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CHARTERED ACCOUNTANTS

Communiqué

Corporate Law & Other Related Laws

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The Companies (Restriction on number of layers) Amendment Rules, 2025 (June 27, 2025)

The Ministry of Corporate Affairs (MCA) vide its notification G.S.R 427(E) dated June 27, 2025, has notified “the Companies (Restriction on number of layers) Amendment Rules, 2025” which shall come into force with effect from the 14th day of July 2025. According to the amendment Form CRL-1 (Return regarding number of layers) shall be substituted.

The Companies (Incorporation) Amendment Rules, 2025 (June 27, 2025)

The Ministry of Corporate Affairs (MCA) vide its notification G.S.R 426(E) dated June 27, 2025, has notified “the Companies (Incorporation) Amendment Rules, 2025” which shall come into force with effect from the 14th day of July, 2025. According to the amendment Form No. INC-22A (ACTIVE (Active Company Tagging Identities and Verification) shall be substituted.

The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025 (July 07, 2025)

The Ministry of Corporate Affairs (MCA) vide its notification G.S.R 452(E) dated July 07, 2025, has notified “the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2025” which shall come into force with effect from the 14th day of July, 2025. According to the amendment e-Form CSR-1 (Registration of Entities for undertaking CSR Activities) has been substituted.

Corporate Veil of a Company cannot be lifted in a Routine Manner, the same can be pierced if the Corporate Structure is Misused to Perpetrate Fraud or Shield the Wrongdoers

Brief Facts:

A cheque was issued by the company, however, the same returned unpaid due to insufficient funds. A criminal complaint was filed against the company under Section138 of the Negotiable Instrument Act. Commercial Court order for the lifting of corporate veil qua the directors of company. Petitioner field a petition before the High Court against the impugned order of Executing Court. Petitioner submitted that the suit was filed only against company and that the directors/petitioners were not a party to the suit and the learned Executing Court failed to test the parameters of lifting of corporate veil. He submitted that in order to lift corporate veil against the directors, such directors ought to be found in engaging in fraudulent activities. The short question before High Court is whether the learned Executing Court rightly lifted the corporate veil qua the Petitioners.

Judgement:

Hon'ble High Court inter alia observed that it is well settled that when a decree is passed against a company, it is the company alone that is liable to fulfill the terms of the decree and pay the decretal amount, if any. In such circumstances, the directors/the persons responsible for managing the affairs of the company, in their individual capacity, cannot ipso facto be made liable for the debts or liabilities of the company. However, the said principle is not absolute and is subject to certain reservations. For this reason, in cases where the corporate structure is misused to perpetrate fraud or to commit other illegal acts, the directors too can be made personally liable. Courts, in such scenarios, are empowered to pierce the corporate veil thereby disregarding the separate legal entity accorded to the company. High Court referred to the landmark case of Salomon v. A. Salomon and Co. Ltd.:(1987) AC 22 and Balwant Rai Saluja vs Air India Ltd:(2014) 9 SCC407,theHon'bleApex Court while delineating the circumstances that would justify the piercing of corporate veil observed as under: "74.Thus, on relying upon the aforesaid decisions, the doctrine of piercing the veil allows the court to disregard the separate legal personality of a company and impose liability upon the persons exercising real control over the said company. However, this principle has been and should be applied in a restrictive manner, that is, only in scenarios wherein it is evident that the company was a mere camouflage or sham deliberately created by the persons exercising control over the said company for the purpose of avoiding liability. The intent of piercing the veil must be such that would seek to remedy a wrong done by the persons controlling the company. The application would thus depend upon the peculiar facts and circumstances of each case." Court said that while it is not in doubt that a company has a separate legal entity, and that the corporate veil cannot be lifted in a routine manner, the same can be pierced

if the corporate structure is misused to perpetrate fraud or shield the wrongdoers from the consequences of their actions. In terms of the dictum of the Hon'ble Apex Court in Balwant Rai Saluja vs Air India Ltd (supra),the intent of piercing the veil must be such so as to remedy a wrong done by the persons in control of the company. In that regard, the deceitful conduct of the petitioners in first issuing the cheques and then shifting to UAE and not joining the proceedings, makes it imperative to pierce the corporate veil. In view of the aforesaid discussion, High Court finds no reason to interfere with the impugned order.

