Presentation at Thane Chapter of WIRC of ICSI.

Presentation on April 11, 2026.

Recent important judgments in Corporate Laws.

Gaurav N Pingle,
Company Secretary

Imp. aspect of reading judgments & it's application

- *For effective application of principle(s) laid down in a particular judgment, it is important to understand the facts of the case.*
- *As legal professionals we have to identify the similarities and differences of each case as we read. This is a very important activity of reading different judgments.*

Gaurav Pingle & Associates, Company Secretaries

Learning Outcome from this Presentation

- Application to similar provision in Company Law
- Understanding the objectives of provisions of Law
- Perspective of Court towards complex legal issues
- Developing skills to interpret statutes
- Good awareness during Secretarial Audit
- Desired *Diligence* is exercised in Due Diligence assignments

Please note ☺

Views are personal.

Views of the participants are welcome.

Some orders or judgments may be appealed.

SC interprets Ratification under SEBI Regulations and Companies Act

SEBI vs. Terrascope Ventures Limited.

Civil Appeal Nos. 5209-5211 of 2022, dated March 17, 2026.

Brief facts of the case:

- **In Sep. 2012:** Co. obtained shareholders approval for preferential issue of shares
- *Objectives of issue:* Capital expenditure including acquisition of Co. /business, Funding long-term working capital requirements, Marketing, Setting up of offices abroad and for other approved corporate purposes.
- Rs. 15.87 crores collected from 42 entities
- **In Oct. 2012:** However, money diverted to purchase shares of other Cos. and grant loans/advances.

…. Brief facts of the case:

- **Dec. 2014:** SEBI WTM passed an interim order
- **Aug. 2016:** SEBI WTM Order confirmed.
- **Sep. 2017:** Co. took shareholders approval i.e. Ratification u/s 27 of Cos. Act, 2013
- **April 2018:** SEBI AO initiates proceedings against Co. under SEBI PFUTP Regulations
- **April 2020:** SEBI AO passed an Order penalising Co. and Directors

SC – Ratification not valid – crystalised liability cannot be wiped off….

- *By a private resolution, a liability which is crystalized cannot be wiped off by contending that the shareholders have condoned the action. When rights of multiple stakeholders are involved and certain Regulations proscribe a particular course of action any breach of the Regulation has to face its consequences. They are not in the realm of private rights which can be waived off as ratified.*

SAT interprets mandatory disclosures under Reg. 30 of SEBI Listing Regulations. Discourages camouflaging of disclosures.

Tanzania Bottling Company S.A. v. SEBI

SAT Order dated January 9, 2026.

[2026] 182 taxmann.com 283 (SAT - Mumbai)

SAT – Camouflaging of Disclosures in Notes of Financial Results:

- Disclosures w.r.t. termination of Share Purchase Agreement (SPA) made through the Notes to Accounts of quarterly Financial Statements – Not an adequate disclosure under Reg. 30 of SEBI Listing Regulations.
- SAT – *A careful reading of disclosure shows that VBL has disclosed about SPA in a conspicuous manner whereas, resolution regarding unaudited financial results. Termination of SPA does not find place in the main minutes of the meeting. It is camouflaged in paragraph 9 of the notes appended to financial results that too in small prints. This is no disclosure at all.*

SAT – Importance of disclosures to investors & it’s impact on share price

- SAT – Share prices depend largely upon investors’ assessment of company’s prospects and such assessment depends upon information disclosed by the listed entities about company’s financials, proposed ventures, collaborations etc.
- SAT – TBC has made a complaint on SCORES which has not been considered in the right perspective.

SAT – SEBI to examine subject matter of mandatory disclosures

- SAT allowed the appeal;
- SAT directed SEBI to re-examine the 'subject matter' of mandatory disclosure under SEBI LODR Regulations;
- SEBI to pass appropriate orders within 4 weeks

Materiality Thresholds interpreted under Reg. 23(1) of SEBI Listing Regulations relating to RPTs

Linde India Ltd. vs. SEBI

[2025] 181 taxmann.com 321 (SAT-Mumbai)

Majority View – 2 Technical Members of SAT.

