CimplyFive's Monthly Newsletter

iComply

May 2022

Editorial

The first quarter of every financial year is the busy time for governance professionals in all corporates. This is the time when they prepare and share the annual shareholder/ stakeholder communication of the year gone by and prospects for the year ahead. Considering this, we have tracked the origin of annual reports in our **"CCG -Cusps in Corporate Governance"** series.

We have traced the events that led to the regulators mandating companies to prepare and share annual financial statements with their shareholders. The mandate for sharing information is only half the battle, as companies could follow the letter of law and share the minimum. However, the advent of pioneers like US Steel Corporation in the US and Infosys in India saw the advent of voluntary disclosures that made annual reports much more informative and valuable to stakeholders, prompting many more companies to follow their path.

Please do let us know if there is any corporate governance practice that you would like us to research and share information on its origin. We will be happy to include that topic in our series.

In our interview series, **BLISSCAST**, where we interview corporate governance champions in leading Indian companies, we are featuring **Ms. Chava Seshanuradha, Company Secretary,** Chief Regulatory Office & General Counsel, Tanla Platforms who shares her rich professional insights and learning from dealing with the unprecedented Covid-19 pandemic situation.

Our other regular features like –**Gist of Changes in the Companies Act, 2013, SEBI's LODR, 2015 and IB Code, 2016** and **Statutory Compliance Calendar** are also included in this Issue.

Please share your feedback on this newsletter with us at contact@cimplyfive.com, we eagerly look forward to it.

Happy reading,
Shankar Jaganathan
Editor of iComply
May 5, 2022

BLISSCAST - 12

Interview with Ms. Chava Seshanuradha, Company Secretary, General Counsel & Chief Regulatory Officer, Tanla Platforms



CimplyFive: How would you describe the last two years of the pandemic on professional front? What are the main challenges you faced, and your lessons learnt from them?

CS Chava Seshanuradha: While the entire economy was reeling under the pressure of CoViD-19 situation, Adaptation was the Key. As CS, we were required to bridge the technological gap as well as strategize our role and practice in accordance with the Changing times. Read more…

What's more in this month's Issue

- What is Hot in Company Law?
- Cusps in Corporate Governance
- BLISS Tips for the Month
- Compliance Calendar
- Regulatory Changes in the Month

 Copyright © 2022, CimplyFive

BLISSCAST – 12

Interview with Ms. Chava Seshanuradha, Company Secretary, General Counsel & Chief Regulatory Officer, Tanla Platforms Limited.

1. **CimplyFive: How would you describe the last two years of the pandemic on professional front? What are the main challenges you faced, and your lessons learnt from them?**

   CS Chava Seshanuradha: While the entire economy was reeling under the pressure of CoViD-19 situation, Adaptation was the Key. As CS, we were required to bridge the technological gap as well as strategize our role and practice in accordance with the Changing times. We witnessed a Paradigm shift from earlier trusted procedures and practices, including paperless meetings and digital signatures.

   The regulators played an essential role in keeping up with the challenging times with constant regulatory changes, company secretaries were required to stay updated with all key developments.

   While online viewing of documents from Public Domain has been a common thing in the past, remote audit was a new experience.

   With majority of employees working from home there was a heavy dependence on digital modes like video-conferencing, VPN solutions, cloud-enablement etc., for conducting of business which also had cyber-security threats, leakage of price-sensitive information etc. to be addressed.

   The pandemic has shown us that Secretarial practices can be digitalized for sustainability. There has been an increased need for digitalization including PIT regulation, ESOP tool, Agenda and Minutes, Registers and Records.

   The pandemic has enabled better interaction and helped establish connections with the regulators especially the Stock Exchanges.

2. **CimplyFive: Given your rich experience as an accomplished corporate leader, how did your experience prepare you to handle this unusual situation?**

   CS Chava Seshanuradha: In an endeavor to adopt digitalization as part of good governance, we had already automated our Board processes.

   Enabling the teams to work remote, by ensuring availability of required infrastructure to enable delivery in the new norm. Frequent team meetings to enquire about health and related support required to keep up the team morale in testing times.

3. **CimplyFive: Given the constraints of the pandemic times, is there any initiative you would like to mention that you had started or were part of to ensure that the governance standards were maintained or if not enhanced?**

   CS Chava Seshanuradha: The important initiative or the focus area was Risk Management and Mitigation which forms part of the Governance strategy. As Company Secretary I am part of Enterprise Risk Management System (ERMS).

