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SECURITIES AND EXCHANGE BOARD OF INDIA

SEBI (Procedure For Making, Amending And Reviewing Of Regulations) Regulations, 2025

- The title of these regulations is Securities and Exchange Board of India (Procedure for Making, Amending and Reviewing of Regulations) Regulations, 2025
- The primary purpose is to specify the process of regulation making and mandate public consultation and engagement of stakeholders to ensure transparency
- For making new regulations, SEBI is required to publish draft regulations, the enabling law, regulatory intent, and the process for public comments on its website
- A minimum of 21 calendar days is usually provided for the public to submit comments
- SEBI must publish the reasons for rejecting any public comments
- The Board's consideration of proposed regulations will include a compilation or summary of public comments and the concerned department's response, if a public consultation was held
- In urgent situations, the Chairperson can dispense with or shorten the public consultation process if it's in the interest of investors and market development, but this must be reported to the Board
- Amending existing regulations generally follows the same public consultation process as creating new ones

- SEBI is obligated to periodically review its regulations considering various factors such as objectives, experience, legal orders, global practices, and the changing environment
- These regulations do not apply to SEBI's internal matters, purely procedural regulations, amendments to these regulations, and matters where public consultation has already occurred or regulations already approved
- These regulations will come into force on the date of their publication in the Official Gazette

For further reading:

Procedure For Making, Amending And Reviewing Of Regulations

Extension of automated implementation of trading window closure to Immediate Relatives of Designated Persons:

- Extension of Automated Trading Window Closure: The automated system that currently restricts trading by designated persons during trading window closures will now be extended to their immediate relatives
- Focus on Financial Results: A primary trigger for trading window closure is the period leading up to and following the declaration of financial results
- PAN Freezing Mechanism: The system will work by freezing the Permanent Account Number (PAN) of the immediate relatives of DPs at the security level to prevent trading during the closure period

SECURITIES AND EXCHANGE BOARD OF INDIA

- **Responsibilities of Listed Companies:** Listed companies are responsible for providing and confirming the details of their DPs and their immediate relatives, including PAN and demat account information, to the Designated Depository and for specifying the trading window closure periods
- **Role of Designated Depositories (DDs):** DDs will play a central role in managing the information, providing a platform for listed companies, and sharing the relevant details with Stock Exchanges and other Depositories
- **Role of Stock Exchanges and Depositories:** Stock Exchanges will restrict on-market trading, while Depositories will restrict off-market transactions and creation of pledges for the immediate relatives of DPs during the trading window closure
- **Phase-wise Implementation:** The new framework will be implemented in two phases, starting with the top 500 companies on July 01, 2025, and extending to all remaining listed companies by October 01, 2025
- **Handling of Updates and Exemptions:** The system includes procedures for updating the details of DPs and their immediate relatives and for granting exemptions from the trading window restrictions as permitted under the PIT Regulations
- **Reporting Requirement:** Depositories are required to submit quarterly reports to SEBI on the implementation of this framework
- **For further reading:** Extension of automated Trading window closure

SEBI Informal Guidance

No Open Offer needed for CHL's preferential issue of convertible securities

Securities and Exchange Board of India (SEBI) issued informal guidance on January 22, 2025, to CHL Limited regarding its proposed preferential issue of convertible securities. CHL Limited, whose shares are listed on the BSE, sought clarification on whether the planned transaction would trigger open offer requirements under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Code"). The guidance addressed concerns related to changes in shareholding percentages and potential acquisition of control.

CHL proposed raising funds by issuing Compulsorily Convertible Preference Shares (CCPS) and/or Compulsorily Convertible Debentures (CCDs) to a mix of investors. These included existing promoter group members (Lokesh Malhotra, Gagan Malhotra, Luv Malhotra, and a foreign entity wholly owned by Lokesh Malhotra) and new investors from the public category (a domestic entity and a foreign entity). These instruments are slated for conversion into equity shares within 18 months, specifically in the financial year 2026-2027. Post-conversion, while individual holdings of some promoters like Lokesh Malhotra would increase significantly and new entities would gain substantial stakes (e.g., Foreign Investor Entity 1 at 23.96%), the aggregate shareholding of the promoter and promoter group was projected to decrease slightly, from 72.84% to 71.89% (-0.96%).

