



SIRC MYSURU CHAPTER

# e-Magazine



November, 2023  
235<sup>th</sup> Edition

### Vision

"To be a global leader in promoting good corporate governance"

### Motto

सत्यं वद। धर्मं चर। इष्टकारं कुरु। शोभते इयं तेन।

### Mission

"To develop high calibre professionals facilitating good corporate governance"

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CS Phani Datta D N

CHAIRMAN  
MYSURU CHAPTER

Dear

Professional Colleagues

It is indeed my pleasure to meet you all with yet another edition of eMagazine.

असतो मा सद्गमय। तमसो मा ज्योतिर्गमय।

*O Lord, Lead me from the unreal to the real, Lead me from darkness to light*

Wishing you all a very Happy Deepavali and wishing all of you success and prosperity. This festival of lights reminds us to constantly work towards moving from darkness to light, from ignorance to awareness and sorrow to bliss. Let us all take this message to improve our workstyle and the lifestyle to the betterment of our health, wealth and knowledge. Also, it is a right occasion to contemplate our contributions to the society around. Let us take a minute to contemplate regarding this and take steps to give our best back to the society we live in to make it much happier place to live.

Mysuru Chapter is happy to be part of collaboration of CII, ICAI Mysuru Branch and ICMAI Mysuru Branch to reach out to commerce and management students of various colleges of Mysuru through various sessions and panel discussions on career prospects and we are happy to state that this mode of career awareness in **working well in creating awareness about CS as a career option for the students**. We have reached almost **1000 students** in just last one month through this mode. We would like to express our sincere thanks to **Dr. Dharma Prasad, Convenor of Industry Institute Interaction & Higher Education Panel of CII Mysuru Zone** for this amazing initiative.

I am also happy to inform you all that Mysuru Chapter is all geared up to celebrate the completion of **20 years of successful publication** of this prestigious eMagazine this December. We are commemorating the occasion with a special 2 day seminar for members on the theme '**Governance Culture as a Transformative Driver of Sustainable Development Goals (SDGs 2030)**' having sessions from learned speakers including **CS Savitri Parekh on December 15th and 16th, 2023**. A special edition of eMagazine on the occasion is also planned to be released by **His Highness Yaduveer Krishnadatta Chamaraja Wadiyar, scion of the Wadiyar dynasty and the King of Mysuru**. I request you all to kindly contribute with the articles for this special edition and to be part of the seminar and the release event to celebrate this prestigious occasion with all of us.

While my next conversation through eMagazine with all of you being through special edition, looking forward to seeing you all at Mysuru Chapter. Till then, Happy Reading!

Thank you



THE INSTITUTE OF  
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

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# Toastmasters



## ICSI Mysuru RoyalPro Toastmasters Club



As the October month brings the festival season to home, especially in Mysuru where the entire city will be decorated for the Dasara Festival. So, the Club members of ICSI Mysuru RoyalPro Toastmasters Club organised a Special Physical Meeting with the Theme of “Dasara Dolls” in the premises of Charter President TM Pavithra P.

On the Occasion of “Kannada Rajyotsava” the club organised a Special Meeting where the club members had to speak in Kannada Language. The Speaker Mrs. Vidya Dattatri spoke on the importance of inculcating the habit of speaking in Kannada and highlighted the importance of how one should follow our religion and language and also to respect the other languages.



## CS Foundation Day

The Chapter had organized the live telecast of the 'Foundation Day Celebrations' by the headquarters at Vignan Bhavan on 04th October 2023. Many members of Mysuru including senior members CS Bhansali, CS Hitesh and others attended the program. The chapter premises were also illuminated during the occasion.



## Career Awareness Program

Chapter, in collaboration with CII Mysuru had been part of a unique way of Career Awareness Program in the form of Panel Discussions on the Career Path ahead for Commerce and Management Students. The panellists for the said panel discussions were CS Phani Datta D N, Chairman, CA Raghunandan Rao, Chairman, Mysuru Branch of ICAI, CMA Ashok Kumar, Past President, Mysuru Branch ICMAI and Mr. Dharma Prasad, Chief Scientist, Prosetta Bioinformatics and Convenor CII. The discussions were greatly utilized by the commerce colleges and the students thereof. The details of the discussions and participants during October 2023 were as under:

1. 17th October 2023 – JSS College of Arts, Commerce and Science, Mysuru – Attended by about 500 Students.
2. 25th October 2023 – Sharada Vilas College, Mysuru – Attended by about 165+ students.



# Demerger of Companies- Process and Tax Implications

## Merger & Demerger

The Companies Act, 2013 does not define the term Merger and amalgamation. However, Section 232 of the Companies Act, 2013 read with Companies (Compromise, Arrangements and Amalgamations) Rules, 2016 provide the manner and procedure for mergers and Amalgamations.

The term Compromise or arrangement includes 'demerger'.

As per Accounting standard (AS-14) Amalgamation means an amalgamation pursuant to the provisions of the Companies Act, 2013 or any other statute which may be applicable to companies and includes 'merger'. The terms 'merger' and 'amalgamation' are used as synonymous.

In amalgamation, the undertaking, i.e. property, assets and liability of one or more company (amalgamating company) are absorbed by an existing or a new company (amalgamated company).

The amalgamating company integrates with amalgamated company and the former is dissolved without winding up.

## Key Drivers of Corporate restructuring

- Focus on core business
- Growth in Emerging markets
- Fund raising and strategic investment
- Reorganization of family businesses and succession planning
- Promoter stake enhancement
- Optimization of tax structure

“

A scheme is

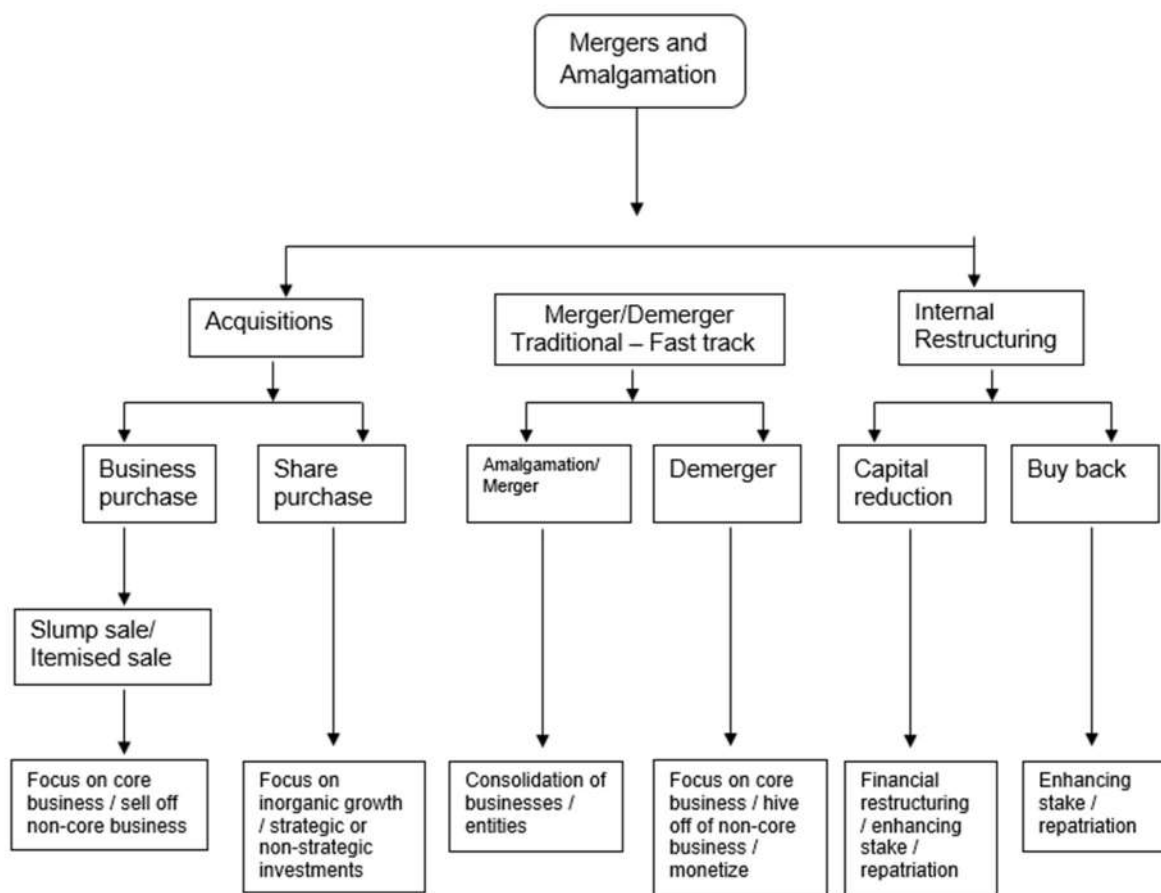
prepared in consultation with all the interested parties and in principle approval of the board of directors is obtained at the meeting after issuing notice to all the directors as per section 173 of the Companies Act, 2013.”

**CS Rajavolu Venkata Ramana**

Practising Company Secretary  
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Partner

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**Demerger:** ‘demerger’ in relation to companies means transfer, pursuant to scheme of arrangement by a ‘demerged company’ of its one or more undertakings to any ‘resulting company(ies)’ in such a manner as provided in section 2(19AA) of the Income Tax Act, 1961, subject to fulfilling the conditions stipulated in section 2(19AA) of the Income Tax Act and shares have been allotted by the ‘resulting company’ to the share holders of the ‘demerged company’ against the transfer of assets and liabilities.