4. **CimplyFive: What are the top 3 enduring changes brought about by this pandemic to the corporate governance domain that will continue post the pandemic?**

   CS Chava Seshanuradha: Digitalization, Increased Focus on Risk Management and ESG.

5. **CimplyFive: What would be your one advice to young budding professionals as they enter the corporate world?**

   CS Chava Seshanuradha: Holistic understanding of the subject and not a peripheral awareness is the key to success.

6. **CimplyFive: Can you share your experience with CimplyFive?**

   CS Chava Seshanuradha: CimplyFive is a very user-friendly secretarial tool for the secretarial team and the Directors. Amazing customer service from CimplyFive team.

Disclaimer: The views and opinions expressed are my own views and do not necessarily represent views of my present and past organization(s).

 Copyright © 2022, CimplyFive

OPINION:

What is Hot in Company Law?

Our free to use website www.ca2013.com has the unique distinction of providing an integrated view of the Companies Act, LODR and IB code. Our site crossed 19 **million page-views** on April 21, 2022. It attracts over 6000 users accessing over 22,000 pages a day. Listing of the most viewed sections in the Companies Act, LODR and IB Code in the month of April 2022 here is based on visitors to our site.

For the Month of April 2022

Top 5 Chartbusters in the Companies Act, 2013

Rank in March	Change in Rank	Rank in April	Section reference	Section title
1	↔	**1**	**135**	Corporate Social Responsibility
2	↔	**2**	**188**	Related party transactions
5	↑	**3**	**179**	Powers of Board
4	↔	**4**	**149**	Company to have board of directors
N	↑	**5**	**134**	Financial statement, Board's Report etc.

Section 134 has displaced section 186 in the top 5 Ranking.

LODR Top 5 Chartbuster Regulations

Rank in March	Change in Rank	Rank in April	Regulation reference	Regulation Title
2	↑	**1**	17	Board of Directors
1	↓	**2**	23	Related Party Transactions
N	↑	**3**	40	Transfer or transmission or transposition of securities
3	↓	**4**	30	Disclosure of events or information
N	↑	**5**	7	Share Transfer Agent

Regulation 42 and 7 have replaced Regulation 30 and 2 in the top 5 Ranking**.**

IB Code Top 5 Chartbusters

Rank in March	Change in Rank	Rank In April	Section reference	Section Title
5	↑	**1**	6	Persons who may initiate corporate insolvency resolution process
2	↔	**2**	5	Definitions
1	↓	**3**	3	Definitions
N	↑	**4**	7	Initiation of corporate insolvency process by financial creditor
N	↑	**5**	4	Application of this part

Section 7 and 4 have replaced sections 21 and 53 in the top 5 Ranking.

 Copyright © 2022, CimplyFive

CCG - Cusps in Corporate Governance

CCG-2: Annual Report: Marketing the Company to Investors

The idea 'necessity is the mother of invention' holds true in most situations, and the field of corporate governance is no exception. Analysis of the corporate history over the last 500 years reveals that most good governance practices are triggered by regulators in the aftermath of a corporate fraud or a scandal mandating the voluntary practice of a pioneer, to reduce if not prevent such frauds or scandals.

April to June is the time when most Indian corporates are busy preparing their annual reports. Further companies engaged in fund raising invest additional efforts to make their annual reports more attractive to engage with prospective investors. However, companies sharing information of their performance was not a standard practice until the regulators stepped in to mandate it. Even today two types of companies exist, one that prepare their annual report in the true spirit of sharing information with their stakeholders, the other, that only seek to meet the basic requirement as mandated in the letter of law.

The Trigger

The 1890's depression saw the Australian real GDP fall 17 per cent over 1892 and 1893 with the crisis reached its peak in 1893. The economic collapse was a result of the 1880's real estate bubble that burst in early 1890s, leading to a total failure of the Australian financial sector. Of the broader lending institutions covering banks, land banks and building societies, 54 of the 64 institutions operating in 1891 had closed by mid-1893, with 34 of these closed permanently. Among the Banks defined narrowly only nine of 28 banks remained open continuously throughout this crisis. Of the many reactions to this crisis was an amendment to the Victorian Companies Act, 1896 that mandated all limited liability companies to prepare and give their shareholders an annual report.

The Victorian Companies Act, 1896 in Australia was the first mandate that required all companies incorporated with limited liabilities to prepare and give their shareholders an annual report. While the concept of annual reports was being debated in England at that time, the Australian stock market crash that triggered the economic depression prompted the Victorian authorities into action by mandating it for all the limited liability companies. It was only three decades later in 1928 that England mandated annual report through an amendment to the Companies Act, 1928, followed by the United States of America four years later.