Relevant extract of Definition:

Reg. 2(1)(zc) of SEBI (LODR) Regulations:

Related Party Transaction means a transaction involving a transfer of resources, services or obligations between:

- (i)….. or
- (ii)….

regardless of whether a price is charged and **a 'transaction' with a related party shall be construed to include a single transaction or a group of transactions in a contract.**

Issues before SAT:

- (1) Whether transactions pertaining to a single contract or aggregate of transaction pertaining to all contracts a financial year are to be considered while testing the materiality threshold in under Regulation 23(1) of SEBI (LODR) Regulations?
- (2) Whether the business allocation between 2 Cos. in terms of JV&SHA, amounts to transfer of resources, services, or obligations to be treated as RPT?

Observations of SAT – interpreting definition of RPT

- *"The machinery provisions of Regulation 23 provide for the manner in which such RPTs are to be treated by a listed entity. It is noteworthy that the Regulation 23(1) consistently uses the plural term 'related party transactions' for addressing RPTs for aggregation, which implies that all transactions qua 'a related party' are to be considered for testing the materiality' (and not qua a single contract). It implies that all transaction(s) undertaken during a financial year with a specific related party, are to be aggregated in terms of Regulation 23(1)."*

Observations of SAT – interpreting definition of RPT

- SAT applied the Literal Rule of Interpretation and stated that "*the literal interpretation of this term, there is no need to rely upon purposive interpretation of this term*".
- SAT also referred to the book of Justice G.P Singh's Principles of Statutory Interpretation;

Observations of SAT – interpreting definition of RPT

- *Further, Regulation 23(1A) defines separate materiality threshold in respect of other category of transactions being in the nature of payment for Brand usage or royalty, where the threshold is kept low at 5% of the annual consolidated turnover…. Therefore, these transactions are the only transactions to be excluded from the prescribed threshold under Proviso to Regulation 23(1). There is no provision for excluding transactions of one contract for calculating materiality of other contract.*

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Observations of SAT – business allocation as RPT

- *It is evident that through the said Business Allocation agreement, there was a transfer of an entire business undertaking from Linde to Praxair and vis-a-vis in different geographies and product lines. Thus, we hold that it amounts to a clear-cut transfer of 'profit making apparatus' from one entity to another and vice-versa along with all assets and liabilities including intangibles (goodwill, brands), order book and future cash flow.*

Discussion on the relevance of SAT Order for Pvt. Cos. & unlisted Public Cos.

Explanation to Rule 15(3) of Cos. (Meetings of Board and its Powers) Rules, 2014

- Explanation.— *It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.*

SAT interprets 'Associate Company' under Cos. Act, 2013, in light of RPT provisions under Cos. Act & SEBI Listing Regulations.

Bombay Dyeing and Manufacturing Company Ltd. v. SEBI

SAT order dated January 16, 2026.

[2026] 182 taxmann.com 501 (SAT - Mumbai)

Majority View – 2 Technical Members of SAT.

Brief facts of case – Understanding relationship between BDMCL – SCAL

- Business of BDMCL
- Business of SCAL
- Re-organization – Pursuant to NCLT (Mumbai) Order, the Real Estate Business Undertaking of SCAL got demerged and vested into BDMCL (effective from July 1, 2018).
- *Shareholding pattern – Earlier, BDMCL held 49% of SCAL. On March 29, 2012 BDMCL sold 30% of SCALs shares to another group company, thereby, reducing its stake in SCAL to 19%.*

Issues before SAT:

Issue – I: Whether there was a 'fraudulent scheme' of misrepresentation of financial statements of BDMCL continuing from FY 2011-2012 to FY 2017-18, comprising of (a) Signing 11 non-genuine MOUs with SCAL; (b) Reducing BDMCL's stakes from 49% to 19% on March 29, 2012; and (c) Non-consolidation of SCAL's financial statements, for inflating the financials of BDMCL, with the intention to mislead its investors?

Issues before SAT:

Issue – II: Related Party status for FY 2014-15, 2015-16 and 2016-2017 – Whether SCAL was correctly held as a 'related party' of BDMCL for the FY 2014-15, 2015-16 and 2016-2017, even though it was not held as a 'related party' for FY 2017-18 on the ground that it was not an 'Associate' u/s 2(6) of Cos. Act, 2013?