*Section 2(19AA) of the Income-tax Act defines demerger as under:*

‘*demerger*’ in relation to companies means the transfer, pursuant to a scheme of arrangement under the Companies Act, 2013 by a demerged company of its one or more undertakings to the resulting company in such a manner that,

- All the property of the undertaking, being transferred by the demerged company, immediately before the demerger, becomes the property of the resulting company by virtue of demerger;
- All the liabilities relating to the undertaking, being transferred by the demerged company, immediately before the demerger, become the liabilities of the resulting company by virtue of the demerger;
- The property and the liabilities of the undertaking or undertakings, being transferred by the demerged company are transferred at values appearing in its books of account immediately before the demerger;
- The resulting company issues, in consideration of the demerger, its shares to the shareholders of the demerged company on a proportionate basis (except where the resulting company itself is a shareholder of the demerged company);



- The shareholders holding not less than three-fourth in value of shares in the demerged company (other than shares already held therein immediately before the demerger, or by a nominee for, the resulting company or, its subsidiary) become shareholders of the resulting company or companies by virtue of the demerger; otherwise than as a result of the acquisition of the property or assets of the demerged or any undertaking thereof by the resulting company;
- The transfer of the undertaking is on a going concern basis.

In *Avaya Global Connect v. ACIT*, ITA No.832/Mum/07, the Income Tax Appellate Tribunal held that, merely because a transfer is carried out in accordance with a scheme for a demerger under the Companies Act sanctioned by NCLT, the transfer will not be characterized as a demerger for the purposes of taxation. The safer course, it appears, would be to ensure that the requirements for a demerger under tax laws are complied with in the first place.

#### **Need & Purpose**

- Requirement of principal representation
- Focussed approach for geographical business development
- Synergistic Operations.
- Reduction in Administrative, Legal, and Professional Expenses.
- No Financial constrains for expansion.
- Accelerate Company's market power and reducing the severity of competition.

#### **Jurisdiction of NCLT for processing Demerger**

The jurisdiction for petition of amalgamation or reconstruction or demerger will falls under NCLT of the State in which the Registered Office of the Company is situated.

**Appointed Date:** Date on which assets and liabilities of the transferor company (demerged company) vest in and stand transferred to the transferee company (resulting Company):

- Accounts on the appointed date form the basis for valuation of shares and determination of share exchange ratio
- Appointed date relevant for the purpose of assessment of income of the transferor and transferee companies

**Effective Date:** Date on which scheme is approved & effective, i.e. certified copy of NCLT order is filed with Registrar of Company or the last of the approvals obtained.

**Scheme of Demerger:** The articles should authorise the Board to effect such an arrangement or else the Articles of Association has to be altered by a special resolution. A scheme is prepared in consultation with all the interested parties and in principle approval of the board of directors is obtained at the meeting after issuing notice to all the directors as per section 173 of the Companies Act, 2013.

**In general, the following steps are adopted in a demerger process:**

**Step-1:** Preparation of scheme of demerger and obtaining Valuation Certificate from registered valuer for finalising the consideration

**Step-2:** Application to NCLT for direction to hold meeting of the members/creditor

**Step-3:** Obtaining NCLT order for holding meetings of members/creditors

**Step-4:** Notice of the meetings of members/creditors

**Step-5:** Holding meeting(s) of members/creditors

**Step-6:** Reporting the result of the meeting by the chairman to the NCLT

**Step-7:** Petition to the NCLT bench for sanctioning the scheme of demerger

**Step-8:** Obtaining approvals from Jurisdictional Regional Director and Registrar of Companies (ROC)

**Step-9:** Obtain order of the NCLT sanctioning the scheme of demerger

**Step-10:** File NCLT order on petition sanctioning the scheme of demerger with the ROC.

#### Activity Chart for Demerger

S.NO	PARTICULARS	FORM	TENTATIVE TIMELINES
<b>Before Filing Applications with the NCLT</b>			
1	Circulate the following documents for review / confirmation.		The following activities shall be carried out before filing the Application for demerger with NCLT. The timelines for these activities can be reduced by swift action from the Company and the Consultants.
a]	Draft Scheme of Arrangement for Demerger of Demerged Undertaking		
b]	Draft / Review Board Resolutions - Demerged Company - Resulting Companies/New Companies		
c]	Draft / Review format of Creditors and Shareholders consent, - Demerged Company - New Co./Resulting Companies		
2	Hold discussions to finalise the drafts of the above documents		
3	Obtain a certificate from the statutory auditor on the accounting treatment mentioned in the scheme		

4	Obtain a valuation report / fairness opinion on swap ratio / other reports [if any] from a Registered Valuer / Statutory auditor		
5	Circulate the final Scheme and other documents		
6	Convene a Board Meeting for approving: - the scheme - providing authorisations to respective company personnel and - to appoint lawyers etc to represent the respective company in the NCLT, liaison with RD & ROC, etc.		
7	Obtain a certificate from a Chartered Accountant for the following: - List of secured creditors - List of unsecured creditors - Accounting treatment mentioned in the Scheme		
8	Obtain consent of shareholders / secured creditors / unsecured creditors [ as may be applicable] in prescribed format for dispensing with the requirement of conducting meeting of the shareholders / secured creditors / unsecured creditors.		
NCLT Process - Application Stage			
9	Make an application to the NCLT along with the annexures for obtaining an order of dispensation of Shareholders and Creditors Meeting	NCLT 1 along with NCLT 2 and NCLT 6, a copy of the Scheme including disclosures as per 230 [2] of the CA,2013 and prescribed fees	X
10	First hearing before NCLT in relation to the application		X+25
11	NCLT to issue directions for conducting / dispensing Shareholders and Creditors meeting		X+25

	If the Shareholders and Creditors meeting is not dispensed:		
11a	Notice of the Shareholders and Creditors meeting along with a copy of the Scheme and a statement disclosing the details of the Scheme to be sent atleast one month before the date of meeting	CAA - 2	X+30
11b	Notice of the Shareholders and Creditors meeting to be advertised in atleast one English newspaper and one vernacular newspaper having wide circulation in the State in which the registered office of the Company is situated.	CAA - 2	X+30
11c	Notice of the Shareholders and Creditors meeting shall be sent to Regional Director and Registrar of Companies, Income Tax authorities and other regulatory authorities, as applicable, along with a copy of the scheme [and explanatory statements / disclosures, if applicable].	CAA - 3	X+32
11d	Conduct the shareholders / creditors meeting [if applicable] as per the directions of the NCLT.		X+62
11e	Chairperson to submit to NCLT a report on the results of the meetings within three days	CAA - 4	X + 65
	Company Petition Stage		
12	Company to file a Petition with NCLT for sanction of the Scheme within seven days from submission of report of meetings by Chairperson	CAA - 5	X + 70
13	Notice of NCLT hearing to be advertised [atleast 10 days before of the hearing] in the same newspaper in which the notice of the Shareholders / Creditors meeting was advertised.		X + 90
14	Obtain the approvals from the Regional Director and ROC. RD and ROC to forward their reports to NCLT		X + 110



15	NCLT to hold the final hearing and issue the Final Order sanctioning the Scheme	CAA - 6	X + 120
Post Receipt of Order from NCLT			
16	Payment of stamp duty on the Order of NCLT, if applicable		X + 125
17	File the NCLT Order with Registrar of Companies within 30 days from its receipt	INC - 28	X + 130
18	Convene a Board Meeting to take demerger on record and for allotment of shares as consideration for demerger		X + 132
19	Filing Return of allotment of shares with ROC	Form PAS - 3	X + 139

#### Activities from Board Meeting for Approval of Demerger Scheme to NCLT

- Board Approval for the Scheme
- Consent from shareholders and creditors of all three companies to the Scheme for seeking waiver of shareholders meeting
- Filing of application under Section 230 & 232 of the Companies Act, 2013 with NCLT (along with summons, affidavit in support of summons and draft minutes of order)
- Hearing of company's application
- Hearing of Resulting Companies application
- Receiving authenticated copy of order for holding/ dispensing with the Meeting of Shareholders/ Secured and unsecured Creditors
- Obtaining certified copy of order of NCLT to convene Meeting
- Commencement of Printing of Notice for NCLT convened meetings
- Completion of dispatch of notices for meeting
- Advertisement of notice of meetings
- Filing of advertisement of notices with NCLT
- Filing of Affidavit signed by Chairman of the meeting or other person directed by the NCLT verifying that the directions regarding the issue of notices and the advertisements have been duly complied with
- Meeting of Creditors and Members
- Reporting the decision of the poll to NCLT
- Obtaining No Dues certificate from the Income Tax department
- Filing of petition with the NCLT along with relevant documents
- Admission of the petition
- Minutes of order by judge fixing the date of hearing of petition and advertisement of notice of hearing
- Advertising the notice of hearing in news paper

- Obtaining certified copy of order on admission of petition
- Submission of Reports by Regional Director, MCA
- Initial date of hearing of petition
- Adjoined hearing, if any
- Filing of amended petition, if any
- Final date of hearing of petition
- Obtaining certified copy of order on petition
- Payment of Stamp duty, if required
- Filing of certified order with RD / ROC along with INC-28

**Documents to be Filed along with Company Application with the NCLT:**

Application is to be filed with the NCLT bench where the Registered Office is situated for directions to convene a meeting for considering the draft Scheme of Demerger or for dispensing with the meeting.