The Pioneer

The pioneer in wholeheartedly embracing the concept of annual reports was the first billion dollar company in the world formed in 1901 by the three icons of US business - Andrew Carnegie, J.P. Morgan and Charles Schwab who joined hands to create US Steel Corporation, the largest producer of steel at the time. The first annual report published by this billion dollar company carried many innovative practices that regulators mandated over the next century.

A snapshot of the key disclosures made in their first annual report includes in addition to an informative balance sheet and income statement, disclosing the orders on hand as of the balance sheet date along with the quantitative details of production. Further the report also disclosed the number of shareholders of the company and department wise number of employees on their rolls.

In India, this honour of being the pioneer can rightfully be attributed to Infosys, which in 1990s pioneered voluntary disclosures in their annual report by disclosing among others the educational qualification of their employees, included write ups from their customer, vendor-partner, investor, employees and children of their employees, Human Resources Valuation, Economic Value Add computation, Brand Valuation, Report on Corporate Governance among others to emerge a darling of the investors to provide handsome returns, thereby initiating voluntary disclosures as a means to shareholder value creation.

The Spread

The Great Depression of 1929-33, that almost halved the US GDP in this four-year period led to the formation of Security Exchange Commission for reviving economic growth. US President Franklin D Roosevelt, proposing the SEC legislation based it on the principle 'put the burden of telling the truth on the seller", thereby mandating companies to share periodic information about their business, significant acquisitions and disposals and change in the rights of security holders and information on granting options

and bonus. These disclosures took the form of Proxy statements that needed to be filed with the SEC prior to circulation to the shareholders. Within a short period, the prior filing with SEC was dispensed with and companies were required to file it with the SEC on the same day they shared it with their shareholders.

In a short period, annual communication by the company to its shareholders spread across the rest of the world making it an essential practice for all companies with limited liability.

Practice Today

Unfortunate but true, even today many companies prepare their annual report to meet the basic letter of law and provide only the mandated information to escape the penalties. On the positive note, companies that create annual reports with a genuine intent to communicate and build long term relationship with their stakeholders and investors continue to be handsomely rewarded by their investors by paying premium for their good governance practice of sharing information voluntarily.

BLISS Tips for the Month

#218: Group Companies Report Generation in BLISS
#219: Get auto filled Declaration of Interest and Intimation by the Directors in form MBP 1 and DIR 8
#220: With BLISS Get Pre-Populated Resolutions for the First Board Meeting of the Financial Year
#221: Create Customized access of secretarial records for Your Statutory and Secretarial Auditors

 Copyright © 2022, CimplyFive

Board Leaders Integrated Software Solutions



BLISSPLUS

BLISS is a Cloud hosted software that automates the routines, provides an e-repository, timely alerts, and a real-time dashboard, all aimed at ensuring compliance and good corporate governance. By doing so, it provides complete peace of mind to the Board of Directors and assurance to professionals by providing them with real-time compliance status with respect to the CompaniesAct,2013

BLISSPLUS is an advanced variant of BLISS with multiple premium features like Directors view, facility to store past Secretarial records, automated compliance tracker for size-based compliance under the Companies Act,2013

BLISS LISTED

BLISSLISTED An advanced variant of BLISSPLUS for Listed Companies with Companies Act,2013 and SEBI's LODR 2015 compliances integrated to provide a single point compliance automation, risk manager & e-repository for secretarial records including past secretarial records.

BLISSGLOBAL

BLISSGLOBAL is a cloud hosted key document management solution with Action Tracker that provides master data capture of the entity, e- repository for document management, Automated Tracker for managing event based and calendar-based activities.

BLISSDOCS

BLISSDOCS is an Android/IOS based Board app for Directors which provides secure access to Board documents on Tablets/mobile phones, enhancing Directors productivity and making the Board meetings efficient & effective

CIMPLYBEST

CimplyBest is a tailormade software for Indian Corporates in conducting Corporate Board Evaluation which will optimize Board's Time & Effort with confidentiality assured.

BLISSTAT

BLISSTAT is a cloud hosted custom built software to automate Direct Tax assessment processes and provide a comprehensive action tracker enabling workflow automation with a e-repository for storing all tax assessment records.

