

Info Capsule

Wednesday
February 02, 2022

President : CS Devendra V. Deshpande

Vice President : CS Manish Gupta

❖ *Insolvency and Bankruptcy*

Smt. Nirmala Sitharaman proposes faster resolution of bankrupt companies (February 01, 2022)

Finance Minister Smt. Nirmala Sitharaman on Tuesday February 01, 2022, proposed faster resolution of bankrupt companies by paving the way for amendments to the Insolvency and Bankruptcy Code (IBC), seeking to make cross-border deals easier and speed up voluntary winding of defaulting borrowers.

“Necessary amendments in the Code will be carried out to enhance the efficacy of the resolution process and facilitate cross-border insolvency resolution,” Smt. Sitharaman said.

For details:

<https://economictimes.indiatimes.com/news/economy/policy/nirmala-sitharaman-proposes-faster-resolution-of-bankrupt-companies/articleshow/89271110.cms?from=mdr>



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❖ *Securities Laws & Capital Markets*

SEBI Circular

- **Change in control of the asset management company involving scheme of arrangement under Companies Act, 2013 (January 31, 2022)**

To streamline the process of providing approval to the proposed change in control of an asset management company (“AMC”) involving scheme of arrangement which needs sanction of National Company Law Tribunal (“NCLT”) in terms of the provisions of the Companies Act, 2013, SEBI vide this circular has provided that the application seeking approval for the proposed change in control of the AMC under Regulation 22(e) of Mutual Fund Regulations shall be filed with SEBI prior to filing the application with the NCLT.

Upon being satisfied with compliance of the applicable regulatory requirements, an in-principle approval will be granted by SEBI. The validity of such in-principle approval shall be 3 months from the date of issuance, within which the relevant application shall be made to NCLT. Within 15 days from the date of order of NCLT, applicant shall submit the application for the final approval along with copy of the NCLT Order approving the scheme, to SEBI for final approval.

The provisions of this Circular shall be applicable to all the applications for change in control of AMC for which the schemes of arrangement are filed with NCLT on or after March 1, 2022.

For details:

https://www.sebi.gov.in/legal/circulars/jan-2022/change-in-control-of-the-asset-management-company-involving-scheme-of-arrangement-under-companies-act-2013_55745.html

SEBI Report

- **Extension of timeline for submission of public comments on the consultation paper for Review of SEBI (Collective Investment Schemes) Regulations, 1999 (January 31, 2022)**

SEBI had placed a consultation paper for Review of SEBI (Collective Investment Schemes) Regulations, 1999 on its website on January 07, 2022 seeking comments by January 31, 2022. SEBI has extended the timeline for submission of comments to February 15, 2022.

For details:

https://www.sebi.gov.in/reports-and-statistics/reports/jan-2022/extension-of-timeline-for-comments-on-consultation-paper-for-review-of-sebi-collective-investment-schemes-regulations-1999_55788.html

SEBI News

- **Gitanjali Gems case: SEBI bans Mehul Choksi, another individual from markets (January 31, 2022)**

SEBI has barred fugitive businessman Mehul Choksi and one Rakesh Girdharlal Gajera from the capital markets for one year and levied a fine totalling Rs. 2.5 crore on them for violating insider trading rules in the matter of Gitanjali Gems. In addition, they have been restrained from buying, selling or otherwise dealing in securities of Gitanjali Gems Ltd (GGL) for a period of two years.

Also, the Securities and Exchange Board of India (SEBI) has directed Gajera to disgorge a sum of Rs. 15.82 crore. Choksi, promoter and managing director of Gitanjali Gems, is the maternal uncle of Nirav Modi, both of whom are facing charges of defrauding state-run Punjab National Bank (PNB) of over Rs. 14,000 crore.

For details:

<https://www.livemint.com/market/gitanjali-gems-case-sebi-bans-mehul-choksi-another-individual-from-markets-11643649898585.html>

❖ Market Watch

Stock Market Indices as on 02.02.2022	
S & P BSE Sensex	59558.33 (+695.76)
Nifty 50	17780.00 (+203.15)

Foreign Exchange Rates as on 01.02.2022 (https://www.fbil.org.in/#/home)			
INR / 1 USD	INR / 1 EUR	INR / 1 GBP	INR / 1 JPY
74.65	83.99	100.67	0.65

❖ *Indirect Tax*

Customs

- **Clarification regarding applicability of Social Welfare Surcharge on goods exempted from basic and other customs duties/cesses - Circular No. 03/2022-Customs (February 01, 2022)**

Social Welfare Surcharge (SWS) is levied and collected, as a duty of customs, and is calculated at the rate of 10% on the aggregate of duties, taxes and cesses which are levied and collected by the Central Government as a duty of customs on goods imported into India. It may be noted that at present SWS applies at the rate of 10% of the aggregate of customs duties payable on import of goods and not on the value of imported goods. If aggregate customs duty payable is zero on account of an exemption, the SWS shall be computed as 10% of value equal to 'Nil' (as aggregate amount of customs duties payable is zero). Law does not require computation of SWS on a notional customs duty calculated at tariff rate where applicable aggregate of duties of customs is zero. It is clarified that the amount of Social Welfare Surcharge payable would be 'Nil' in cases where the aggregate of customs duties (which form the base for computation of SWS) is zero even though SWS has not been exempted.

For details:

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-circulars/cs-circulars-2022/Circular-No-03-2022.pdf>

❖ *Terminology for today*

Treasury Stock Method

The treasury stock method is an approach companies use to compute the number of new shares that may potentially be created by unexercised in-the-money warrants and options, where the exercise price is less than the current share price. Additional shares obtained through the treasury stock method factor into the calculation of the diluted earnings per share (EPS). This method assumes that the proceeds a company receives from an in-the-money option exercise are used towards repurchasing common shares in the market.

❖ **Ethics and Governance News**

• **ICRA places ratings of PFS under watch with negative implications (January 31, 2022)**

Rating agency ICRA has placed the rating of PTC India Financial Services Ltd (PFS) under watch with negative implications following the resignation of three independent directors of the company. Such events (resignations) are likely to have a bearing on business operations and investor and lender confidence in the company in the short to medium term. These changes could also impact the ongoing asset quality related resolutions for the company, ICRA said in a statement. The debentures and long term bank facilities carry "A+" rating and short-term bank facilities and commercial paper carry "A1+".

For details:

https://www.business-standard.com/article/companies/icra-places-ratings-of-pfs-under-watch-with-negative-implications-122013100191_1.html

• **S&P downgrades Future Retail to 'D' after company fails to clear dues (February 02, 2022)**

Standard and Poor's (S&P) has lowered Future Retail Ltd's long-term issuer credit rating from "CCC-" to "D" after the company failed to repay dues. Future Retail Ltd failed to make the principal payments due on its restructured domestic bank borrowings on December 31, 2021. The 30-day review period (grace period to pay) allowed by India's central bank has ended, S&P said in a statement.

For details:

https://www.business-standard.com/article/companies/s-p-downgrades-future-retail-to-d-after-company-fails-to-clear-dues-122020200147_1.html

Prepared by Directorate of Academics

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