Based on the projected shareholding changes post-conversion, SEBI opined that the promoter group members participating in the preferential issue would not be required to make an open offer under Regulation 3(2) of the Takeover Code. This regulation mandates an open offer if existing shareholders holding 25% or more acquire an additional 5% or more in a financial year. SEBI noted that the aggregate promoter group holding would actually decrease, falling below the 5% creeping acquisition threshold. Furthermore, under Regulation 3(3), which triggers an open offer if an individual's holding crosses stipulated thresholds (like 25% under Reg 3(1)), SEBI stated that none of the proposed allottees (including Foreign Investor Entity 1, Domestic Investor Entity, and Foreign Investor Entity 2) would breach the initial 25% threshold individually post-conversion.

The guidance also addressed the potential acquisition of control under Regulation 4, particularly concerning director appointment rights granted to Foreign Investor Entity 1 (3 nominees, 1 observer) and Foreign Investor Entity 2 (1 nominee, 1 observer). Post-allotment and subsequent appointment of additional independent directors to comply with listing regulations, the board size would increase to 14. SEBI reasoned that since Foreign Investor Entity 1 is wholly owned by Lokesh Malhotra (part of the existing promoter group already deemed in control) and its appointees would constitute 6 out of 14 directors (less than a majority), no change in control would occur. Similarly, Foreign Investor Entity 2's right to appoint one director would not amount to acquiring control. SEBI's interpretation relied solely on the facts presented by CHL and did not reference specific judicial precedents; it cautioned that the guidance is informal, fact-specific, and does not cover other applicable laws or regulations.



ROC AND RD ORDERS

1. In the matter of HANKOOK LATEX PRIVATE LIMITED.

- The Company failed to file BEN forms provided under section 90 of the Companies Act, 2013 and filed the same only after receiving the Notices from the MCA.
- The company filed the forms with the delay of 1765 days and a penalty of 2 Lakhs each on both the foreign directors has been imposed on the directors of the company being the maximum penalty.

For further reading: <https://www.mca.gov.in/bin/dms/getdocument?mds=8zuR8WLI24k1L6BHuloyYg%253D%253D&type=open>

2. In the matter of acquiring 2 DIN numbers

- The director of the company has been assigned a new DIN number as the same was applied for by the CA incorporating the company. The director voluntarily came forward to surrender the DIN and agreed to the mistake
- The director had both the DINs for a period of 429 days and so a penalty of 2,64,500 was imposed on the director

For further reading: <https://www.mca.gov.in/bin/dms/getdocument?mds=8i1LwgzANg%252B6xdCBG4xs9A%253D%253D&type=open>

3. Failure to appoint women director

- The turnover of the company CAPARO MARUTI LIMITED, has crossed 300Crore the company failed to appoint a woman director on the resignation of the current women director. A new women director is appointed only after receiving a show cause notice from MCA.
- For the delay of 189 days during which the company has no women director, RoC imposed a penalty of 1,44,500 on the company, 1,00,000, and 99,000 on the two directors respectively.

For further reading: <https://www.mca.gov.in/bin/dms/getdocument?mds=Dp5Cwx4z%252FHEmj3DiuH6xMQ%253D%253D&type=open>

4. NCLAT Upholds Selective Capital Reduction by Bharti Telecom Ltd.

In a significant judgment the National Company Law Appellate Tribunal (**NCLAT**) upheld the NCLT Chandigarh Bench's 2019 approval of **Bharti Telecom Ltd.'s (BTL)** selective capital reduction under **Section 66 of the Companies Act, 2013**. The scheme involved extinguishing the equity shares held by public minority shareholders.

Highlights from the Judgment:

Appellants' Objections:

Non-disclosure of documents – Valuation Report and Fairness Opinion were not shared with shareholders before voting.

Valuation disparity – The exit price of ₹196.80/share was much lower than ₹310/share in a preferential allotment to SingTel just months earlier.

Lack of transparency – No physical meeting held; voting was restricted to postal ballot and e-voting.

Oppression of minority shareholders – Shareholders were allegedly forced out despite long-standing investments.

ROC AND RD ORDERS

NCLAT's Observations:

Theselective capital reduction was lawful – NCLAT confirmed that the reduction complied with Section 66 of the Companies Act, 2013 and was within the legal framework for restructuring share capital.

Dueprocess was followed – Tribunal found the scheme complied with Section 66, and valuation documents were made available.

No procedural mala fides – Postal ballot and e-voting methods were lawful and not prejudicial.

Valuation methodology justified – The Valuer's approach using DLOM was accepted, considering BTL's unlisted status.

