer-for-sale-ofs-of-shares-to-employees-through-stock-exchange-mechanism_80842.html)

## RBI UPDATES

### *Panchayats need to intensify efforts to augment revenue resources: RBI report*

*Dated: 23th January, 2024*

*Finances of Panchayati Raj Institutions (PRIs) face constraints as they have limited own revenues from property taxes, fees and fines. Nearly all of their revenues are generated through grants from higher levels of government, underscoring their heavy reliance on the central and state governments, as per the report on 'Finances of Panchayati Raj Institutions' by the Reserve Bank of India (RBI).*

*Mumbai: Panchayats need to intensify efforts to augment their own tax and non-tax revenue resources as well as improve their governance, a RBI report said on Wednesday. Finances of Panchayati Raj Institutions (PRIs) face*

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*constraints as they have limited own revenues from property taxes, fees and fines.*

*Nearly all of their revenues are generated through grants from higher levels of government, underscoring their heavy reliance on the central and state governments, as per the report.*

Related Link: <https://economictimes.indiatimes.com/news/economy/policy/panchayats-need-to-intensify-efforts-to-augment-revenue-resources-rbi-report/articleshow/107122345.cms?from=mdr>

## **NCLT UPDATES**

*High Court sets aside IBBI Disciplinary Committee's order and remanded back the matter on the ground that Show Cause Notice issued to Insolvency Professional does not contain the extracts of relevant portions from Investigation Report – Savan Godiawala Vs. Insolvency and Bankruptcy Board of India – Delhi High Court*

*Dated: 24<sup>th</sup> January, 2024*

*The court decides not to delve into the question of whether Regulation 12(5) is directory or mandatory in this case. The court orders the matter to be remanded back to the Board with a directive to supply a copy of the Final Inspection Report to the petitioner within one week.*

*The petitioner is allowed to file a further or substituted reply to the show-cause notice within two weeks.*

*The Board is directed to decide the matter within four weeks in accordance with the regulations.*

*The impugned order is set aside.*

*The court makes it clear that it has not made any observations on whether Regulation 12(5) is directory or mandatory. This question is left open for consideration in an appropriate case, and all contentions are left open.*

Related Link: <https://ibclaw.in/savan-godiawala-vs-insolvency-and-bankruptcy-board-of-india-delhi-high-court/>

*CODS Scheme 2018 is not applicable to a case, where due to the non-filing of Returns, the Company was Struck Off from the Register of RoC –*

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*Sivagnanagovindasamy Nambi Shareholder cum Director of Manasanthi Mental Health Care Pvt. Ltd. Vs. The Registrar of Companies, Chennai – NCLAT Chennai*

Dated: 24<sup>th</sup> January, 2024

Summary of the Case:

1. Background:

- Annual Returns and Balance Sheets of Manasanthi Mental Health Care Private Limited were not filed with the Registrar of Companies (RoC).
- As a result, the company's name was struck off, and Form STK-7 was issued on 05.07.2017.
- The Director Identification Number (DIN) of the appellant company was also struck off.

2. Legal Proceedings:

- A Writ Petition was filed in the Madras High Court, resulting in an order staying the disqualification of directors.
- An application to restore the company's name in the RoC register was dismissed.
- A petition under Section 252(3) of the Companies Act, 2013, filed with the National Company Law Tribunal (NCLT), was also dismissed.

3. Condonation of Delay Scheme (CODS) 2018:

- The appellant claims that the Madras High Court allowed them to use the Condonation of Delay Scheme (CODS), 2018, as an alternative to Section 252 of the Companies Act, 2013, to revive the company by filing overdue documents.
- CODS 2018 allows defaulting companies to file overdue documents due until 30.06.2017.

4. Decision of the Appellate Tribunal:

- The Appellant seeks permission to file remaining financial returns without additional fees and to scan and upload physically filed returns until 2017.
- Non-filing of returns has two consequences: disqualification of directors after three years and striking off the company from the RoC register after two years.
- The Appellate Tribunal rules that CODS 2018 is not applicable in this case since the company was struck off, not disqualified.
- Considering the nature of the appellant's business (Mental Healthcare & Services) and its financial status, the tribunal allows the appeal and sets aside the impugned order, providing specific directions.

Related Link: <https://ibclaw.in/sivagnanagovindasamy-nambi-shareholder-cum-director-of-manasanthi-mental-health-care-pvt-ltd-vs-the-registrar-of-companies-chennai-nclat-chennai/>

*Issue of the Doctrine of Adverse Possession where Successful Buyer purchased the properties of the Corporate Debtor in Liquidation auction*

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**– P.G. Sales Corporation Vs. Laxmanbhai Mohanbhai Vegad and Ors. –  
NCLT Ahmedabad Bench**

Dated: 25<sup>th</sup> January, 2024

*In the case at hand, the applicant successfully bid for the assets in an e-auction conducted on April 13, 2023. The assets were sold on an "as is where is basis" and "no recourse basis." The liquidator handed over vacant and peaceful possession of the land and industrial sheds to the successful bidder on the same date, and the applicant acknowledged the receipt without any qualification or observation.*

*However, a security guard, appointed by the suspended management and later continued by the security agency appointed by the liquidator on humanitarian grounds, refused to vacate the premises. The security guard claimed an unfettered right to stay on the premises, citing 39 years of continuous possession and invoking "The Doctrine of Adverse Possession."*

*The Adjudicating Authority considered the facts and held that there was no dispute about the sale of assets and the purchase by the applicant. The vacant and peaceful possession of the assets was confirmed by the applicant, indicating that the premises were unoccupied at the time of the sale. The Authority emphasized that after obtaining vacant possession, it was the duty of the purchaser to protect the properties. The Authority also noted that the security guard attempted to initiate civil proceedings regarding the same property.*

*Consequently, the Adjudicating Authority concluded that the matter did not fall within the ambit of the liquidation process. As the vacant possession was handed over to the applicant, and the liquidator was no longer responsible, the Tribunal held that it lacked jurisdiction to entertain applications outside the scope of the liquidation process. Therefore, the application (IA No. 752 of 2023 in C.P.(IB) No. 77 of 2018) was rejected.*

Related Link: <https://ibclaw.in/p-g-sales-corporation-vs-laxmanbhai-mohanbhai-vegad-and-ors-nclt-ahmedabad-bench/>

**Thanking You,  
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