

## SEBI

### ➤ **DISCLOSURE OF REASONS FOR ENCUMBRANCE BY PROMOTERS OF LISTED COMPANIES** (Notification Dated: 07.08.2019)

- The promoter of every listed company shall disclose detailed reason for encumbrance in Format specified in Annexure II of this circular in addition to existing disclosure under Regulation 31(1) and 31(2) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 within 2 Working Days to Stock Exchange and Company if encumbrance by promoter with PACs equals to or exceeds:
  - 50% of existing shareholding in Company.
  - 20% of total share capital of Company.
- If the existing combined encumbrance by the promoter along with PACs with him is either 50% or more of their shareholding in the company or 20% or more of the total share capital of the company as on September 30, 2019, he shall specifically make first disclosure on detailed reasons for encumbrance in the format provided at Annexure - II, by October 04, 2019.
- Disclosure in Annexure II shall be uploaded on Company website within 2 Working Days of receipt of disclosure.

*For more details please refer link: <https://bit.ly/2YSfcG2>*

## IBBI

### ➤ **FILING OF FORMS FOR THE PURPOSE OF MONITORING CORPORATE INSOLVENCY RESOLUTION PROCESSES AND PERFORMANCE OF INSOLVENCY PROFESSIONALS UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016 AND THE REGULATIONS MADE THEREUNDER.** (Notification Dated: 14.08.2019)

- Insolvency and Bankruptcy Board of India (IBBI) vide circular dated August 14, 2019 developed, in consultation with the Insolvency Professional Agencies (IPAs), an electronic platform for filing of the Forms. The said platform is hosted on the website of the IBBI at <https://www.ibbi.gov.in>. It is open for filings from September 16, 2019. An Insolvency Professionals (IP) shall access the said platform with the help of a unique username and password provided by the IBBI and upload / submit the Forms, along with relevant information and records, after affixing DSC.
- IPAs shall submit quarterly summary report in respect of action against the member who fails to file a Forms and non-compliances with the Code within 15 days of the close of quarter.

*For more details please refer link: <https://bit.ly/2TFItjp>*

## MCA

### ➤ **REPORT OF THE HIGH LEVEL COMMITTEE ON CSR – 2018** (Notification Dated: 14.08.2019)

High level committee on CSR constituted under the chairmanship of Injeti Srinivas to recommend framework and formulate a roadmap for future implementation. Summary of Recommendations are as follows :

- Applicability of CSR provisions extended to Limited Liability Partnership (LLP).
- CSR provisions applicable to newly incorporated company only after they have been in existence for 3 years.
- Companies having CSR amount less than Rs. 50 Lakhs be exempt from forming CSR Committee.
- Unspent CSR amount of particular year shall be transfer to separate designated account created for that purpose. Such unspent amount and interest earned on it shall be spent within 3 to 5 years if failing to spent shall be transferred to fund specified by Central Government.
- Creation of capital asset through CSR spending shall be considered as asset and ownership of such asset shall rest with public.
- CSR activities shall be undertaken by balancing local area preference with national priorities. Central Government fund also prescribed to transfer unspent amount after expiry of 3-5 years.
- CSR may be bought within the purview of financial audit.
- Mere disbursal of fund to implementing agencies (IAs) not considered as CSR spending.
- All activities listed under Schedule VII to enjoy uniform tax benefit.
- Applicability of Business Responsibility Report (BRR) be extended to top 1000 Companies.
- National Foundation for Corporate Social Responsibility (NFCSR) shall undertake advocacy for individual social responsibility.
- Guidelines shall also be applicable to PSUs.
- Annual CSR survey may be prepared by MCA.

*For more details please refer below link:*

*[http://www.mca.gov.in/Ministry/pdf/CSRHLC\\_13092019.pdf](http://www.mca.gov.in/Ministry/pdf/CSRHLC_13092019.pdf)*

## MCA

### ➤ **REPORT OF THE COMPETITION LAW REVIEW COMMITTEE – 2018** (Notification Dated: 14.08.2019)

- High level committee on Competition Law constituted under the chairmanship of Injeti Srinivas to review and recommend a robust competition regime.

*For more details please refer below link:*

[http://www.mca.gov.in/Ministry/pdf/ReportCLRC\\_14082019.pdf](http://www.mca.gov.in/Ministry/pdf/ReportCLRC_14082019.pdf)

### ➤ **COMMENCEMENT NOTIFICATION ON ADDITIONAL AMENDMENTS OF COMPANIES (AMENDMENT) ACT 2019** (Dated: 14.08.2019)

- Central Government by notification notified the amendments which has come into force from August 15, 2019 following are the sections in which amendment notified :