**The following documents are necessary at this stage:**

- Affidavit
- Memorandum and Articles of Association of the company.
- Latest Audited Balance Sheet.
- List of Shareholders (if meetings are to be dispensed with).
- List of Secured Creditors.
- Certificate from Statutory auditors verifying the list of secured and unsecured creditors
- Scheme of Demerger.
- If the company does not have any secured creditor, a certificate to that effect from the statutory auditor must be obtained.
- Valuation Report regarding share exchange ratio.
- Extract of the Board Resolution approving the draft Scheme of Demerger.
- Draft notice of meeting, Explanatory Statement pursuant to Section 393 of the Companies Act, form of proxy (In case meetings are convened)
- Certificate from Statutory auditor confirming the accounting treatment mentioned in the Scheme.

**NCLT Procedure Time Frame:**

- Submission of application along with affidavit in terms of NCLT Rules, 2016:
- Notice and the explanatory statement
- Obtain summon for direction in terms of NCLT Rules, 2016
- Settlement of notice convening shareholders meeting
- Dispatch of notice to the shareholders
- Publication of notice convening shareholders meeting
- Filing of affidavit of service regarding dispatch of individual notice with NCLT.
- Appointment of scrutinizers at the meeting

- Requisite resolution to be passed at shareholders meeting
- Publication of result of the poll
- Filing of report along with affidavit
- Filing of petition for confirmation of the scheme with NCLT.
- Servicing of notice of hearing of petition on central government.
- Filing of Affidavit with NCLT regarding service of notice of hearing of petition on CG
- Filing of MGT-14 with ROC.
- Publication of Notice of hearing of petition
- Filing of affidavit with NCLT regarding servicing of notice to Central Government and publication.
- Hearing of petition, in case of objections, if any
- Obtaining no objection of Central Govt, if any required
- Obtaining sanction of the respective NCLT to the scheme.
- Obtaining certified copies of NCLT order approving Demerger scheme.
- NCLT Order Copies to be filed with Registrar of Companies.
- Filing of stamped NCLT order with RoC within 30 days from the date of receipt of order in Form INC-28
- Upon approval of the above form, Allotment of shares to be made to the shareholders of Transferor Company.
- Filing return of Allotment in Form PAS-3 with RoC within 30 days of allotment.

#### **Taxation Aspects of Demerger:**

The Income-tax Act, 1961 provides the tax reliefs to the demerged company, the shareholders of the demerged company, who are issued and allotted shares in the resulting company in the exchange for the shares held by them in the demerged company and the resulting company which emerges as a result of a demerger.

#### **Statutory Authorities involved:**

1. **GST (Indirect Tax):** Transfer of business on a 'going concern' basis – Not liable to Goods and Services Tax (based on judicial precedents under Sales Tax)
2. **NCLT/ Regional Director, Registrar of Companies and Official Liquidator:** Merger/ Demerger shall be undertaken as per the provisions of section 230 to 232 of the CA 2013. Further the Scheme of Arrangement shall be approved by shareholders, creditors and NCLT
3. **SEBI:** Listed companies to comply with SEBI / Stock Exchange requirements
4. Listed entity would need to take prior approval of the stock exchanges in respect of any scheme before filing the same with NCLT
5. **Stamp Authority for Payment Stamp Duty:** State specific levy, rates on the consideration for merger/ demerger vary from state to state
6. **Competitions Act:** Threshold limits of value of asset and turnover to be examined and Competition Commission of India to be notified and approval to be obtained, where ever required
7. **Reserve Bank of India:** In case of Foreign Direct Investment, External Commercial Borrowings or Joint venture/ wholly owned subsidiary outside India involved in the company under Demerger process

### Tax Benefits to Demerged Company

Capital Gain Tax not attracted: As per section 47 (vi) (b) of the Income Tax Act, the transfer of any capital asset by the demerged company to the resulting company will not be regarded as transfer for the purpose of capital gain.

Tax Benefits to the Shareholders Of The Demerged Company:

1. **Dividend:** Section 2(22) has been amended by inserting a new clause (v) to provide that no dividend income shall arise in the hands of shareholders of demerged company on demerger.

There are no implications of a presumed dividend on the issue of shares by the new organisation, according to clause (v) of Section 2(22) of the Income Tax Act, 1961. When shares are distributed to the shareholders of the demerged organisation as a result of a demerger (whether or not there is a capital decrease in the presumed organisation), they are not included in the definition of the dividend.

2. **Capital Gains:** As per section 47 (vi) (d), any transfer or issue of shares by the resulting company to the shareholders of the demerged company, in scheme of demerger, the transaction will not be considered a transfer for the purpose of capital gains tax.
3. **Section 72A (4) of the Income Tax Act of 1961** gives a demerger the benefit of set-off and carry-forward of unabsorbed loss and depreciation. If a demerger opts for a company reorganisation, this provision will benefit them. It should be underlined that such a demerger should have been pursued solely for legitimate economic reasons.

### Tax Benefits to Resulting Company:

1. Amortisation of expenditure in case of amalgamation or demerger (Sec. 35DD): Expenses by an Indian company incurred after 1-4-1999 for amalgamation or demerger of an undertaking, shall be amortized @ 20% each year starting from the year in which amalgamation or demerger takes place.
2. Depreciation shall be apportioned between the demerged company and the resulting company in the ratio of number of days for which the assets were used by them.
3. The accumulated losses and unabsorbed depreciation in a demerger shall be allowed to be carried forward by the resulting company
4. Benefits available for demerger are also extended to authorities or boards set up by Central or State Government.

### Valuation of Shares

In Bank of Baroda V. Mahindra UGINE Steel Co. Ltd it was held that valuation of shares of the companies involved in the scheme of amalgamation / demerger is a very crucial and complex issue. However, the subject of valuation itself is a debatable issue and open to easy criticism. Though the Court will not sit in judgment on the commercial aspects of the exchange ratio, the Court not only will but must look into the valuation if there is opposition and if not satisfied about the same it would be justified in refusing the sanction.






### Valuation by Registered Valuers

As per Provisions of Section 247 of the Companies Act, 2013 read with the Companies (Registered Valuers and Valuation) Rules, 2017 The valuer who has qualified valuation examination and registered with any of the Registered Valuers organisation will be eligible for conducting the valuation of any property, stocks, shares, debentures, securities or goodwill or any other assets or networth of a Company or its liabilities under the provisions of the Act or the above rules in accordance with:

- a. Internationally accepted valuation standards
- b. Valuation standards adopted by any Registered valuers organisation

### Valuation Report:

The valuation report provided by the Registered valuer for valuing shares / assets will determine the share exchange ratio.



**Continuous effort – not  
strength or intelligence –  
is the key to unlocking  
our potential.**

WINSTON CHURCHILL

# Data Protection Laws in India - Emerging Challenges & Opportunities for CS

## Introduction:

In an era dominated by digital advancements, the protection of personal data has become a critical concern globally. India, too, has recognized the significance of safeguarding individuals' privacy and has taken significant strides in formulating and implementing Digital Personal Data Protection Act ('DPDP'), 2023. This article explores the landscape of DPDP Act, the key principles underpinning them, and the challenges faced in their effective enforcement and role can be played by Company Secretaries.

## Evolution of Data Protection Laws in India:

India's journey in data protection regulation began with the Information Technology Act, 2000, which included provisions related to data protection. However, recognizing the need for a more comprehensive framework aligned with global standards, the government enacted DPDP Act, which is the country's first comprehensive data protection law. The DPDP Act covers the collection, processing, storage, and transfer of personal data by both government and private entities. It also provides individuals with certain rights over their personal data, such as the right to access, correct, and erase their data. The law is expected to come into force in 2024.

## Key Principles of Data Protection Laws in India:

1. **Consent and Purpose Limitation:** One of the foundational principles of India's data protection laws is obtaining explicit and informed consent from individuals before collecting and processing their data. The principle of purpose limitation ensures that data is used only for the specific purposes for which it was collected. One of the initiatives recently taken by that Telecom Regulatory Authority of India has introduced a new set of guidelines for telecom operators mandating them to obtain explicit consent from users before sending them promotional or spam messages, effectively putting an end to unsolicited promotional communications.
2. **Data Minimization and Storage Limitation:** Organizations are required to collect only the data that is necessary for the intended purpose and retain it for the minimum necessary duration. This principle aims to reduce the risk of unauthorized access and misuse of personal information. It is very common practice in India to take copies of individual identities (like driving license, PAN or Aadhar card) of the visitors which is a big challenge to manage. Also, a Practicing Company Secretary shall keep in mind

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CS in practice ('PCS')

can assume various advisory roles to corporates in the areas of data collection, processing and storage. Can act as an independent data auditor to carry out data audit, who shall evaluate the compliance of the Significant Data Fiduciary ('SDF') in accordance with the provisions of DPDP Act.”

CS Srinivasa Rao Anasingaraju  
Corporate Legal Strategy and Advisory – JURIS  
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the data and documents collected and its storage related to his or her client while discharging their responsibilities under various corporate laws

3. **Accountability and Transparency:** Data controllers are mandated to be accountable for the processing of personal data. Transparency requirements necessitate organizations to disclose their data processing practices, including the purposes, methods, and safeguards in place.
4. **Data Subject Rights:** The laws grant individuals certain rights, such as the right to access, correct, and erase their personal data. This empowers individuals to have control over their information and enhances their privacy.