CAIRR LODR Integrated

CAIRR is a free to use website from CimplyFive that provides at your fingertips, an integrated view of the Companies Act, 2013, IB Code, 2016 and LODR, 2015. The site and app is updated every business day by 11 AM for changes in the Act & Regulations. For more details, please visit www.ca2013.com

 Copyright © 2022, CimplyFive

Compliance Calendar

May 7th	TDS payment for April
May **15th**	Pay PF contribution for April
	ESIC payment for April
May 20th, 22nd, 24th	GSTR 3 B (based on turnover and principal place of business)
May 25th	PF Return for May

Gist of regulatory changes in Companies Act, 2013, SEBI (LODR), 2015 and Insolvency & Bankruptcy Code, 2016 in the month of April, 2022

- **05.04.2022**

IBBI amends Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017

Key highlights of the notification are:

1. Insolvency Professional (IP) shall intimate his/her appointment as liquidator within 7 days (as against earlier requirement of 3 days) to the Board.
2. Where no claim from creditors is received till the last date for receipt of claims, the liquidator shall prepare the list of stakeholders within 15 days from such date (as against 45 days if claims are received).
3. Proceeds from realization of shall be distributed to the stakeholders within 30 days(as against 6 months). from the receipt of amount.
4. Timeline for completion of liquidation process has been brought down from 12 months to 270 days, where resolution is passed as per the Regulations/Code and 90 days, in all other cases from the liquidation commencement date.
5. On completion of liquidation process, Compliance Report(whose format prescribed in the notification) has to be submitted along with Final Report and application for dissolution.

- **06.04.2022**

Personal Information in the Registers and Annual Returns to be unavailable for inspection under the Companies Act 2013

The following particulars in the registers, their indices or Annual Returns pertaining to the members of a company shall not be made available for inspection or for taking extracts or copies under the Companies Act 2013:

1. address or registered address (in case of a body corporate);
2. e-mail ID;
3. Unique Identification Number;
4. PAN Number.

- **08.04.2022**

Clarification on validity of omnibus approvals for material related party transactions (RPTs) under LODR Regulations.

As per LODR regulations, omnibus approval for RPTs granted by the audit committee shall be valid for a period not exceeding one year and shall require fresh approvals after expiry of one year. In case of material RPTs, shareholders' approval is also required.

To align the process to conduct AGMs and obtain omnibus shareholders' approval for material RPTs, SEBI has now clarified that the shareholders' approval of such omnibus and material RPTs approved in an AGM shall be valid upto the date of the next AGM for a period not exceeding fifteen months. Where they are obtained from shareholders in general meetings other than AGMs, the validity of such omnibus approvals shall not exceed one year.

Nidhi Companies to submit the declaration issued by the Central Government before commencement of business

MCA now requires a Nidhi Company to obtain and submit declaration from the Central Government under Section 406 of the Companies Act, 2013 along with the declaration of commencement of business in Form INC 20A.

 Copyright © 2022, CimplyFive

- **11.04.2022**

SEBI amends provision related to asset/security cover under LODR Regulations.

Through this notification, SEBI has replaced the term 'asset' with 'security' and requires the issuer of the secured non-convertible debt securities to ensure that the security shall be sufficient to discharge the interest amount, in addition to the principal, at all times.

NSE facilitates offline XBRL filling utility for filing of Investor Complaints under LODR Regulations.

SEBI requires filing of Investor Grievance Report under Regulation 13(3) by all listed companies in XBRL mode only. With a view to make the disclosures more accurate and efficient, NSE has introduced an offline excel utility for XML/XBRL generation. The detailed steps are provided in the hyperlinked circular.

Clarification with respect to Temporary Surrender of Professional Membership under IBC, 2016 and its Regulations.

Pursuant to the introduction of provision of 'Authorisation for Assignment' in the Schedule to IBBI ((Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations, vide IBBI's notification dated 23/07/2019, IBBI hereby clarifies that the process of 'Temporary Surrender of Professional Membership,' ceases to exist with issuance of above mentioned notification.

- **19.04.2022**

MCA introduces stringent norms for Nidhi Companies.

1. Criteria for Declaration as a Nidhi company: Any public company incorporated on or after 19/04/2022, which is desirous to be declared as Nidhi, shall within 120 days of its incorporation apply for the Central Government's approval, subject to fulfilling the conditions with respect to number of members and net owned funds. A declaration that the promoters/directors meets the fit and proper criteria shall also be submitted along with the application. It is to be noted that for these companies that are incorporated on after 19/04/2022, minimum threshold criteria specified under Rule 5 shall not be applicable.

2. Minimum paid-up capital and Net Owned funds requirement: Minimum paid up capital and net owned funds required to be maintained by a Nidhi are increased to 10 lakhs and 20 lakhs from the existing requirement of 5 lakhs and 10 lakhs respectively. Existing Nidhi companies to meet this revised threshold within 18 months from the commencement date of this notification, which is 19/04/2022.

