



LEGAL MUSINGS

THE FORNIGHTLY LEGAL UPDATES !!!

2025

#MUSINGS 19
01st September, 2025

Meet our Minds

The Resource Team

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Many Minds , One Mission !!

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MCA: ROC ADJUDICATION ORDERS

1. VIOLATION OF SECTION 167 OF COMPANIES ACT, 2013

In the matter relating to **MILCENT APPLIANCES PRIVATE LIMITED**

- Section 167(1)(b) of Companies Act, 2013 states that, the office of a director shall become vacant in case, he absents himself from all the meetings of the Board of Directors held during a period of 12 months with or without seeking leave of absence. In this case, a director named Mr. PradipKumar Jashbhai Patel absented himself from all the 5 board meetings held during the financial year 2015-16. The Company filed Form DIR-12 by delay of 1027 days. Accordingly, the ROC Ahmedabad, imposed a penalty on the Company amounted to Rs.1,50,000/- and Rs.50,000/- for the officer in default.

2.VIOLATION OF SECTION 189(6) OF COMPANIES ACT, 2013

In the matter relating to **KOVAI MEDICAL CENTER AND HOSPITAL LIMITED**

- During the examination of the Register of Contracts, Companies, and Firms in which directors were interested for the financial year 2013-14, it was found that although the required particulars under Section 301(1) of the Companies Act, 1956 were recorded, the names of directors who voted for or against the contracts, as well as those who remained neutral, were not entered as mandated under Section 301(1)(e). This omission constitutes a violation of Section 301(1), and as per Section 189(6) of the Companies Act, 2013, each director who fails to comply is liable for punishment.



MCA: ROC ADJUDICATION ORDERS

- The Company acknowledged its non-compliance to record the voting details as required. A penalty of ₹25,000 has been imposed on the Director of the Company.

3. VIOLATION OF SECTION 135 OF THE COMPANIES ACT, 2013.

In the matter relating to **MOLBIO DIAGNOSTICS PRIVATE LIMITED**

Section 135 of the Companies Act, 2013 provides that:

If a company fails to spend the required Corporate Social Responsibility (CSR) amount or fails to transfer the unspent amount to the specified fund or account:

- **Company Penalty:** Twice the unspent amount or ₹1 crore, whichever is less.
- **Officer Penalty:** One-tenth of the unspent amount or ₹2 lakh, whichever is less

The company filed an adjudication application via e-form GNL-1 on 20th November 2024.

In the application, the company admitted:

- It did not spend the CSR amount for FY 2023–24.
- It did not transfer the unspent CSR amount to any scheduled bank account as required.

Accordingly, a penalty of ₹1 crore has been imposed for the company and Officers in Default ₹2 lakhs.



MCA: ROC ADJUDICATION ORDERS

4. VIOLATION OF SECTION 173(4) OF THE COMPANIES ACT, 2013.

In the matter relating to **PONDICHERRY-TINDIVANAM TOLLWAY PRIVATE LIMITED**

- As per Section 173(1) of the Companies Act, 2013, every company must hold at least four Board meetings each year, with no more than 120 days between any two meetings.
- However, M/s Pondicherry-Tindivanam Tollway Private Limited had a gap of 268 days between its Board meetings held on 04/09/2023 and 31/05/2024, violating this provision.
- The company filed an adjudication application on 26/11/2024 under Section 454 for the violation of Section 173(1), which is punishable under Section 173(4). The penalty for officers responsible for giving notice of Board meetings is ₹25,000 each. Two directors—Sri Yerubandi Venkateswara Rao and Sri Sampath Kumar Kosur—were named in the application. However, the company has four directors in total, including Sabina Moti Bhavnani and Anil Kumar Gupta, who were also issued Show Cause Notices (SCNs) due to lack of documentation limiting liability to only two directors.
- Anil Kumar Gupta clarified that he was a nominee director representing Terra Projects Pvt. Ltd. and was not involved in day-to-day operations. Based on this, the adjudicating authority exempted him from penalty. Accordingly, a penalty of ₹25000 were imposed to Officers in Default excepting the Nominee Director.



MCA: ROC ADJUDICATION ORDERS

5. VIOLATION OF SECTION 203(5) OF COMPANIES ACT, 2013

In the matter of **SHANTI INORGANICS LIMITED**

- Mr. Avanishkumar Patel was appointed as a CFO of Shanti Inorganics Limited. Whereas, he was already serving as a Managing Director in one BSE Listed Company Jagjanani Textiles Limited. After this appointment, his designation in the BSE listed company was changed to Joint Managing Director.
- Thus, Shanti Inorganics Limited has violated section 203(5) of Companies Act, 2013 for the period before such change in designation. The company was penalised to Rs.5,00,000 and the officers in default were penalised to Rs.90,000/- each.