Public Notice by Investor Education and Protection Fund Authority on Mandatory Filing of Form IEPF-1A with Prescribed Excel Template – Final Compliance Date 30.08.2025

The Investor Education and Protection Fund Authority (IEPFA), Ministry of Corporate Affairs, Government of India, has issued a public notice reiterating the mandatory requirement for companies to file Form IEPF-1A along with the prescribed Excel template under Rule 5(4A) of the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016. The compliance is to be completed on or before 30th August 2025.

Rule 5(4A), inserted through Notification G.S.R. 571(E) dated 14 August 2019 and effective from 20 August 2019, mandates that companies which have transferred any amount referred to in clauses (a) to (d) of sub-section (2) of Section 205C of the Companies Act, 1956, or amounts under clauses (a) to (n) of sub-section (2) of Section 125 of the Companies Act, 2013, but have not filed the statement in the prescribed Excel format, must submit the details in Form IEPF-1A within the specified timeline.

Despite repeated instructions and sufficient time, more than 3,000 companies (including 1,758 listed and 1,103 unlisted entities) have yet to comply. The Authority holds over 31,000 SRNs of IEPF-1/IEPF-7 filings in non-compliant formats, creating challenges in identifying amounts payable to investors, resulting in short payments and increased complaints.

As part of the transition to MCA21 V3, the IEPFA will share the list of such SRNs and applicable Excel templates with companies' Nodal Officers through registered email. The measure aims to streamline claim processing and ensure prompt disbursal to investors. Non-compliance by the due date of 30 August 2025 will invite regulatory action under the Companies Act, 2013. All concerned companies and stakeholders are urged to ensure strict adherence to this directive.

Adjudication Order under Section 159 of the Companies Act, 2013

The Ministry of Corporate Affairs, through Gazette Notification No. 4-420/11/12/2014-Ad dated 24.03.2015, appointed the undersigned as Adjudicating Officer under Section 454 of the Companies Act, 2013, read with the Companies (Adjudication of Penalties) Rules, 2014, to adjudge penalties under the Act. A suo moto application was received from Mr. Vamsi Anirudh Krishna Dhaduvai (DIN: 01442458), Director in M/s. Sneha Cold Storage Private Limited and M/s. Foster Cold Storage Private Limited, regarding the violation of Section 155 of the Act.

Mr. Dhaduvai, who had been allotted his first DIN on 13.06.2007, inadvertently obtained a second DIN (10016672) on 23.08.2022 and was appointed as Director in M/s. Cold Links LLP. Upon realizing the contravention, he voluntarily applied for surrender of the second DIN through Form DIR-5 on 25.06.2024. This resulted in a default spanning 672 days, violating Section 155, which prohibits possession of more than one DIN, and attracting penalties under Section 159 of the Act.A hearing was held on 11.08.2024, where Mr. Arun Marepally, Practicing Company

Secretary, represented the applicant. Upon considering the facts, it was determined that the applicant is liable to a one-time penalty of ₹50,000 and a continuing default penalty of ₹500 per day for 672 days, totaling ₹3,86,000.

The director has been directed to pay the penalty within 90 days from the date of this order through the MCA portal and submit proof via Form INC-28. Any appeal may be filed before the Regional Director (Southeast Region), Hyderabad, within 60 days. .

Adjudication Order under Section 159 of the Companies Act, 2013

The Ministry of Corporate Affairs, through Gazette Notification No. 4-420/11/112/2014-Ad. II dated 24.03.2015, appointed the undersigned as Adjudicating Officer under Section 454 of the Companies Act, 2013 read with the Companies (Adjudication of Penalties) Rules, 2014 for adjudging violations under the Act.

A suo moto adjudication application was submitted by Mr. Laxman Kranti Allagadda Kumar (DIN: 00933931), Director in M/s. Baalamar Global Education Private Limited, on 29.06.2024, for violation of Section 155 of the Companies Act, 2013. He had originally obtained his first DIN on 10.11.2006. However, on 06.02.2024, he inadvertently applied for and was allotted a second DIN (10495519), which was not associated with any company. Upon realizing the contravention, he promptly filed Form DIR-5 (SRN AA9447711) for surrender of the second DIN on 25.07.2024. A hearing was conducted on 11.09.2024 in the office of the Registrar of Companies, Hyderabad, where the applicant was represented by Mr. Tanniru Sriram, Practicing Company Secretary. A plea for leniency in penalty was submitted during the proceedings.