Respect for business judgment – With 99.90% shareholder approval, the Tribunal found no reason to override commercial decisions made in good faith.

This ruling emphasizes that **even controversial selective capital reductions are permissible** when executed with transparency, legal compliance, and sound valuation.



RESERVE BANK OF INDIA

Compounding contraventions under FEMA

The Reserve Bank of India (RBI) has issued a circular to all Authorised Dealer Category-I banks and Authorised banks regarding amendments to the directions on compounding contraventions under the Foreign Exchange Management Act (FEMA), 1999. This circular, dated April 24, 2025, refers to previous directions and Master Directions issued on October 1, 2024, and April 22, 2025, respectively.

The key change introduced is the insertion of a new clause in the Master Directions concerning the capping of the maximum compounding amount.

The newly added clause, Para 5.4.II.vi, states **that subject to the satisfaction of the compounding authority, the maximum compounding amount imposed for contravention of each regulation or rule within a compounding application can be capped at ₹2,00,000.**

This capping applies specifically to contraventions listed under row 5 of the computation matrix mentioned in the Master Directions. The RBI clarifies that this decision was made after a review of the existing directions.

RESERVE BANK OF INDIA

Authorised Dealer Category-I banks and Authorised banks are instructed to bring these updated guidelines to the attention of their constituents. The RBI confirms that the Master Directions on compounding contraventions under FEMA, 1999, will be updated to reflect this amendment.

This amendment provides a potential relief or limit on the financial penalty for certain FEMA contraventions, contingent upon the compounding authority's assessment of the nature of the contravention, the specific circumstances involved, and broader public interest considerations. The RBI's directive aims to ensure that Authorised Dealers are aware of this revised capping mechanism when dealing with cases of FEMA contraventions and processing compounding applications for their clients. The circular is issued under the authority granted by sections 10(4) and 11(1) of FEMA, 1999.





GOODS AND SERVICES TAX

1. Compulsory Input Service Distributor (ISD) Registration:

Businesses with multiple GST registrations under one PAN must now register as Input Service Distributors (ISDs). The previous option of cross-charging is no longer allowed. This change enforces uniformity and better tracking of ITC allocation. Companies must reassess their internal processes and register accordingly. Ignoring this can lead to compliance issues and denial of ITC.

2. GST Appellate Tribunal Procedure Rules Notified:

On April 24, 2025, the government notified the GST Appellate Tribunal Procedure Rules. This brings a structured, digital-first process for dispute resolution. Taxpayers now have an alternative to High Courts for GST-related appeals. The tribunal aims for quicker resolution and reduced legal backlog. Businesses should familiarize themselves with the tribunal procedures for future use.

3. Revised Instructions for GST Registration Processing:

Instruction No. 03/2025-GST, issued on April 17, 2025, standardizes GST registration processing. Officers must only ask for documents from the prescribed list. This prevents arbitrary document demands and delays. It improves ease of doing business for new registrants. Taxpayers should refer to the updated list before applying.

RULES REQUIREMENT LAW **COMPLIANCE**

COMPLIANCE CALENDAR

EVENT DATE	AS PER ACT	APPLICABLE FORMS
07/05/2025	Income Tax Act, 1961	TDS Return (For Government Deductors)
15/05/2025	Income Tax Act, 1961	Form 16B Form 16C Form 16D
11/05/2025	Goods & Services Act, 2016	GSTR-1 (Monthly)
15/05/2025	Employee Provident Fund & Miscellaneous Provisions Act, 1952	Payment

COMPLIANCE CALENDAR

EVENT DATE	AS PER ACT	APPLICABLE FORMS
25/05/2025	Employee Provident Fund & Miscellaneous Provisions Act, 1952	Filing of Return
15/05/2025	Employee State Insurance Act, 1948	Payment
11/05/2025	Employee State Insurance Act, 1948	Half yearly return filing
15/05/2025	SEBI Circular on Large Corporate Disclosures	Annual Disclosure for Large Corporates:



TEAM'S CORNER

Converting Physical Shares to Demat Form: A Comprehensive Guide

All companies (except small companies) have to convert their shares from physical certificates to dematerialized (demat) form by June 30, 2025.

Key Consequences of Non-Compliance

1. Share Transfer Restrictions

Physical shares will become completely non-transferable, effectively freezing any movement or trading of these assets.

2. Securities Issuance Limitations

Companies unable to complete dematerialization will face restrictions on issuing new securities, severely impacting capital raising capabilities.