#### **Challenges Faced in Implementing Data Protection Laws:**

1. **1.Enforcement Mechanisms:** One of the primary challenges in the effective implementation of data protection laws in India is the establishment of robust enforcement mechanisms. The regulatory authority, the Data Protection Authority, faces the challenge of ensuring compliance across diverse sectors and dealing with the ever-evolving nature of technology.
2. **2.Technological Advancements and New Risks:** The rapid pace of technological advancements introduces new risks and challenges in safeguarding personal data. Emerging technologies such as artificial intelligence and the Internet of Things bring complexities that demand constant adaptation of regulatory frameworks.
3. **3.Public Awareness and Education:** Creating awareness among the public about the importance of data protection and their rights remains a challenge. In the wake of recent fraud of “Online Tasks” activities where huge amounts of money lost by the people necessitating education of individuals about the risks associated with sharing personal information online and promoting a culture of responsible data use is crucial for the success of data protection laws.
4. **4.Finding the Right Balance:** Striking a balance between protecting individuals' privacy and fostering innovation poses a challenge, requiring nuanced and adaptable regulatory frameworks.

#### **Opportunities for Company Secretaries:**

1. **CS in Employment:** Section 10 (2) (a) of the Act defines “Data Protection Officer” (‘DPO’) is an individual appointed by the Significant Data Fiduciary. Companies which are involved in processing Personal Data in any manner would now have to develop a strong frame work/ SOP and have to train their personnel to comply with the provisions of the Act.

The DPDP Act does not specify any specific qualifications or experience requirements for DPOs. However, the following are some of the qualities that a DPO should have:

- Knowledge of the DPDP Act and other relevant laws and regulations.
- Understanding of data protection and information security best practices.
- Ability to assess and mitigate data protection risks.
- Ability to develop and implement data protection policies and procedures.
- Ability to communicate effectively with stakeholders, including data principals, data fiduciaries, and regulators.

This gives an opportunity to a professional like Company Secretaries to assume the position of DPO and initiate various measures which will give some rich exposure to the corporate governance framework they are already leading in an organization.

## 2. CS in Practice:

On the other hand, CS in practice ('PCS') can assume various advisory roles to corporates in the areas of data collection, processing and storage. Can act as an independent data auditor to carry out data audit, who shall evaluate the compliance of the Significant Data Fiduciary ('SDF') in accordance with the provisions of DPDP Act.

In addition to the general requirements listed above, independent data auditors of SDFs must also meet the following requirements:

- They must be a resident of India.
- They must be registered with the Data Protection Board. \*
- They must have a minimum of five years of experience in the field of data protection and information security. \*

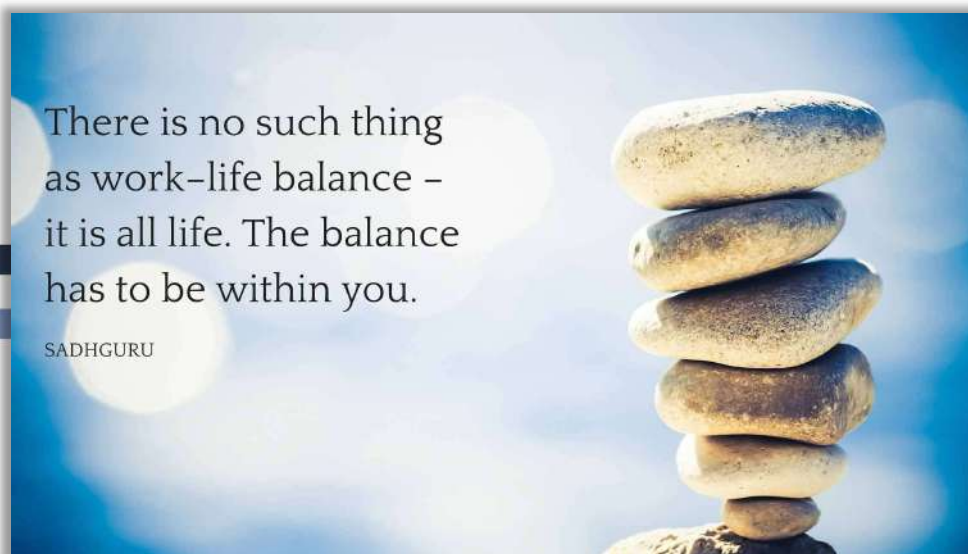
A PCS can undertake periodic Data Protection Impact Assessment, which shall be a process comprising a description of the rights of Data Principals and the purpose of processing of their personal data, assessment and management of the risk to the rights of the Data Principals, and such other matters regarding such process as may be prescribed under DPDP Act.

\* Rules are yet to be notified

### Conclusion:

India's strides toward comprehensive data protection laws are commendable, reflecting a commitment to safeguarding the privacy of its citizens. However, the journey is not without challenges. Balancing the needs of businesses, ensuring global competitiveness, and fostering innovation while upholding individual privacy rights are delicate tasks that demand continuous efforts and dialogues between stakeholders. As India moves towards the full implementation of the DPDP Act, addressing these challenges will be pivotal in creating a robust and effective data protection regime.

For any views or suggestions, the author can be reached at [Srini@JurisDominus.com](mailto:Srini@JurisDominus.com).





# Banking & Securities Laws – Paraphernalia for Economic Stability

Banking and securities laws are crucial for our economic stability and growth. In the complex world of global finance, these laws act as the orchestrators, guaranteeing equilibrium, equity, and safety for both financial institutions and the individuals who rely on them with their valuable resources. These regulatory frameworks govern the conduct and operation of financial institutions and the securities market. These laws are essential in maintaining the stability and integrity of the financial system, protecting the interests of investors and depositors, and ensuring fair and transparent market practices.

## Contribution of Banking Laws

Let us begin by delving into the area of banking law. In their role as guardians of our financial security, banks function within a carefully designed framework to guarantee their transparency and safeguard the funds of depositors. The following are the key features of Banking Laws:

1. **Prudential Regulations:** The prudential regulation ensures the safety and soundness of financial institutions. It includes measures such as capital requirements, risk management standards, and regulatory oversight to prevent and mitigate financial crises. The goal of prudential regulation is to protect the stability of the financial system and safeguard the interests of consumers and investors.
2. **Capital Adequacy:** It is essential for banks to maintain a strong financial position, enabling them to withstand economic challenges without jeopardizing the depositors' interests. Banking laws mitigate the potential fallout from imprudent financial decisions by mandating effective risk management practices.
3. **Lending Practices:** These are another crucial area regulated by banking laws. These laws aim to prevent predatory lending and ensure that banks lend responsibly. By setting standards for loan origination, documentation, and disclosure, these laws protect borrowers from unfair practices.
4. **Technology and Innovation:** With the rise of digital banking, Indian banking laws are evolving to accommodate technological advancements. Regulations are in place to ensure the security and integrity of digital transactions while promoting innovation and financial technology (fintech) solutions.
5. **Resolution of Banking Crises:** In dealing with distressed assets and resolving banking crises, the Insolvency and Bankruptcy Code (IBC) plays a significant role. It provides a

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## Company

secretaries are essential for maintaining compliance and promoting good governance in organizations, especially in the banking and securities markets. Company secretaries play a crucial role in ensuring legal and regulatory compliance.”

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legal framework for the timely resolution of insolvency and bankruptcy proceedings, contributing to the overall health of the banking sector.

6. **Customer Protection:** Banking laws ensure fair and ethical treatment of customers, prevent exploitation and guarantee the safety of financial services. The privacy measures adopted by banks protect the sanctity of customer information and prevent unwarranted intrusions into an individual's private financial life.
7. **Regulatory Oversight:** The Banking Regulators closely monitor banks to ensure compliance with rules and regulations and intervene when necessary to maintain the stability of the financial system. Strict standards are established for obtaining and maintaining a banking license and act as a gatekeeper, allowing only institutions with the capacity and commitment to serve the public. The Reserve Bank of India, as the central banking institution, plays a central role in formulating and implementing banking regulations. It oversees the banking sector, issues licenses, and monitors compliance to maintain the stability of the financial system.
8. **Anti-Money Laundering (AML) and Know Your Customer (KYC):** Indian banking laws incorporate measures to prevent money laundering, terrorist financing, and other Illicit Activities. Banks are required to adhere to strict KYC norms, ensuring that they can identify and verify the identity of their customers to prevent illegal financial activities.
9. **Foreign Exchange Management:** Indian banking laws include provisions related to foreign exchange management, governing transactions involving foreign currencies. These regulations help manage the country's external trade and maintain a balance in the foreign exchange market.

### Contribution of Securities Laws

Next, we will turn our attention to the area of securities law, which regulates the markets where investments are traded and governs the issuance, transfer, and trading of securities in financial markets. The following are the key features of Banking Laws:

1. **Regulation of Securities Markets:** The Securities and Exchange Board of India (SEBI) is the regulatory authority overseeing the securities market in India. Securities laws empower SEBI to regulate and supervise various entities in the market, including stock exchanges, brokers, and other intermediaries, to ensure fair and transparent trading practices.
2. **Disclosures and transparency:** These are required by securities laws, which mandate companies to disclose all important information. This allows investors to make well-informed decisions and ensures fair competition. To maintain the integrity of financial markets, securities laws prohibit insider trading and ensure that all participants operate on a fair and equitable basis. Strict enforcement of these regulations indicates that market manipulation will not be accepted.
3. **Investor Protection:** Investor protection is essential to safeguard the interests of those who invest in various financial markets. These regulations prevent insider trading, ensuring that individuals with privileged information do not exploit it for personal gain, thus protecting the interests of ordinary investors. In the event of disputes, these laws offer ways to resolve them, guaranteeing that investors have a means of seeking redress in the event of misconduct. It is important to establish measures and regulations that ensure transparency, fairness, and integrity in the investment process, as well as to provide recourse in the event of any fraudulent activities or misconduct. Protecting investors ultimately contributes to the stability and trustworthiness of the financial system, which benefits the overall economy.
4. **Intermediary Regulations:** Securities laws require financial professionals to recommend investments that are suitable for the investor's needs and risk tolerance, with a priority on the client's well-being. Securities laws also regulate the conduct of securities professionals, such as brokers, investment advisors, and securities exchanges. These laws prohibit practices that distort market

prices or provide unfair advantages to certain market participants, safeguarding the fairness and efficiency of the securities markets.