In accordance with Section 155, no individual is allowed to obtain or possess more than one DIN. The contravention of this provision attracts penalties under Section 159, which prescribes a one-time penalty up to ₹50,000 and a continuing penalty of ₹500 per day. Considering the default period of 170 days (from 06.02.2024 to 25.07.2024), the Adjudicating Officer has imposed a penalty of ₹1,35,000 (₹50,000 one-time + ₹85,000 for continuing default).

Mr. Laxman Kranti Allagadda Kumar is directed to pay the penalty within 90 days from the date of receipt of the order and submit proof through Form INC-28. The payment must be made from his personal funds via the MCA portal under the "Miscellaneous" head. An appeal, if any, can be filed with the Regional Director (Southeast Region), Hyderabad, within 60 days. Failure to comply may attract further penal action under Section 454(8) of the Companies Act, 2013.

Adjudication Order on Non-Filing of Annual Returns and Financial Statements by Premraj Developers Private Limited under the Companies Act, 2013

The Registrar of Companies, Mumbai, in exercise of the powers conferred under Section 454 of the Companies Act, 2013 read with the Companies (Adjudication of Penalties) Rules, 2014, has passed an adjudication order against Premraj Developers Private Limited (CIN: U45200MH1987PTC043619) for failure to file statutory documents.

The company, incorporated in 1987 and having its registered office in Mumbai, was found to have defaulted in filing its annual returns and financial statements for the financial years 2019–20, 2020–21, and 2021–22 within the prescribed time under Sections 92(4) and 137(1) of the Companies Act, 2013. These provisions mandate that companies must file their annual return within sixty days from the date of the Annual General Meeting and file financial statements within thirty days from such meeting.

Upon issuance of a notice, the company and its officers in default submitted their replies. After considering the facts, the Adjudicating Officer held that the company had committed the said defaults. In line with the statutory provisions and the Companies (Adjudication of Penalties) Rules, 2014, monetary penalties were imposed on both the company and its responsible officers. The order directs the company and its officers to pay the penalty amounts through the Ministry of Corporate Affairs portal and to furnish proof of payment within ninety days. It also provides for appeal under Section 454(5) of the Act to the Regional Director, Western Region, within sixty days of receipt of the order.

The adjudication reiterates the statutory obligation of companies to adhere to timely compliance of annual filing requirements and warns of strict action in case of continued non-compliance.

Section 252(1) shall apply only in cases where the name of the company is struck off by ROC and Section 252(3) would apply only where the name of the company is voluntarily got struck off by the company itself

Brief Facts : The above appeal is filed against an impugned order of NCLT whereby an appeal filed under Section 252(3) of the Companies Act, 2013 by the appellant herein praying for restoration of name of the company in the Register of Companies maintained by the Registrar of Companies. The crux of the impugned order is Section 248 of the Companies Act, 2013 gives two modes of striking off the name of the company from the Register of Companies viz (a) when the name of the company is struck off by the Registrar of the Companies, and (b) when the striking off is voluntary by the company itself. The impugned order states since the name of the company was struck off by the Registrar of Companies hence Section 252(1) of the Act shall apply and not Section 252(3) of the Act. Legal Provisions 252. Appeal to Tribunal (1) Any person aggrieved by an order of the Registrar, notifying a company as dissolved under section 248, may file an appeal to the Tribunal within a period of three years from the date of the order of the Registrar and if the Tribunal is of the opinion that the removal of the name of the company from the register of companies is not justified in view of

