



Inside this edition

MCA tightens scrutiny of beneficial ownership norms for foreign-owned companies

Penalties Imposed for Violating Section 42(6) of the Companies Act, 2013"

Penalty Imposed for Violation of Companies Act, 2013 by Longcheng Composites Private Limited

SEBI (Depositories and Participants) (Amendment) Regulations, 2024

Consolidated Regulations for Debenture Trustees

SEBI Notifies Amendments to Listing Obligations and Disclosure Requirements Regulations, 2024

SEBI: Facilitating Ease of Business for IPOs and Fundraising

MCA tightens scrutiny of beneficial ownership norms for foreign-owned companies

The Ministry of Corporate Affairs has tightened its scrutiny of beneficial ownership standards for companies owned and controlled by foreign investors, which legal experts said could have consequences for compliance practices. The Registrar of Companies (RoC) recently issued notices to several foreign owned and controlled companies, including LinkedIn, for alleged violation of beneficial ownership disclosure norms, said two people with knowledge of the matter.

Penalties Imposed for Violating Section 42(6) of the Companies Act, 2013"

The Registrar of Companies, Madhya Pradesh, issued an order on May 18, 2023, addressing a breach of Section 42(6) of the Companies Act, 2013 by M/s. Excel Vehicles Private Limited and its executives. The violation involved the company's failure to allot securities within the mandated timeframe and maintain proper documentation of share application money. The Ministry of Corporate Affairs appointed an adjudicating officer to oversee penalties under Section 454 of the Companies Act, 2013. M/s. Excel Vehicles Private Limited, a registered entity, allegedly did not comply with Section 42(6), which requires securities to be allotted within 60 days of receiving application funds. The company purportedly lacked evidence of share payment or forfeiture, suggesting possible financial mismanagement.

Despite responding to a show cause notice, the company's justification regarding the applicability of the Companies Act, 2013 was deemed inadequate. Consequently, it was determined that both the company and its officers had breached Section 42(6). Following notices and a hearing, penalties under Section 42(10) of the Companies Act, 2013 were deemed appropriate. This section specifies penalties for companies accepting funds in violation of the Act. The penalty imposed on M/s. Excel Vehicles Private Limited amounted to Rs. 2 Crores, accompanied by an order to refund all funds to subscribers within 30 days. The order outlines procedures for penalty payment, document submission, and the right to appeal. Failure to comply within the stipulated period may result in additional fines or imprisonment for defaulting officers. The delay in issuing the order was attributed to case complexity and response times from involved parties.



Penalty Imposed for Violation of Companies Act, 2013 by Longcheng Composites Private Limited

The adjudication order addresses penalties imposed on Longcheng Composites Private Limited for breaching Section 62(1)(a) of the Companies Act, 2013. This violation relates to the company's failure to offer additional shares to existing shareholders in proportion to their current holdings, as required by the law. Issued by the Registrar of Companies, Maharashtra, Pune, the order outlines procedural details, legal provisions, case facts, and the penalties levied. It begins by introducing the adjudicating officer appointed under the Companies Act, 2013, and identifies Longcheng Composites Private Limited, specifying its registration and office address. Section 62(1)(a) of the Companies Act, 2013, is cited to illustrate the specific breach committed by the company.

The order then proceeds to detail the factual background, revealing that during an inquiry, it was found that the company had allocated equity shares without offering them to a relevant existing shareholder, thus violating Section 62(1)(a). Despite being given an opportunity to respond to the allegations, the company's response was deemed inadequate, prompting the initiation of adjudication proceedings. Subsequently, an adjudication notice was issued to the company and its officers, outlining the infractions and offering them a chance to present their defense. However, no response was forthcoming, leading to the conclusion that the



the violation indeed occurred. The order further specifies the penalties imposed on the company and its defaulting officers, calculating these penalties based on the duration of non-compliance and outlining the payment process. The penalties are applied in accordance with Rule 3(12) of the Companies (Adjudication Of Penalties) Rules, 2014, considering the factors detailed earlier in the order.

SEBI (Depositories and Participants) (Amendment) Regulations, 2024

SEBI has announced the SEBI (Depositories and Participants) (Amendment) Regulations, 2024, which will take effect upon their publication in the Official Gazette. This notification amends the regulations concerning the payment of annual charges by a depository to SEBI, as specified in regulation 9 of the SEBI (Depositories and Participants) Regulations, 2018. The amendment stipulates that within fifteen days of the end of each month, a depository must pay a percentage of the annual custody charges it received from issuers during that month to SEBI, in accordance with the guidelines set out in Part A of the Second Schedule and the manner detailed in Part B.

Consolidated Regulations for Debenture Trustees

Debenture Trustees are governed by the SEBI (Debenture Trustees) Regulations, 1993 ('DT Regulations'). Although the DT Regulations provide a broad framework, SEBI has issued additional procedural and disclosure requirements through various circulars over the years. To effectively regulate the corporate bond market and provide Debenture Trustees and other market stakeholders with easy access to all relevant circulars in one place, this Master Circular has been compiled. It consolidates the existing circulars as of May 16, 2024, along with the necessary updates.

SEBI Notifies Amendments to Listing Obligations and Disclosure Requirements Regulations, 2024

The Securities and Exchange Board of India (SEBI) has announced the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2024. These regulations will be effective from the date they are published in the Official Gazette, with certain exceptions. Specifically, amendments to Regulations 3, 17, 21(5), 25, 30 (omission of the Explanation under sub-regulation (11)), 34, 43A, and 44 will come into effect on December 31, 2024.

One key amendment includes changes to Regulation 3, which outlines the applicability of SEBI LODR regulations to listed entities based on their market capitalization. According to the new provisions, every recognized stock exchange must, by December 31 each year, compile a list of entities that have listed their specified securities. These entities will be ranked based on their average market capitalization from July 1 to December 31 of that year.

The relevant provisions will then apply to a listed entity that needs to comply with such requirements for the first time, or after any interim period, starting three months from December 31 (i.e., April 1) or from the beginning of the next financial year, whichever comes later.



SEBI: Facilitating Ease of Business for IPOs and Fundraising

In order to facilitate ease of doing business for companies coming for IPOs / fund raising, SEBI has amended the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and notified SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. The amendments, inter alia, have been made in respect of the following:

- i. Promoter group entities and non-individual shareholders holding more than five percent of the post-offer equity share capital to be permitted to contribute towards minimum promoters' contribution (MPC) without being identified as a promoter.
- ii. Doing away with the requirement of one percent security deposit in public/rights issue of equity shares.
- iii. Flexibility in extending the bid/offer closing date on account of force majeure events by minimum one day instead of present requirement of minimum three days.

Let's Connect

+91.135.2743283, +91.135.2747084

3rd Floor, MJ Tower, 55, Rajpur Road, Dehradun - 248001

E: info@vkalra.com | W: vkalra.com

Follow us on   

For any further assistance contact our team at kmt@vkalra.com

© 2024 Verendra Kalra & Co. All rights reserved.

This publication contains information in summary form and is therefore intended for general guidance only. It is not a substitute for detailed research or the exercise of professional judgment. Neither VKC nor any member can accept any responsibility for loss occasioned to any person acting or refraining from actions as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