5. **Corporate Governance: Listing Requirements:** Securities laws lay down criteria for companies to be listed on stock exchanges, which often include standards for corporate governance. This promotes transparency, accountability, and ethical business practices among listed companies.
6. **Market Integrity:** Securities laws prohibit activities aimed at manipulating the securities market, such as spreading false information or engaging in fraudulent practices. These regulations maintain the integrity and efficiency of the market.
7. **Foreign Portfolio Investment (FPI):** Securities laws in India also govern the participation of foreign investors in the Indian securities market. Regulations related to Foreign Portfolio Investment (FPI) are designed to attract foreign capital while maintaining market stability.
8. **Market Surveillance and Enforcement:** SEBI has the authority to investigate and take enforcement actions against violations of securities laws. This includes imposing fines, penalties, and other disciplinary measures to deter market misconduct and ensure compliance.
9. **Economic Indicators:** The performance of the securities market is often considered a barometer of the overall economic health. Bullish markets may signal economic optimism, while bearish markets may reflect concerns about economic conditions.

#### **The Role of Company Secretaries:**

Company secretaries are essential for maintaining compliance and promoting good governance in organizations, especially in the banking and securities markets. Company secretaries play a crucial role in ensuring legal and regulatory compliance. These are the important roles they fulfill:

#### **1) Compliance Management:**

1. **Monitoring Regulatory Changes:** Company secretaries monitor regulatory changes in banking laws, securities laws, and regulations to ensure the organization complies with all applicable legal requirements.
2. **IPOs and Offerings:** Corporate secretaries play an important role in the process of initial public offerings (IPOs) and other securities offerings, ensuring compliance with the law.
3. **Ensuring Compliance with Insider Trading Regulations** The implementation of policies is facilitated by company secretaries, who play a role in developing and enforcing measures to prevent insider trading within the organization.
4. **Advisory Services:** Providing guidance to the board and senior management on compliance matters, assisting them in comprehending and navigating the intricate regulatory environment.

#### **2) Disclosure and Transparency:**

1. **Timely Disclosure:** Company secretaries engage in timely disclosure of relevant information to regulatory authorities and the public. This includes financial statements, earnings reports, and other related information.
2. **Maintaining Transparency:** Their goal is to ensure that the organization upholds transparency in its interactions with stakeholders, especially regarding securities transactions.

### 3) Board Support:

1. **Meeting Preparation:** Company secretaries help prepare for board and committee meetings by making sure that all legal matters related to banking and securities laws are properly addressed.
2. **Documentation:** The documentation role involves maintaining precise records of board meetings and ensuring that all decisions adhere to legal requirements.

### 4) Risk management:

1. **Legal Risk Assessment:** Company secretaries play a key role in identifying potential legal risks related to banking activities and collaborate with management to create strategies for minimizing these risks.
2. **Documentation and Reporting:** They make sure to properly document and report legal risks to the relevant stakeholders.

### 5) Regulatory Issues:

1. **Interactions with Statutory Authorities and Regulators:** They may liaise with regulatory authorities viz RBI, SEBI, MCA, IRDA, and other Statutory and Regulatory Authorities as may be required on matters related to banking and securities law compliance.
2. **Ensuring Timely Filings:** Company secretaries must ensure that all required regulatory filings are completed accurately and in a timely manner.
3. **Coordinating with Regulatory Authorities:** They may liaise with regulatory authorities on behalf of the organization, handling inquiries and supplying necessary information.

### 6) Ethical Practices:

1. **Encouraging Ethical Conduct:** The role of company secretaries is to promote ethical practices within the organization and ensure that activities are aligned with legal and ethical standards.
2. **Code of Ethics:** Company secretaries play a role in developing and enforcing a code of ethics for employees and directors, ensuring that ethical standards required by banking and securities laws are followed.
3. **Code of Conduct:** They assist in creating and implementing a code of conduct for employees and directors that aligns with banking laws and regulations.

### 7) Training and Awareness:

1. **Employee Training:** Company secretaries can organize training programs to educate employees about pertinent banking laws, securities laws, and regulatory requirements.
2. **Raising Awareness:** They aim to inform all staff members about their legal responsibilities and the significance of compliance.

### 8) Stakeholder Relations:

1. They facilitate communication between the company and its shareholders, ensuring that their rights are respected in accordance with banking and securities laws
2. Apart from shareholders, they facilitate and coordinate with other stakeholders connected with Banking and Securities laws for effective implementation of such laws, attaining the objectives and ensuring the needs of such stakeholders

### 9) Corporate Governance:

1. **Incorporating Best Practices:** The principles and practices of corporate governance are essential for ethical and effective management within organizations. Company secretaries play a key role in implementing and advocating for strong corporate governance practices within the bank.

2. **Communication:** They enable communication among the board, management, and shareholders, promoting transparency and accountability.
3. **Governance Practices:** Company secretaries play a role in developing and implementing corporate governance practices that are in accordance with securities laws.

### Conclusion:

In summary, banking and securities laws serve as more than just legal frameworks; they act as protectors of financial fairness. In a world where trust is the driving force behind economic transactions, these laws act as guardians, safeguarding the interests of people, stabilizing financial institutions, and creating an environment where commerce can thrive with assurance. Without these laws, the financial system would be vulnerable to misconduct, fraud, and instability, posing significant risks to the economy and the public.

As Bharat continues to adapt to the changing world of global finance, it's important to acknowledge the role of laws in maintaining a financial system that benefits individuals and businesses, helps drive prosperity, and protects their goals and ambitions.

“Thus, the banking & securities laws are the paraphernalia for economic stability and growth, undoubtedly the company secretaries are the key pivotal in attainment of such objective.”

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The purpose of life is not to be happy. It is to be useful, to be honorable, to be compassionate, to have it make some difference that you have lived and lived well.

—  
RALPH WALDO EMERSON



# Mutual Fund Basics & Taxation of Mutual Funds!

## Part III

*Continued.....*

### Investor's Point of View

1. **Capital Gains Tax:** When an investor sells mutual fund units and realizes a capital gain (the difference between the selling price and the purchase price), they are subject to capital gains tax. Capital gains can be classified as short-term or long-term, depending on the holding period. The tax rate for each type of gain varies based on the asset and the holding period.
2. **Dividend Income:** Dividends received from equity-oriented mutual funds are tax-free in the hands of the investor up to a certain limit, as per the rules applicable in the investor's country. However, dividend distribution tax (DDT) may be deducted by the mutual fund before distributing dividends.
3. **Tax on Debt Mutual Funds:** Gains from debt mutual funds are subject to taxation based on the holding period. Short-term capital gains are typically taxed at the investor's marginal income tax rate, while long-term capital gains may be subject to a lower tax rate with indexation benefits.
4. **Tax on Redemption:** If an investor redeems mutual fund units, they might be subject to applicable taxes based on the capital gains realized from the redemption .
5. **Tax-Saving Funds (ELSS):** In some countries, equity-linked savings schemes (ELSS) offer tax benefits under specific sections of the tax code. Investments in ELSS funds may provide deductions or exemptions from taxable income up to certain limits.
6. **Tax on Dividend Reinvestment:** Even if an investor chooses to reinvest dividends received from a mutual fund, they might still be liable to pay taxes on the dividends.

### Mutual Fund's Point of View

1. **Capital Gains Distribution:** Mutual funds may realize capital gains from the sale of securities within their portfolio. These gains are distributed to investors and are subject to taxation in the hands of the investors.
2. **Dividend Distribution Tax (DDT):** Some countries impose DDT on mutual funds when distributing dividends to investors. This tax is deducted by the mutual fund before distributing dividends to investors.
3. **Capital Losses:** Mutual funds may offset capital gains with capital losses realized from the sale of securities in their portfolio. This can help reduce the tax liability for the fund and its investors.

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Ultimately, the choice of funding option depends on the investee company's stage of development, growth objectives, risk appetite, and strategic considerations. Each option comes with its unique trade-offs, and companies often need to evaluate the benefits and drawbacks in light of their specific circumstances and long-term goals.

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4. **Tax-Efficient Strategies:** Some mutual funds employ tax-efficient strategies, such as minimizing portfolio turnover, to reduce the impact of taxes on returns.

It's important for both investors and mutual funds to consider the tax implications of investment decisions. Tax efficiency can significantly impact the after-tax returns for investors, and mutual funds may take tax considerations into account when managing their portfolios. However, tax laws and regulations vary from country to country, and it's advisable for investors to consult with tax professionals or financial advisors to understand the specific tax implications of investing in mutual funds in their jurisdiction.