the absence of any of the grounds on which the order was passed by the Registrar, it may order restoration of the name of the company in the register of company. If a company, or any member or creditor or workman thereof feels aggrieved by the company having its name struck off from the register of companies, the Tribunal on an application made by the company, member, creditor or workman before the expiry of twenty years from the publication in the Official Gazette of the notice under sub-section (5) of section 248 may, if satisfied that the company was, at the time of its name being struck off, carrying on business or in operation or otherwise it is just that the name of the company be restored to the register of companies, order the name of the company to be restored to the register of companies, and the Tribunal may, by the order, give such other directions and make such provisions as deemed just for placing the company and all other persons in the same position as nearly as may be as if the name of the company had not been struck off from the register of companies.Order Hon'ble NCLAT inter alia observed that a bare perusal of Section 252 of the Act would show the following categories of persons can file an appeal under Section 252 of the Act, viz. (a) any person, (b) company itself, (c) any member, (d) a creditor, and (e) a workman. In case the appeal is filed by any person aggrieved by an order of Registrar of Companies notifying the company has been dissolved under Section 248 of the Act, such person can file an appeal within three years from the date of the order of the Registrar of Companies, but where an appeal is filed by the company itself or a member or a creditor or a workman, then in such case the limitation to file an appeal would be as given under Section 252(3) of the Companies Act, 2013. NCLAT has the considered view that no distinction is given under Section 252 of the Act as to if Section 252(1) shall apply only in cases where the name of the company is struck off by the Registrar of the Companies and Section 252(3) would apply only where the name of the company is voluntarily got struck off by the company itself. In fact, Section 252 (supra) only speaks of striking off the name under Section 248 without making any distinction whether 252(1) shall be applicable to Section 248(1) or Section 252(3) would be applicable to Section 248(2) of the Companies Act, 2013. Thus, in view of the legal position above, NCLAT has the considered opinion the view taken by the Ld. NCLT is not correct and since the appeal in the present case was filed by shareholder viz. a member, the limitation as is given under Section 252(3) of the Companies Act, 2013 shall apply. In the circumstances, NCLAT set aside the impugned order of Ld. NCLT and directed the Ld. NCLT to hear the appeal on merits.

Section 164 and 167 of the Companies Act, 2013 are reasonable restrictions to the fundamental right guaranteed under Article 19(1)(g) of the Constitution of India

Brief Facts: The petitioners claim to be the directors of M/s Vihaan Direct Selling (India) Private Limited (hereinafter referred to as "M/s Vihaan") who were appointed as directors in the year 2016. When the company attempted to file its annual returns and statutory filings for the year 2017-18 and 2018-19, a pop-up dialogue box on the official web portal of Respondent No.1-Ministry of Corporate Affairs displayed the message "the Directors disqualified under the provisions". On 07.06.2019, a petition was filed by the Registrar of Companies for the winding up of the company before the National Company Law Tribunal. It is from those documents that the petitioners came to know about their disqualification from all companies as directors. Petitioners submitted that even if there is a power for disqualification and exercising such power if any order is passed, the said order can only be enforced for a period of five years. In the present case, the order having been passed in the year 2018, the period of five years has expired in the year 2023, and as on today, there cannot be any embargo on the petitioners exercising their directorship in any company, including M/s Vihaan. The respondents opposed the plea and submitted that there have been serious allegations which have been made against M/s Vihaan and its directors, and necessary action has been taken. There are violations which have been alleged against the directors, in view of the dubious conduct of the company as also on account of various complaints which have been received alleging Ponzi scheme to have been conducted by the company, which has resulted in losses to several thousand depositors. It is in that background that action was taken against the directors who have violated the various applicable provisions of the Companies Act. Judgement: The Hon'ble Court considered the facts and circumstances and observed that in the present case, the disqualification which is alleged against the petitioners is under Subsection (2) of Section 164, on account of the directors having failed to repay the deposit accepted by the company or to pay interest thereon etc. In terms of proviso to Clause (a) of Subsection (1) of Section 167, it is categorically stated that where a director incurs a disqualification under Sub-section (2) of Section 164, the office of the director shall become vacant in all the companies other than the company which is in default under that Sub-section. Therefore the Court held that, a director can only be disqualified in the company in default and not in a company in which he is not in default, cannot be sustained. Further considering, Sub-section (2) of Section 164 does not provide for extension of the period of 5 years, the restriction can only be for a period of 5 years. The Court held that there is no power with the concerned authorities to extend a period of disqualification beyond a period of five years. The petition was dismissed.

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