SEBI: CASE LAW

WHAT HAPPENS WHEN INDEPENDENT DIRECTORS FAILS TO PERFORM THEIR DUTIES- CASE SUMMARY:

Case Summary: SEBI vs. Independent Directors of Setubandhan Infrastructure Limited

Background

- A complaint was filed with SEBI alleging that Setubandhan Infrastructure Limited's share prices surged to lifetime highs despite continued losses, during which promoters offloaded their shares.
- SEBI conducted a detailed investigation for FY 2016-17 to FY 2019-20, supported by an independent forensic audit, which revealed financial misrepresentation, diversion of funds, and irregularities.
- Based on these findings, SEBI's Adjudicating Officer imposed a penalty of ₹25 lakhs each on the two Independent Directors under Section 15HB of SEBI Act, 1992 for violating Regulation 18(3) read with Part C, Schedule II of SEBI (LODR) Regulations, 2015.

Appellants' Stand

- The Independent Directors argued that they were not involved in the company's affairs, did not attend meetings, and had no role in the alleged violations.



SEBI: CASE LAW

SAT Findings

- Annual Reports of the company showed that both appellants were members of the Audit Committee and Nomination & Remuneration Committee and had in fact attended meetings during the relevant period.
- Their claim of non-participation was inconsistent with records.
- As Independent Directors, they were duty-bound to ensure proper corporate governance and cannot escape responsibility by denying involvement.

Order

- SAT held that the appeals were meritless.
- The penalty imposed by SEBI was upheld.
- Appeals were dismissed on September 18, 2023.

Conclusion:

Independent Directors cannot escape liability by claiming ignorance or non-involvement when records show active participation in company committees.



INCOME TAX

TAXING THE FUTURE: UNDERSTANDING INDIA'S INCOME TAX ACT, 2025

From 1961 to 2025 — A Historic Transition Begins

After more than six decades, India is preparing to usher in a transformative shift in its tax landscape. The venerable Income-tax Act of 1961 will soon make way for the newly enacted Income-tax Act, 2025, which comes into effect on 1st April 2026. This landmark legislation reflects the evolving economic realities of a digital, globalised India and promises greater clarity, inclusivity, and alignment with contemporary financial practices.

Key Highlights of the New Act:

Streamlined Structure

- **Old Act (1961):** 298 Sections + 14 Schedules
- **New Act (2025):** 23 Chapters, 536 Sections + 16 Schedules. The new framework is more consolidated and user-friendly, aiming to reduce ambiguity and improve compliance.

Embracing the Digital Economy

- The 1961 Act had no provisions for emerging assets like cryptocurrencies, NFTs, or e-gold.
- The 2025 Act introduces clear definitions and taxation rules for Virtual Digital Assets, bringing transparency to this fast-growing sector.



Income tax

INCOME TAX

Residency & Global Tax Alignment

- The outdated Section 6 rules have been refined.
- The new law incorporates concepts like deemed residency and Place of Effective Management (POEM), aligning India's tax regime with international standards.

Broader Income Definitions

- Income now includes subsidies, reimbursements, digital assets, and fringe benefits, ensuring a more comprehensive tax base.

Corporate Restructuring Clarity

- Previously scattered across amendments, definitions of amalgamation, demerger, and slump sale are now consolidated.
- The Act references the Companies Act, 2013 and Ind-AS, ensuring consistency with modern accounting practices.

Digitalisation by Design

- While e-filing evolved gradually under the old regime, the new Act formally recognises digital/cloud records and virtual hearings, making tax administration more accessible and efficient.

Expanded Charitable & CSR Scope

- Beyond traditional relief efforts, the new Act includes causes like yoga, environmental protection, heritage conservation, and public utility services, aligning with Corporate Social Responsibility (CSR) objectives.



TEAM'S CORNER

Appointment of Independent Director under Section 150 and 160 of the Companies Act, 2013 and SEBI LODR Regulation 17(1C)

The appointment of an independent director in a company is governed by the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This article explains the process when a company appoints an independent director from the databank maintained by the Indian Institute of Corporate Affairs (IICA), and how such an appointment is proposed before the members under Section 160 of the Companies Act, 2013.