#### How does MF Differ from Equity?

Mutual funds (MFs) and equity are distinct investment concepts, but they are related in the sense that mutual funds can include equity investments as part of their portfolio. Let's explore the key differences between mutual funds and equity:

#### Mutual Funds

1. **Investment Vehicle:** A mutual fund is a pooled investment vehicle where funds from multiple investors are collected and invested in a diversified portfolio of assets, which can include stocks, bonds, money market instruments, and other securities.
2. **Diversification:** One of the primary benefits of mutual funds is diversification. Mutual funds allow investors to access a diversified portfolio of investments even with a relatively small amount of money.
3. **Professional Management:** Mutual funds are managed by professional fund managers who make investment decisions on behalf of the investors. Fund managers aim to achieve the fund's investment objectives and maximize returns while managing risk.
4. **Variety of Funds:** Mutual funds come in various types, including equity funds (investing in stocks), bond funds (investing in bonds), money market funds (investing in short-term debt), hybrid funds (investing in a mix of asset classes), and more.
5. **Liquidity:** Mutual fund shares can usually be bought or sold on any business day, providing investors with liquidity.
6. **Ownership:** When you invest in a mutual fund, you own shares in the fund rather than directly owning the underlying securities.
7. **Risk and Return:** The risk and return profile of a mutual fund depends on its underlying investments. Different types of mutual funds have varying levels of risk and potential return.

#### Equity:

1. **Ownership in a Company:** Equity, also known as stocks or shares, represents ownership in a company. When you buy equity in a company, you become a shareholder and own a portion of the company's assets and future earnings.
2. **Dividends and Capital Gains:** Equity investors may receive dividends, which are a portion of the company's profits distributed to shareholders. Additionally, investors can realize capital gains by selling their equity holdings at a higher price than their purchase price.
3. **Risk and Return:** Investing in equity comes with a higher level of risk compared to some other asset classes. Companies can perform well or poorly, affecting the value of their stock. Higher risk can be accompanied by the potential for higher returns.
4. **Market Participation:** Investing in equity allows investors to participate directly in the stock market and potentially benefit from the overall growth of the economy.
5. **Individual Stocks:** When you buy individual stocks, you are directly purchasing shares of a specific company. This differs from mutual funds, where you invest in a diversified portfolio of assets managed by the fund manager.

In summary, mutual funds are investment vehicles that pool money from multiple investors to create diversified portfolios, which can include equity investments. Equity, on the other hand, refers to ownership in individual companies and carries specific risks and rewards. Mutual funds offer the advantage of diversification and professional management, while equity investments offer direct ownership in companies and the potential for higher returns but with higher risk.



#### **If MFs can Invest in Equity of Companies, are there any Limits?**

Yes, mutual funds can invest in equity (stocks) of companies, but there are limits and regulations that govern the extent to which mutual funds can invest in equities. These limits are designed to ensure diversification, manage risk, and protect the interests of investors. The specific limits may vary based on the regulatory framework of the country where the mutual fund is registered. Here are some common limits and regulations:

1. **Concentration Limits:** Regulatory authorities often impose concentration limits to prevent mutual funds from becoming overly concentrated in a small number of stocks. For example, a mutual fund may be prohibited from investing more than a certain percentage of its assets in a single company or industry.
2. **Sectoral Exposure:** Mutual funds may have restrictions on the maximum exposure to specific sectors or industries. This is to prevent excessive risk exposure to a particular sector that could lead to significant losses if that sector underperforms.
3. **Market Capitalization Limits:** Mutual funds may have limits on investing in companies of a certain market capitalization range. For instance, a fund may be restricted from investing in companies with a market capitalization below or above a specified threshold.
4. **Diversification Requirements:** Many regulatory bodies require mutual funds to maintain a certain level of diversification within their portfolios. This could involve holding a minimum number of different stocks or ensuring that no single stock constitutes too large a portion of the fund's assets.
5. **Investment Objectives:** The investment objectives of the mutual fund dictate the extent to which it can invest in equities. For example, an equity fund would typically have a higher allocation to stocks, while a balanced fund may have a mix of equities and other asset classes.
6. **Risk Management:** Fund managers also consider risk management when setting investment limits. They analyze the risk-reward profile of each investment and ensure that the overall portfolio is aligned with the fund's stated objectives and the risk tolerance of its investors.
7. **Regulatory Approval:** In some cases, mutual funds may need regulatory approval before making significant investments in equities, especially if those investments deviate from the fund's usual investment strategy.
8. **Prospectus Disclosure:** Mutual funds are required to disclose their investment strategies, including any limitations or restrictions on investing in equities, in their prospectus. This provides transparency to investors about how the fund operates.

It's important for investors to review a mutual fund's prospectus and related documentation to understand its investment strategy, limitations, and the extent to which it can invest in equities. Additionally, investors should be aware that these limits and regulations can vary from one jurisdiction to another and may change over time based on regulatory updates.

## How do the SEBI ICDR Regulations, SAST Regulations Apply to Investments by MF in Companies?

The SEBI ICDR (Issue of Capital and Disclosure Requirements) regulations and SEBI SAST (Substantial Acquisition of Shares and Takeovers) regulations are specific regulations implemented by the Securities and Exchange Board of India (SEBI) that govern various aspects of fundraising, disclosures, and acquisitions in the Indian securities market. While these regulations primarily focus on issues related to initial public offerings (IPOs), rights issues, takeovers, and substantial acquisitions of shares, they can indirectly impact investments by mutual funds (MFs) in companies. Here's how these regulations may apply to investments by mutual funds in companies:

### SEBI ICDR Regulations:

The SEBI ICDR regulations primarily apply to companies that are planning to raise capital through IPOs, rights issues, and other public offerings. While mutual funds themselves are not directly affected by these regulations, their investments in companies can be influenced by the issuance of new securities and the regulatory requirements related to public offerings. Here are a few ways in which the SEBI ICDR regulations may indirectly impact mutual fund investments:

1. **IPO Investments:** When a company goes public through an IPO, mutual funds may consider investing in the newly issued shares. The regulations ensure that the IPO process is transparent, fair, and provides accurate information to investors, including mutual funds.
2. **Valuation and Pricing:** The SEBI ICDR regulations set guidelines for the valuation and pricing of shares offered in public offerings. Mutual funds investing in IPOs need to assess the valuations of the companies they invest in to make informed decisions.
3. **Due Diligence:** Mutual funds typically conduct due diligence before investing in companies. The SEBI ICDR regulations mandate that companies provide comprehensive disclosures about their financials, operations, risks, and other material information. Mutual funds rely on these disclosures when evaluating investment opportunities.

### SEBI SAST Regulations:

The SEBI SAST regulations are aimed at ensuring transparency and fairness in substantial acquisitions of shares and takeovers of companies. These regulations are designed to protect the interests of minority shareholders and ensure that control of companies changes hands in a transparent manner. While mutual funds themselves are not involved in takeovers, they can be impacted in the following ways:

1. **Portfolio Impacts:** If a company in which a mutual fund has invested becomes subject to a substantial acquisition or takeover, it can impact the performance and outlook of the company, which in turn affects the value of the mutual fund's investment.
2. **Disclosure and Reporting:** Mutual funds may need to disclose to regulators and investors if their holdings in a company exceed certain thresholds, triggering obligations under the SEBI SAST regulations.
3. **Risk Assessment:** Mutual funds may need to assess the potential impact of takeovers or changes in control on the companies in which they have invested. Such assessments can influence investment decisions.

In summary, while the SEBI ICDR and SAST regulations primarily focus on the issuance of securities and takeovers, respectively, they indirectly impact mutual fund investments by providing a regulatory framework that promotes transparency, disclosure, and

fairness in the securities market. Mutual funds consider these regulations when evaluating investment opportunities and assessing the potential impact of corporate actions on their portfolios.

What are the various comparative benefits/drawbacks of MF, Private Equity, Venture Capital, Funds through public/rights issue from investee company point of view?

Each investment option—Mutual Funds, Private Equity (PE), Venture Capital (VC), and funds raised through Public/Rights Issues—offers distinct benefits and drawbacks from the perspective of the investee company. These options differ in terms of funding sources, investor expectations, control, liquidity, and more. Here's a comparative overview:

### **Mutual Funds:**

#### **Benefits:**

- **Diversified Pool of Investors:** Mutual funds attract a large number of individual investors, providing access to a diversified base of funding.
- **Liquidity:** Mutual fund investors can buy and sell units on a daily basis, offering liquidity for the company's shares held by the fund.
- **Professional Management:** Funds managed by professionals can bring expertise to the investment and potentially enhance credibility.

#### **Drawbacks:**

- **Lack of Control:** The investee company may have limited influence over the decisions of mutual fund managers.
- **Short-Term Focus:** Mutual fund investors may have shorter investment horizons, which could lead to increased market volatility.

### **Private Equity (PE):**

#### **Benefits:**

- **Long-Term Capital:** PE firms typically invest for the long term, providing stability and patient capital to the investee company.
- **Strategic Guidance:** PE investors often offer strategic input, operational expertise, and access to networks that can contribute to the company's growth.
- **Flexibility:** PE investments can be structured to meet the specific needs of the company, including growth, expansion, or restructuring.

#### **Drawbacks:**

- **Equity Dilution:** Selling equity to PE investors leads to ownership dilution for existing shareholders.
- **Exit Expectations:** PE investors usually seek exit opportunities within a defined timeframe, potentially pressuring the company to achieve specific milestones.

### **Venture Capital (VC):**

#### **Benefits:**

- **Early-Stage Funding:** VCs provide capital to startups and early-stage companies, supporting innovation and growth.