3. Capital Access Barriers

Financial institutions increasingly avoid physical shares as collateral, making it difficult for non-compliant companies to leverage their equity for funding.

Strategic Considerations for Efficient Dematerialization

1. Act Immediately

Due to the high volume of dematerialization requests as the deadline approaches, significant processing delays are occurring. The actual dematerialization often takes substantially longer than the timeframes initially provided by depository participants.

2. Review Corporate Documentation

Ensure your Articles of Association explicitly permit the issuance and maintenance of shares in dematerialized form. Update these documents if necessary before proceeding.

3. Select an Established Depository Participant

Partner with reputable depositories like NSDL or CDSL to ensure reliable, secure, and efficient dematerialization services with proper regulatory compliance.

4. Establish Comprehensive Shareholder KYC

Collect and verify complete identification documentation from all shareholders, including

- PAN card details
- Aadhaar information
- Current residential address
- Active bank account details
- Contact information

5. Implement Digital Record Management

Create secure digital archives of all historical share records, registers, and certificates to maintain accessibility during and after the transition process.

Steps Involved in Dematerialization of Shares

1. Appoint a Registrar and Transfer Agent (RTA)

- o RTAs act as intermediaries to process demat requests.
- o They provide the necessary documents that are to be executed to facilitate the dematerialisation of shares.

2. Facilitate Bulk Demat

- o Coordinate with DPs and shareholders to facilitate bulk demat of physical shares still in circulation.

3. Processing by RTA/Company

- o The RTA verifies the authenticity of the certificates and processes the demat request.

4. Credit to Demat Account

- o Upon validation, the shares are credited to the shareholder's demat account, and the physical certificate is destroyed.

Call to Action

Whether you represent a company or are an individual shareholder holding physical certificates, initiating the dematerialization process immediately is critical to avoid compliance issues, potential financial losses, and operational disruptions after the June 30, 2025 deadline.



LEGAL MAXIM

Furiosi nulla voluntas est

"Furiosi nulla voluntas est" is a Latin phrase that translates to **"There is no will in the insane" or "An insane person has no will."** It refers to the legal principle that a person who is mentally incapacitated or insane cannot form valid intentions or exercise free will in a way that would be recognized by law.

In legal terms, this is relevant because in many jurisdictions, including India, a person's ability to make decisions, enter contracts, or be held accountable for actions depends on their mental capacity. If someone is deemed to be insane or mentally incapable, their actions or decisions may not be legally binding.





WISDOM CORNER

Old man's garden

An ancient Sufi story: The king of Bhagdad used to go around the city on his beautiful horse, just to see how things were going — of course in disguise, not as the king — so that he could see reality as it is. If he went as the king, then he could see everything that was beautiful and he would not be shown the real face — he would have to see only the mask.

Everyday he saw a man, a very old man, must be past one hundred years, working in the garden, putting in small plants, but those small plants were not seasonal flowers. If they were seasonal flowers there would be no question at all. Those were the plants of the cedars of Lebanon, which grow one hundred feet, two hundred feet high, just almost touching the stars and they take hundreds of years to grow to that height. They live one thousand years, two thousand years, three thousand years and they are some of the most beautiful trees.

The king was puzzled because this old man, who is one hundred years, cannot even hope to see the next spring. His hands are shaking; he is so fragile, any moment death may take him away. And why is he planting these cedars? He will never be able to see them grow, to see them come of age, to see their beauty when they start touching the stars.

WISDOM CORNER

Finally it was impossible for the king to resist the temptation. He stopped his horse one day and went to the old man and said, “I should not interfere in your work, but I cannot resist the temptation.”

The old man said, “There is nothing to worry about, my son. You can ask anything you want.”

The king said, “My question is, you will never be able to see these trees come of age; you will be gone long before that...”

The old man said, “That’s true.”

The king said, “You know that’s true and still you go on doing it?”


The old man said, “If my forefathers had not planted the seeds — just see on the other side of my garden those tall Lebanon cedars — I would have never seen them. If my forefathers were so generous about the children with whom they are not yet acquainted, who will be coming, who will be the visitor, who will be the guest.... Still they worked hard and they created those monumental trees. Looking at those trees I gather courage and work hard, because certainly I will not be able to see the beautiful growth but somebody will. My children’s children, or perhaps even their children, will be able to see when they come to their full glory. It is enough that I am not betraying my forefathers. If they could trust in the future, in the unknown guest, I can also trust.”

OSHO



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