1. Eligibility and Appointment of an Independent Director under Section 150

Under Section 150(1) of the Companies Act, 2013, companies may select individuals from a databank maintained by the IICA, which contains names of persons eligible and willing to be appointed as independent directors, along with their qualifications and experience.

- **Due Diligence:** The responsibility for conducting due diligence regarding the proposed independent director lies with the company.
- **Shareholder Approval:** As per Section 150(2), the appointment of an independent director requires the approval of the shareholders at a general meeting.



TEAM'S CORNER

2. Applicability of Section 160 for Independent Directors

Section 160 of the Companies Act, 2013 provides the mechanism for the appointment of directors who are not retiring directors. Any director who intends to be appointed or some member intending to propose the appointment of such a director (not being a retiring director) must submit:

- A written notice proposing the candidature **at least 14 days** before the general meeting, along with a deposit of **₹1,00,000**.

However, the proviso to Section 160(1) provides exceptions to the deposit requirement. No deposit is required if:

- The appointment is of an **independent director**, or
- The candidate is **recommended by the Nomination and Remuneration Committee (NRC)** (if the company is required to constitute a committee), or
- The recommendation is made by the **Board of Directors** (in companies not required to constitute an NRC).
- When an independent director is selected from the IICA databank and proposed by the NRC or Board, **Section 160** applies procedurally, but the deposit requirement is waived.



TEAM'S CORNER

3. Outcome if the Independent Director is Not Approved by Shareholders

If the shareholders do not approve the appointment of the independent director at the general meeting:

- The individual cannot be appointed or continue as an independent director.
- Any actions taken by such a person before shareholder approval may still be valid under Section 176 of the Companies Act, 2013, which provides that acts done by a person acting as a director are valid, notwithstanding that it is later discovered that their appointment was invalid.

Non-compliance with the provisions regarding the appointment of independent directors may lead to the following penalties under Section 172:

If a company contravenes the provisions relating to directors (such as failing to appoint an Independent Director), then under Section 172 of the Companies Act, 2013:

- The company is liable to a penalty of ₹50,000.
- Every officer in default (e.g., directors, company secretary) is liable to a penalty of ₹50,000.



TEAM'S CORNER

In case of a continuing default, an additional penalty of ₹500 per day is applicable:

- Subject to a maximum of ₹3 lakh for the company, and
- ₹1 lakh for each officer in default.
- Non-registration can hinder the company's ability to raise future loans, as lenders often refuse to extend credit without proper registration history.

4. Compliance under SEBI LODR Regulation 17(1C)

Regulation 17(1C) of the SEBI (LODR) Regulations, 2015 mandates that:

A listed entity must obtain **shareholders' approval** for the **appointment or re-appointment** of a director or manager at the next general meeting or **within three months** from the date of appointment, whichever is earlier.

Conclusion

Even when a company selects an **independent director** from the IICA databank, and the name is proposed by the NRC or Board, the procedural compliance under **Section 160** still applies. However, the deposit requirement is waived.



LEGAL MAXIM

“NEMO DAT QUOD NON HABET”

The Latin maxim “**Nemo dat quod non habet**” translated as “**No one can give what they do not have**” represents a fundamental legal principle relating to the transfer of ownership rights. This maxim establishes that a person who does not have rightful ownership or title to a property or goods cannot transfer better ownership rights to another. It underscores the importance of legal title in property transactions, ensuring that ownership can only be transferred by someone who legitimately holds it.

In legal terms, this maxim is crucial in protecting the rights of original owners and preventing unauthorized individuals from passing on property they do not legally own. It is commonly invoked in cases involving stolen goods, fraud, or unauthorized sales, preventing the unlawful alienation of property rights.

This maxim plays a vital role in preserving the **integrity of ownership rights** and facilitates trust in commercial and property transactions by ensuring that only rightful owners can convey valid title. It also introduces a protective mechanism for innocent buyers who act in good faith, with exceptions balancing fairness and legal certainty. Ultimately, “Nemo dat quod non habet” remains a cornerstone principle that sustains property law and the smooth functioning of legal systems worldwide.



WISDOM CORNER

Laughter is in a way unique.