- **Expertise:** VCs often offer mentorship, industry knowledge, and business connections that can accelerate a company's development.
- **Risk Sharing:** VCs understand the high-risk nature of startups and are willing to take on early-stage risk.

**Drawbacks:**

- **Equity Stake:** Similar to PE, VC investments result in ownership dilution.
- **Exit Pressure:** VCs typically seek an exit strategy within a few years, which could impact the company's strategic decisions.

**Public/Rights Issue:**

**Benefits:**

- **Wider Access to Capital:** Public or rights issues allow the company to raise capital from a large pool of retail and institutional investors.
- **Visibility and Liquidity:** Listing on stock exchanges provides visibility, liquidity for existing shareholders, and potential stock price appreciation.

**Drawbacks:**

- **Stringent Regulations:** Publicly listed companies face increased regulatory compliance and reporting requirements.
- **Market Volatility:** Stock prices can be influenced by market sentiment and economic conditions, leading to volatility.

Ultimately, the choice of funding option depends on the investee company's stage of development, growth objectives, risk appetite, and strategic considerations. Each option comes with its unique trade-offs, and companies often need to evaluate the benefits and drawbacks in light of their specific circumstances and long-term goals.

Dash board of total investments in the last one year in private companies through MF, PE/VC, IPO? FPO

To obtain the most up-to-date information on total investments in private companies through mutual funds (MF), private equity (PE)/venture capital (VC), initial public offerings (IPOs), and follow-on public offerings (FPOs), you would need to consult financial news sources, industry reports, regulatory filings, and market data platforms. These sources typically provide detailed information on investment trends, fundraising activities, and capital flows across different sectors and investment vehicles.

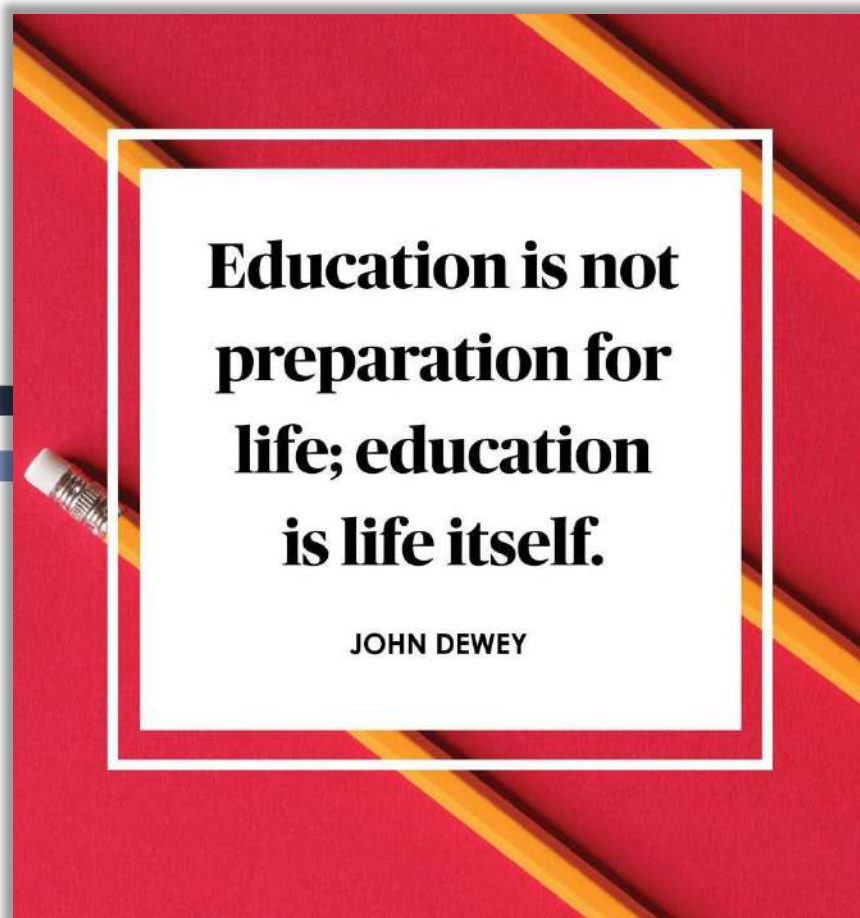
For accurate and current data, consider reaching out to financial analysts, investment research firms, or financial institutions that specialize in tracking and analyzing investment activities. They may be able to provide you with customized dashboards or reports based on your specific requirements.

In conclusion, investing in different asset classes, such as mutual funds, private equity, venture capital, and public offerings, offers distinct benefits and drawbacks for both investors and investee companies:

- **Mutual Funds:** Mutual funds provide diversification, professional management, and liquidity for investors. They can be a source of stable long-term funding for companies. However, companies may have limited control over mutual fund investments and may face short-term volatility due to fund flows.
- **Private Equity (PE):** PE investments offer patient capital, strategic guidance, and operational expertise to companies. However, companies may experience ownership dilution and face pressure to achieve specific milestones within a defined exit timeframe.

- **Venture Capital (VC):** VC investments are beneficial for startups and early-stage companies, providing funding, mentorship, and industry knowledge. Yet, startups may face equity dilution and time constraints for achieving growth and exits.
- **Public/Rights Offerings:** Public offerings provide access to a wide pool of capital and visibility for companies. However, they come with regulatory compliance and market volatility considerations.

Each investment option should be evaluated based on the company's growth stage, objectives, risk appetite, and long-term strategy. The choice of funding can significantly impact a company's development and success, and it's essential to carefully consider the benefits and drawbacks of each option.





# Help Yourself

*Food for Thought*

## The One Thing

*by Gary Keller*

*Disclaimer:* This article does not endorse any book and is not sponsored by any author or publication. Content shared here is for knowledge and learning purposes only.

"To do two things at once is to do neither." -Publilius Syrus

When was the last time you multitasked? How many tasks can you usually do at once? How many things can a human brain focus on at a time? Read on to find the answer.

This book we discuss today by Gary Keller is named so to highlight the magnitude of difference that is caused by focusing and performing "The One Thing" instead of multiple things at once. The author stresses on the simple truth that extraordinary results come not from doing a lot of things but doing the one most important thing well such that everything else gets in place.

My initial thoughts about the book were that it sounded too good to be true. With multiple responsibilities and various kinds of tasks on hand, how can just doing one thing be of that great help? The author through the book busts the myth that doing a lot doesn't guarantee success and that one can get a lot done by doing less.

The author has built the biggest real estate agency in the world and so the techniques in the book aren't merely theoretical. In each chapter he goes on to explain that the highly successful have a common pattern behind their success which is concentrating on their one thing. The author goes on to give instances of various achievers and how the most important stuff always boils down to one thing. Reading a book and knowing authors' perspectives can significantly widen that of ours and elevate our view of the world thereby enhancing our approach towards life. It did not take very long for the book to get interesting. One by one my thoughts towards the book changed for good.

The book lists down six myths that stop us from concentrating on the one thing. One among these is multitasking. We all know how obsessed the world seems to be with multitasking. Walking and talking employ different parts of the brain, one in the foreground and one in the background. There is not much channel conflict in the brain in activities like listening to an audiobook while doing chores. But drafting a letter alongside working on a spreadsheet whilst speaking to a coworker takes longer time than each of the tasks individually would and has high chances of being inefficient. This is because we can do two or more things at once, but we cannot do all of them efficiently. Multitaskers think they are getting a lot done but they are only underperforming. The complexity and divergence of each task when done at once turns against us.

Employees who can multitask are preferred to those who cannot. Therefore, it is not surprising to see people who cannot multitask feeling inadequate of themselves. The book breaks down the understanding we have about the whole concept of multitasking, proves how it turns out to be ineffective and remarkably convinces the importance of working on one thing instead of having scattered focus. Therefore, what we are really doing while multitasking is simultaneous work. But we do not realise that a lot of time is lost in shifting the focus from one task to another and therefore the inefficiency and delay in completion. Research has shown that at workplaces, one third of a day is spent recovering from distractions and getting back the focus on tasks. To surmount all of this, there's no guarantee that we come back to where we left a task before switching between tasks.

One very thoughtful question in this regard is, 'Would we be okay if a pilot multitasks, say, learning a new language on his phone in the cockpit?' Should we do our work any less ardently as a pilot in whose mercy is the life of his numerous passengers?

The book extensively explains why it is best to channelise our focus like a spotlight and gives plenty of inspiring examples.

The word 'multitasking' was first used for computers and over the years somehow it became a norm for people. Even computers do not really multitask. They just process a huge pile of tasks by alternately sharing the central processing unit. The speed feeds the illusion that everything is being done simultaneously. It is to be well noted that even computers can process only one piece of code at a time.

Even our Motherland has taught this simple truth for years. In his Gurukula, when testing his disciples' archery skills, Guru Drona asked, "What do you see, Arjuna?" and Arjuna instantly replied, "Nothing except the target- the eye of the wooden bird, Guru Deva." Thus, in Drona's hundred-and-five disciples, only Arjuna's arrow was able to hit the target.

Busting the myth about the necessity of multitasking is just a tip of the iceberg. As always, giving only a glimpse of the book is the purpose of this column, hoping to get you so interested in the book that you would just want to grab a copy and read.

If you are here for the first time, this column intends to impart byte sized knowledge from self-help books, biographies, autobiographies, and other related genres, relevant specifically to corporate professionals and aspiring professionals. Not every learning that a book enshrines can be fit in here, so writing a summary or a book review is not the aim of this column. The intent is

to give you a touch of acquaintance to a book, in every issue of this e-magazine, hoping that it will make you want to grab it and read for yourself. So, help yourself with food for thought.