Sections	Particulars
26	Matters to be Stated in Prospectus
29	Public Offer of Securities to be in Dematerialised Form
35	Civil Liability for Mis-statements in Prospectus
90	Register of significant beneficial owners in a company
132	Constitution of National Financial Reporting Authority
212	Investigation into Affairs of Company by Serious Fraud Investigation Office
241	Application to Tribunal for Relief in Cases of Oppression, etc
242	Powers of Tribunal
243	Consequence of Termination or Modification of Certain Agreements
272	Petition for winding up
398	Provisions Relating to Filing of Applications, Documents, Inspection, etc., in Electronic Form

*For more details please refer below link:*

[http://www.mca.gov.in/Ministry/pdf/CommencemntNotification\\_14082019.pdf](http://www.mca.gov.in/Ministry/pdf/CommencemntNotification_14082019.pdf)

### ➤ **COMPANIES (SHARE CAPITAL AND DEBENTURES) AMENDMENT RULES, 2019** (Notification Dated: 16.08.2019)

- MCA vide notification dated August 16, 2019 amended Companies (Share Capital and Debentures) Rules 2014 by notifying the Companies (Share Capital and Debentures) Amendment Rules, 2019 below a gist of the said Rules:-

- Rule 4 (1) (c) : Voting power in respect of shares with differential rights of the company shall not exceed 74% of total voting power.

**(earlier : shall not exceed 26% of post issue paid up equity share capital)**

- Rule 4 (1) (d) has been omitted.

**(Earlier : Company must have consistent track record of distributable profit for last 3 years)**

- Rule 12 (1) : In case of startup company, employee belonging to promoter group or director (holding more than 10% of equity shares himself and through its relatives) shall eligible to Employee stock option upto 10 years of incorporation

**(Earlier : Employee belonging to promoter group or director (holding more than 10% of equity shares himself and through its relatives) shall eligible to Employee stock option upto 5 years of incorporation)**

- Rule 18 (7) : Change in criteria for creation of Debenture Redemption Reserve for the purpose of redemption of debentures.

*For more details please refer below link:*

[http://www.mca.gov.in/Ministry/pdf/ShareCapitalRules\\_16082019.pdf](http://www.mca.gov.in/Ministry/pdf/ShareCapitalRules_16082019.pdf)

### ➤ **Simplification of process of Incorporation of Section 8 Companies**

- Henceforth, Section 8 Companies can be incorporated by either reserving names through Run and filing SPICe thereafter or by directly filing SPICe. Licence No. for a section 8 company shall henceforth be allotted at the time of incorporation itself.

## Our Recent Issues

➤ **ONE PAGER - IDENTIFICATION OF REASON BEHIND ENCUMBRANCES OF SHARES BY PROMOTERS** (Dated: 09.08.2019)

- In order to bring more transparency regarding reasons for encumbrance by promoters along with persons acting in concert with him (PACs), SEBI has prescribed additional disclosure vide Circular No. SEBI / HO / CFD/ DCR1 /CIR /P/ 2019 / 90 dated August 7, 2019. This Circular shall come into effect from October 1, 2019.
- It is mandatory to give the additional disclosure under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 in case the encumbrances exceed the limits specified in the one pager.

*For more details please refer below link:*

<https://bit.ly/2KPZWAn>

➤ **TAX CONNECT - SUCCESSION OF PARTNERSHIP FIRM BY 'EXISTING' COMPANY ALSO A TAX NEUTRAL TRANSFER, CONVERSION OF FIRM TO A NEW COMPANY IS NOT MANDATORY** (Dated: 13.08.2019)

- In a recent case of Neptune Industries Limited, the Ahmedabad ITAT held that the acquisition of all assets and liabilities of a partnership firm by an existing company will also be tax neutral under section 47(xiii) of the Income-tax Act, 1961; conversion of firm to a new company is not mandatory.

*For more details please refer below ink:*

<https://bit.ly/2P1ozQ3>

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**Corporate Office:**

Mumbai  
406-408, Keshava Premises,  
Bandra Kurla Complex,  
Bandra East, Mumbai - 400 051

108, Madhwa Premises,  
Bandra Kurla Complex,  
Bandra East, Mumbai - 400 051

**Website:**

[www.pantomathgroup.com](http://www.pantomathgroup.com)

706-710, Balrama Premises,  
Bandra Kurla Complex,  
Bandra East, Mumbai - 400 051

**Landline:**

(022) 61946 700 / 702

**E-mail:**

[info@pantomathgroup.com](mailto:info@pantomathgroup.com)

**Associate Offices:**

Chandigarh • Delhi • Jodhpur • Nagpur

**Regional Offices:**

**Ahmedabad:**

A-606, 6th Floor, Shapath Hexa, Nr Gujarat  
High Court, Opp Kargil Petrol Pump, Sola,  
Ahmedabad - 380060

**Pune:**

B Wing Office No.7 & 8, 1st Floor,  
Mittal Court, Rasta Peth, Pune – 411002

**Surat:**

225 Zenon, Khatodara wadi, Opp. Unique  
Hospital, Surat - 395 001