Laughter is in a way unique. Anger, frustration, worrying, sadness — they are all negative and they are never total. You cannot be totally sad; there is no way. Any negative emotion cannot be total because it is negative. Totality needs **positivity**. Laughter is a positive phenomenon — that's why it is unique — and that makes it a little difficult to be aware of laughter, for two reasons. One, it comes suddenly. In fact, you become aware only when it has come. Unless you are born in England... there it never comes suddenly... Laughter naturally comes as thunder comes — suddenly. That is the very mechanism of a joke, any simple joke. Why does it make people laugh? What is the psychology of it? It builds up a certain **energy in you**; your mind starts thinking in a certain way as you are listening to the joke, and you are excited to know the punch line — how it ends. You start expecting some logical end — because mind cannot do anything else but logic — and a joke is not logic. So when the end comes it is so illogical and so ridiculous, but so fitting, that the energy you were holding in, waiting for the end, suddenly bursts forth into laughter. Whether the joke is great or small does not matter, the psychology is the same. Any joke ends with a turn that you were not expecting logically.

WISDOM CORNER

Then suddenly the whole energy that was building up in you explodes in **laughter**. In the beginning it is difficult to be aware, but not impossible. Because it is a positive phenomenon it will take a little more time, but don't try hard; otherwise you will miss the laughter. That is the trouble. If you try hard to remain aware, you will miss the laughter. Just remain relaxed and when the laughter comes, just like a wave coming in the ocean, silently watch it. But don't let your watcher disturb the laughter. Both have to be allowed.

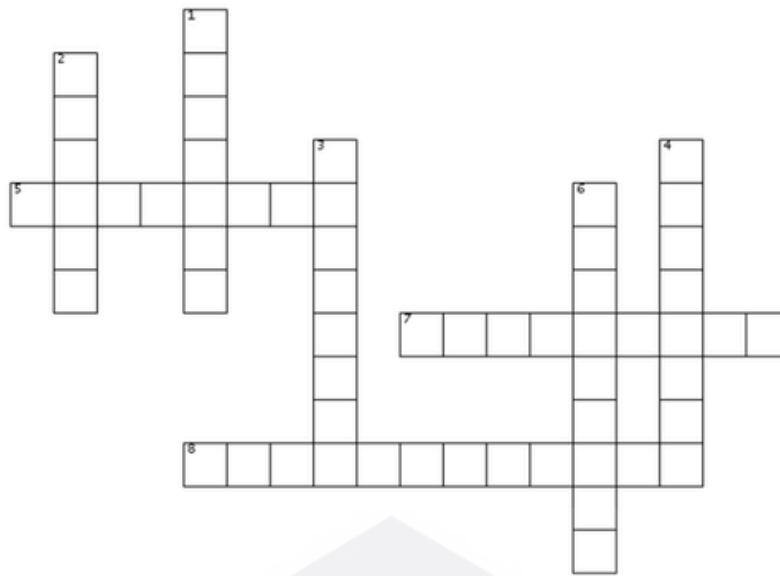
-Osho



COMPLIANCE CALENDER

Due Date	Forms to be filed	Description
07.09.2025	TDS/TCS	Due date for deposit of Tax Deducted/Collected for the month of August 2025
10.09.2025	GSTR-7	GST TDS for August 2025.
10.09.2025	GSTR-8	GST TCS for August 2025.
11.09.2025	GSTR-1	Return under GST filed by persons with UIN to claim refunds on inward supplies.
15.09.2025	ITR-1 to ITR-5	Return of income for the Assessment year 2025-26
15.09.2025	Self-Assessment Tax Payment Due Date	Payment of Self-Assessment Tax.

MUSINGS IN THE MAZE



ACROSS

- 5. The act of moving shares from one shareholder to another
- 7. The government official responsible for maintaining company records and monitoring compliance
- 8. The combination of two or more companies into one

DOWN

- 1. Money placed with a company or with a financial institution
- 2. Minimum number of members required for a meeting to be valid
- 3. Judicial body that makes judgments or decisions under Companies Act
- 4. The person who leads a meeting or organization
- 6. To sign up or commit to a certain number of shares in a company's capital

Answers to Musings 18

- 1.FALSE
- 2.TRUE
- 3.FALSE
- 4.TRUE
- 5.NO BREACH

TEAM ACHIEVEMENTS



We are extremely happy to inform that 2 of our young CS Professionals **Sandhya M** and **Sakthishree Kumar** have cleared CS both groups, well ahead of completing their 21 months training.

3 others, **Saarang Gopal**, **Sarana Prakash** and **Mythili P** have cleared one group and are on the verge completing their CS by December.

And a couple of others who could not make it this time are not far behind. They got good marks too, just not enough to get through this time, but will surely make it by December 2025.

Hearty Congratulations to every team member and other friends in the CS fraternity for their success too.





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