SAT – Group Companies organizing in sync-very common activity

- *It is not unusual for group cos. to operate in sync in such a way that their overall overhead expenses are minimized.*
- *There is no legal requirement that a group should work literally at arm's length, in physical terms from a different premise.*
- ***Therefore, in itself, findings such as having common office space, sharing of staff, telephone, etc. could not be held as cogent basis for doubting the veracity of MOUs for effectuating sales through SCAL.***

SAT – Common directors but no remuneration – does not imply that MoUs are sham

- There is nothing unusual in SCAL compensating BDMCL for brokerage expenses incurred by the latter since BDMCL, besides being is a real estate developer is also engaged in direct sale of real estate, in addition to sales through traders including 3rd parties and SCAL;
- *Further, merely because the directors of the company are common and were not paid specific remuneration with respect to SCAL, does not ipso facto imply that the MOUs between the two companies were sham or not genuine.*

SAT – No doubts were raised on genuineness of ultimate sale of flats by SCAL

- SAT – What matters is successful sale and SCAL had success story on its sleeve of selling off 100 flats developed by BDMCL in another scheme "Springwell" during 2005-06 to 2007-08.
- SAT – ***The proof of pudding is in eating and the fact that even in the instant case, no doubts were raised on the genuineness of ultimate sale of flats by SCAL to the buyers is sufficient to justify the bona fide of the MOUs.***

SAT – Failure to recognize the principle of separate legal entity.

- SEBI has cancelled the cross-holdings amongst Wadia group entities, without examining their inter-se control in order to arrive at 100% control of BDMCL over SCAL, however without giving any findings against group entities;
- *In this case, SEBI has failed to recognize the principle of separate legal entity.*

AS provision vis-à-vis Cos. Act provision – What will prevail?

- In case of conflict, provisions of Accounting Standards cannot over-ride the explicit provisions of Companies Act;
- *".... Keeping in view the explicit provisions of Section 2(6) of Companies Act, 2013, BDMCL was not required to consolidate financials of SCAL from FY 2014-15, since it was not in control of or was participating in business decisions of SCAL under an agreement."*

SAT – Unlisted Company’s allotment to 284 investors across multiple offers was ‘Deemed Public Offer’

Aakruti Nimriti Limited vs. SEBI

Appeal No.608 of 2021.

SAT Order dated Feb. 20, 2026. 2026 LLBiz SAT 10

Facts of the case

- Unlisted Public Co. engaged in the business of real estate development, raised Rs. 29.83 crores from 284 investors between April 17 to December 15, 2007.
- SEBI in the Show Cause Notice observed that SEBI DIP Guidelines was not complied as Prospectus was not filed.
- Promoters and Directors are responsible.
- SEBI directed the company and directors to refund the entire amount to investors along with 15% interest.

Details of allotment

Sl. No.	Date of Allottees	No. of Allottees	Total Shares Allotted	Nominal Value of Shares (Rs.)
1	17/4/2007	43	24,24,000	2,42,40,000
2	18/5/2007	45	29,21,002	2,99,10,020
3	25/5/2007	46	28,25,000	2,82,50,000
4	31/5/2007	47	35,50,000	3,55,00,000
5	26/6/2007	45	31,25,000	3,12,50,000
6	18/9/2007	46	32,31,815	3,23,18,150
7	15/12/2007	12	1,16,90,000	11,69,00,000
Total		**284**	**2,98,36,817**	**29,83,68,170**

Issue before SAT – Whether allotment of shares to 284 allottees is 'deemed public offer'?

- Appellants' main contention is that Section 67 of the Companies Act, 1956 does not prohibit multiple offers so long as each offer does not exceed 50 persons.
- SAT – DIP Guidelines are in force since 2000. Admittedly, the number of allotees are more than the threshold of 50. Therefore, Section 67(3) of Companies Act, 1956 is fully applicable in the case of appellant Company.
- SAT – Appellants having devised a methodology to circumvent the law cannot be heard to contend that disclosure made on the MCA portal is a deemed public notice.

SAT – 'Deemed Public Offer' but meeting the ends of justice…

- Co. pleaded that directions are harsh & would result in liquidation.
- SAT noted that appellants have also pleaded that there are in all 194 shareholders and out of them 179 are promoters, directors, relatives and friends who do not want to exit the Co.
- Admittedly, there was only one complaint.
- ***In the peculiar facts of the case, in our view, ends of justice would be met by modifying the direction contained in para 89.1 and restricting it to only those shareholders who desire to exit and directing the refund to them with reasonable interest.***

Q&A SESSION

THANK YOU !!! ☺

Thank you Thane Chapter of ICSI for the invitation!

Thank you participants for your patient listening!

Gaurav Pingle

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Presentation at Thane Chapter of WIRC of ICSI.

Presentation on April 11, 2026.