3. Prohibited transactions: Nidhi shall not carry out- a. any acquisition/purchase of securities of another entity (or) controlling the composition of Board of another company or any arrangement for change of its management (earlier this shall be undertaken subject to passing of a special resolution in general meeting and approval of Regional Director(RD)) b. raising of loans from banks/financial institutions/any other source to advance loans to its members.

4. Restriction on transfer of shares: A member shall not transfer more than 50% of his shareholding during the subsistence of the loan/deposit, subject to him/her maintaining the minimum shareholding requirement as per the Rules at all times.

5. Closure of a Branch: Closure of a branch, along with the exit plan, detailing paying off/recovery of existing deposits/loans, shall be approved by the Board. Prior approval of RD is required, as against the existing procedure to intimate RD post closure of the branch. Further, Nidhi shall close its operations in all such places, which are not its Registered office or branch, within 6 months from the commencement of this notification, i.e. 19/04/2022 and shall file intimation in this regard in Form NDH-2.

6. Declaration of Dividend: Approval of Regional Director and fulfilment of certain conditions to declare the dividend are done away with.

7. Consequence of Non-Compliance with Rules: A Nidhi Company shall not raise fresh deposits or provide loans to its members if it violates the provisions of the Rules or if its application in Form NDH-4 gets rejected by the Central Government. In case it raises deposits post such non-compliance, then such deposits shall be deemed to have been raised as per Chapter V (Acceptance of Deposits by Companies) of the Companies Act, 2013 and shall be subject to the requirements of that Chapter.

- **25.04.2022**

NSE's Guidance Note on disclosure of Related Party Transactions (RPT).

The notice clarified the applicability and threshold limits among others. The Highlights are as under -

1. Listed entities are required to submit the RPT disclosures in the new SEBI format, for reporting period for the half year end commencing from 01 October, 2021 to 31 March, 2022.
2. The disclosure must be on six-month end basis for both, first half and second half year.
3. RPT disclosures are required even if there are no related party transactions during the reporting period.

Revised Procedure for Transmission of Listed Securities under SEBI's LODR 2015.

All procedural requirements in Schedule VII of SEBI's LODR 2015 shall apply to both transfer and transmission of securities of listed companies.

1. In case of transmission of securities with nomination, the following documents shall be submitted by nominee:
    1. Transmission request form;
    2. original death certificate or its copy of death certificate attested by the nominee and verified by by a notary public or a Gazetted Officer;
    3. PAN Card
2. Following documents to be submitted by claimant in addition to the above, where there is no Nomination:
    1. a notarized affidavit from all legal heirs identifying claim of legal ownership to the securities:
    2. a copy of Succession Certificate or Probate of Will or Will or Letter of Administration or Court Decree Indemnity Bond
3. For cases where value of securities is up to Rs. 5 Lakh held in physical mode, and up to Rs. 15 lakh per beneficiary account held in dematerialized mode: In place of documents in pt 2.2, a no objection certificate from all legal heir(s) attested by a notary public or a Gazetted Officer may be submitted.

27.04.2022

Relaxation for the Banking Companies from Registration of Charge under the Companies Act, 2013 for specified transactions.

Through this notification, a Banking Company needn't register the creation or modification of Charge, as required under Section 77 of the Companies Act, 2013 when it borrows loans and advances from RBI, repayable on demand or on expiry of specified time period as specified under Section 17(4)(d) of the RBI Act, 1934, against the security of promissory notes.

- **28.04.2022**

Applicability of certain regulations under IBBI(Liquidation Process) Regulations, 2016

IBBI has clarified that the requirements under following regulations shall apply to the liquidation processes commencing on or after the date of the commencement of the IBBI (Liquidation Process) (Amendment) Regulations, 2019, i.e. 25/07/2019

- 2A - Contributions to liquidation costs by the Financial Creditors
- 21A- Presumption of security interest
- 31A - Constitution of Stakeholders' consultation committee
- 44 - Completion of the liquidation process within a period of one year from the liquidation commencement date

About CimplyFive

Vision

Leverage research and technology to eliminate procedural non-compliance risk for entities regulated by the Indian Companies Act, 2013

Mission

Provide a cost-effective, secure web-based, menu driven, subscription services that provides curated resolutions, timely alerts and informative dashboards to free the management bandwidth for pursuing business goals



To view the previous issues of *iComply* click here