Now I am off to find my One Thing. Have you found yours?

*Columnist:*

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We all love to hear a good story.  
We save our stories in books. We  
save our books in libraries.  
Libraries are the storyhouses full  
of all those stories and secrets.

Kathy Bates





# Regulatory Updates

## Companies Act, 2013

### Updates on Notifications

MCA has amended Companies (Incorporation) Rules, 2014, which shall be known as Companies (Incorporation) Third Amendment Rules, 2023. They shall come into force with effect from 21<sup>st</sup> October 2023.

In sub-rule (9) of rule 30 of Companies (Incorporation) Rules, 2014:

- (i) the words “and may include such order as to costs as it thinks proper” shall be omitted.
- (ii) after the proviso, the following proviso shall be inserted, namely: -

“Provided further that where the management of the company has been taken over by new management under a resolution plan approved under section 31 of the Insolvency Bankruptcy Code, 2016 (31 of 2016) and no appeal against the resolution plan is pending in any Court or Tribunal and no inquiry, inspection, investigation is pending or initiated after the approval of the said resolution plan, the shifting of the registered office may be allowed.”

G.S.R. 790(E)

MCA has amended Limited Liability Partnership Rules, 2009, which shall be known as Limited Liability Partnership (Third Amendment) Rules, 2023.

In the principal rules, after rule 22, the following rules shall be inserted:

“22A. Register of Partners. -

(1) Every limited liability partnership shall, from the date of its incorporation, maintain a register of its partners in Form 4A which shall be kept at the registered office of the limited liability partnership:

Provided that in the case of limited liability partnership existing on the date of commencement of the Limited Liability Partnership (Third Amendment) Rules, 2023, shall maintain the register of partners in Form 4A within thirty days from such commencement.

The list of details which has to be covered in the Register of partners has been provided in detail in the notification.

#### **22B. Declaration in respect of beneficial interest in any contribution**

(1) A person whose name is entered in the register of partners of a Limited Liability Partnership but does not hold any beneficial interest fully or partly in contribution (hereinafter referred to as “the registered partner”), such person shall file with the Limited Liability Partnership, a declaration to that effect in Form 4B within a period of thirty days from the date on which his name is entered in the register of partners specifying the name and other particulars of the person who actually holds any beneficial interest in such contributions:

Provided that where any change occurs in the beneficial interest in such contribution, the registered partner shall, within a period of thirty days from the date of such change, make a declaration of such change to the limited liability partnership in Form 4B.

(2) Every person who holds or acquires a beneficial interest in contribution of a Limited Liability Partnership but his name is not registered in the register of partners (hereinafter referred to as “the beneficial partner”) shall file with Limited Liability Partnership, a declaration disclosing such interest in Form 4C within a period of thirty days after acquiring such beneficial interest in the contribution of the Limited Liability Partnership specifying the nature of his interest, particulars of the partner in whose name the contribution stand registered in the books of the limited liability partnership:

Every Limited Liability Partnership shall specify a designated a partner who shall be responsible for furnishing of and extending co-operation for providing, information with respect to beneficial interest in contribution in Limited Liability Partnership to the Registrar or any other officer authorised by the Central Government and shall file information of such designated partner with the Registrar in Form 4.

MCA has introduced new LLP Form No. 4, Form- 4A, Form 4-B, Form-4C, LLP Form No. 4D.

Notification in available at:

<https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=Mzc2OTA4ODA4&docCategory=Notifications&type=open>

**G.S.R. 803(E)**

MCA has amended Companies (Management and Administration) Rules, 2014 which shall be known as Companies (Management and Administration) Second Amendment Rules, 2023.

After sub-rule (3) of rule 9 of Companies (Management and Administration) Rules, 2014, the following subrules shall be inserted:

“(4) Every company shall designate a person who shall be responsible for furnishing, and extending co-operation for providing, information to the Registrar or any other authorised officer with respect to beneficial interest in shares of the company.

(5) For the purpose of sub-rule (4), the company may designate- (i) a company secretary, if there is a requirement of appointment of such company secretary under the Act and the rules made thereunder; or (ii) key managerial personnel, other than the company secretary; or (iii) every director if there is no company secretary or key managerial personnel.

(6) Until a person is designated as referred under sub-rule (4), the following persons shall be deemed to have been designated person.

(i) company secretary, if there is a requirement of appointment of such company secretary under the Act and the rules made thereunder; or

(ii) every Managing Director or Manager, in case a company secretary has not been appointed; or

(iii) every director, if there is no company secretary or a Managing Director or Manager.

Every company shall inform the details of the designated person in Annual return.

If the company changes the designated person at any time, it shall intimate the same to the Registrar in e-form GNL-2 specified under the Companies (Registration Offices and Fees) Rules, 2014.

G.S.R. 801(E)

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## THE INSTITUTE OF Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE  
Statutory body under an Act of Parliament  
(Under the jurisdiction of Ministry of Corporate Affairs)

### Mysuru Chapter

#### Call for Articles for publication in the e-Magazine

#### “Governance Culture as a Transformative Driver of Sustainable Development Goals (SDGs 2030)”

Dear Professional Colleague,

The e-Magazine of Mysuru Chapter is set to hit yet another milestone, yes in the same year India hoisted G20 summit i.e. **India@G20** our e-Magazine is completing twenty years of continuous publication, to commemorate our **e-Magazine@20** we are inviting articles on the theme “**Governance Culture as a Transformative Driver of SDGs 2030**” to publish in the December 2023 edition of our e-Magazine.

**Background:** Post successful conclusion of G20 Summit, ‘G20 New Delhi Leaders’ Declaration’ is released on the outcomes and commitments of the summit. The primary focus of world leaders is to accelerate progress on Sustainable Development Goals (SDGs) and Mainstreaming Lifestyles for Sustainable Development (LiFE). The Leaders’ Declaration recognizes ‘Culture’ as one of the major transforming drivers in order to achieve the SDGs 2030. Company Secretaries are Governance Professionals and catalysts of setting in good Governance Culture among Corporates; hence the need arises to study how Company Secretaries can play a vital role in transforming Governance Culture among corporates in order to achieve SDGs 2030.

The sub-themes under the same are as follows:

- ❖ Transforming CSR Compliance to CSR Governance
- ❖ Voluntary adoption of CSR Impact Assessment and BRSR - Nuances
- ❖ Inculcation of SDGs among Startups and MSMEs – setting trends
- ❖ ESG: Creating Value and Sustainability for Future – Role of CS
- ❖ Women-led development in the backdrop of SDGs 2030
- ❖ Independent Corporate Boards, Board Training and Readiness for SDGs 2030

Members who wish to contribute article for publication in the e-Magazine are requested to send the same through email at [newsletter.icsimysore@gmail.com](mailto:newsletter.icsimysore@gmail.com) on or before **22<sup>nd</sup> November 2023**.

We look forward to your contribution!!

With best regards,

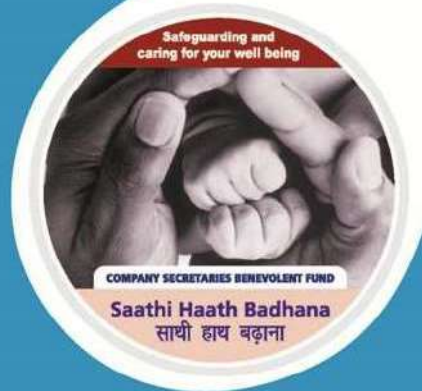
The Editorial Team.





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Company Secretaries of India**  
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IN PURSUIT OF PROFESSIONAL EXCELLENCE  
Statutory body under an Act of Parliament  
(Under the jurisdiction of Ministry of Corporate Affairs)

**CSBF**  
COMPANY SECRETARIES  
BENEVOLENT FUND



## What exactly is CSBF?

The Company Secretaries Benevolent Fund (CSBF) is a Society registered under the Societies Registration Act, 1860 and is recognized under Section 12A of the Income Tax Act, 1961.

The CSBF was established in the year 1976 by the ICSI, for creating a security umbrella for the Company Secretaries and/or their dependent family members in distress.

The amount of ₹ 7,50,000 (in the case of death of a member under the age of 60 years) has been increased to ₹ 10,00,000

The subscription amount is being increased from ₹ 10,000 to ₹ 12,500 soon

### Is it the right time to enrol in CSBF?

CSBF is the protection you and your family need to survive the many ups and downs in life, be it a serious illness or a road accident which derails your plans for the future.

### Is it a requirement?

Yes, as your dependents need the protection. Your dependents be it your parents, your spouse, or your children will have to bear the brunt of paying off your home/education personal loans and even for managing day-to-day expenses without your contribution.

If you do not want to leave behind such a situation in your absence, enrol in CSBF today.

## Advantages of enrolling into CSBF

- 1 To ensure that your immediate family has some financial support in the event of your unfortunate demise
- 2 To finance your children's education and other needs
- 3 To ensure that you have extra resource during serious illness or accident
- 4 Subscription/Contribution to CSBF qualifies for deduction under Section 80G of the Income Tax Act, 1961

Become a proud Member of CSBF by making a one-time online subscription of ₹ 10,000/- (to be changed soon) through Institute's web portal ([www.icsi.edu](http://www.icsi.edu)) along with Form 'A' available at link <https://www.icsi.edu/csbf/home> duly filled and signed.

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