Key amendments proposed – Corporate Laws (Amendment) Bill, 2026

Proposed Changes in Cos. Act

Gaurav N Pingle,
Company Secretary

Disclaimers

Views are personal

Discussion on proposed amendments

Understanding present status of the Bill

Introduction to the Corporate Laws (Amendment) Bill 2026

- Background
- Preparation by the Govt.:
  - Company Law Committee Report
  - Recommendations of the High Level Committee on Non-Financial Regulatory Reforms [HLC – NFRR]
- 17 Clauses to amend LLP Act, 2008
- 90 Clauses to amend Cos. Act, 2013

Definition Small Cos., Incorporation Procedure …….

- Increase in the threshold of 'Small Company'
- Engaging Professional for Company/ LLP incorporation made optional
- Certain class of Cos. to maintain website, e-mail id.
    - Details to be given on website and Reporting changes to ROC
- Electronic communication with Members – Class of Cos.

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Share-linked employee Compensation, Buy Back, etc.

- Share Linked Employee Compensation:
  - Restricted Stock Units (RSU) and Stock Appreciation Rights (SAR), in addition to ESOP
- Cos. In IFSC shall maintain its Share Capital in permitted Foreign Currency;
- Buy Back of shares u/s 68 of Cos. Act
- Increase in time limit to register Charge (from 60 to 120 days)

Shareholders’ meeting

Physical Meeting

Virtual Meeting
(~audio-visual means)

Hybrid Meeting

…. Shareholders' meeting

- **Virtual/Hybrid Meetings [u/s 96 & 100]:** AGMs and EGMs allowed to be conducted via video conferencing or audio-visual means. However, Cos. must conduct a physical annual general meeting at least once every 3 years.
- **Meeting Notice [u/s 101]:** Notice period for VC-only EGMs reduced to 7 days.

Register of Members, NFRA, CSR Statutory Audit….

- No notice of any trust shall be entered in Register of Members
- IEPF related changes proposed
- Constitution of NFRA, with significant powers,
- CSR – threshold, CSR Committee, On-going project spending,
- Statutory Audit – for certain class of cos.,

Non-Audit Services, Independent Directors, DIN

- Statutory Auditor providing non-audit services u/s 144 of Cos. Act,
- Cost Audit Standards – proposed,
- Independent Directors – Tenure, Thresholds, Cooling period of 3 years
- DIN – Valid, Not deactivated, Not cancelled,
- Duplicate DIN – penalty cap. introduced

DIN, Directors, Directorships…

- Additional Director appointment
- Director appointed by casual vacancy
- Disqualification of Directors u/s 164 of Cos. Act
  - Fit and Proper criteria proposed
  - Auditor, Secretarial Auditor, RV, RP – for 3 years
  - Sec. 164(2) of Cos. Act – 2 years, instead of 3 years.
  - If a person is *penalised* for defaults in Related Party Transactions
- No. of Directorships u/s 165 of Cos. Act

Duties of Directors, Vacation of office, Board Meetings, Disclosures

- Duties of Directors – decriminalized except Sec. 166(5) of Cos. Act,
- Vacation of Office u/s 167 of Cos. Act
- Small Co., OPC, Dormant Co. – 1 board meeting in a Calendar Year;
- Disclosures u/s 184(1) of Cos. Act, 2013

Loans to directors, KMP resignation

- Loans to Directors u/s 185(1) of Cos. Act
- Amendments to Sec. 186 of Cos. Act – penal provisions
- Penal provisions u/s 189 of Cos. Act
- Resignation of whole-time KMP, who is not director (CS, CEO, CFO)

Treasury Shares, Valuation Authority, Strike off u/s 248 of Cos. Act….

- Amendments to provisions relating to Corporate Restructuring
- Treasury Shares treatment
- Valuation Authority (as established under IBC, 2016)
- Strike off – Sec. 248(1) vs. Sec. 248(2) of Cos. Act

Revival of Cos., Compounding of offences……

- Revival of Cos. – NCLT to Regional Director
- Penalty u/s 403 of Cos. Act – Rs. 100/- per day
- Compounding u/s 441 of Cos. Act
- Lesser Penalties for certain Cos. – Small Cos., Start-Up, OPC – u/s 446B of Cos. Act,
- Dormant Cos. u/s 455 of Cos. Act.

Recovery, Settlement, Deposit before Appeal

- Recovery of Penalties – Recovery officer – for penalties levied but not recovered
- Settlement provisions
- Deposit of certain amount before appeal of AO Order
- Govt. to issue directions, guidelines or Circulars – public consultation, expert bodies

Q&A SESSION

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