Info Capsule

Thursday, July 10, 2025

President
CS Dhananjay Shukla

Vice President
CS Pawan G Chandak

❖ *International Financial Services Centre Authority*

Public Advisory: Safeguard Yourself Against Online Scams & Frauds (July 09, 2025)

IFSCA being a unified financial sector regulator, while introducing many new financial products and services in the IFSC, is also conscious of its duty to protect the interests of consumers availing services in the IFSC. The increasing popularity and widespread adoption of social media (such as Whatsapp, X, LinkedIn, Telegram, Youtube etc.) have significantly transformed the way retail consumers connect and share information. While these platforms offer numerous benefits, such platforms can be misused by unscrupulous entities for fraudulent activities and misleading financial consumers.

Financial consumers in the IFSC are therefore advised to exercise caution, remain vigilant and follow the guidelines pertaining to Unsolicited Offers, fake identities, Conduct Due Diligence and Report suspicious activities to protect themselves from scams and frauds.

For details:
https://ifsca.gov.in/Legal/Index?MId=BSl3qfNQgtM=

❖ *Views/Public Comments sought by Regulator*

Consultation Paper on Measures for Regulation of Activities of Credit Rating Agencies (CRAs) (July 09, 2025)

SEBI has placed this consultation paper with the objective to seek comments or views or suggestions from the public on the proposed amendment to SEBI (Credit Rating Agencies) Regulations, 1999 ("CRA Regulations") to introduce measures for regulation of activities of Credit Rating Agencies (CRAs). The extant CRA Regulations provide that a CRA shall not carry out any activity other than the rating of securities that are listed or proposed to be listed on a stock exchange recognized by SEBI. However, CRA Regulations do not preclude CRAs from undertaking rating of products or securities or issuers under the respective guidelines of a financial sector regulator or any authority as may be specified by SEBI. Accordingly, detailed proposals in respect of activities by CRAs that are not regulated by SEBI are made.

For details:

https://www.sebi.gov.in/reports-and-statistics/reports/jul-2025/consultation-paper-on-measures-for-regulation-of-activities-of-credit-rating-agencies-cras-_95142.html

❖ *Business and Economy*

NBFCs must ensure fair, empathetic loan recovery; avoid financial exploitation: FM Sitharaman (July 10, 2025)

Union Finance Minister Nirmala Sitharaman has highlighted that the loan recovery practices of Non-Banking Financial Companies (NBFCs) must be conducted in a fair, empathetic and respectful manner, as well as strictly aligning with the RBI's Fair Practices Code. She stated this while addressing the NBFC Symposium 2025 in New Delhi. The Minister said that financial inclusion cannot be used as a pretext for financial exploitation. She added that lending should be based on the genuine needs and repayment capacity of customers. Ms Sitharaman noted that loans should not be aggressively marketed and pushed onto individuals, and interest rates should be reasonable. The Minister also underscored the need for NBFCs to integrate governance, risk management, and customer protection as part of their core beliefs and ethics.

For details: *https://www.newsonair.gov.in/nbfcs-must-ensure-fair-empathetic-loan-recovery-avoid-financial-exploitation-fm-sitharaman/*

❖ *ESG Update*

Alcoa Corp. - Climate Change

Alcoa is committed to supporting the outcomes of the Paris Agreement and aligning its climate ambition with the "well below 2°C" decarbonization path. This requires working cross-functionally throughout organization and in collaboration with its local communities and the global aluminum industry to address the challenges and seize the opportunities associated with climate change. Alcao strategy to address climate change seeks to:

- Identify decarbonization opportunities across operations.
- Focus on efficient energy consumption.
- Build climate resilience through understanding and managing the physical and transitional risks of climate change at operations and in host communities.
- Develop and/or adopt technologies that could result in a lower carbon footprint in products.
- Prepare for increasing regulatory requirements and expectations from stakeholders and host communities.

For details: *https://www.alcoa.com/sustainability/pdf/2024-Sustainability-Report.pdf*

❖ *Pronouncement (Direct Tax)*

3rd July, 2025	**Bharti Bhushan Jindal Vs Commissioner of Income Tax, Ludhiana (Punjab)**	**Punjab and Haryana High Court**

Whether the appellant, who declared interest income under "Income from Other Sources," can claim deduction of ₹10.5 lakhs as bad debts written off under Section 36(1)(vii) r/w Section 36(2) or alternatively as expenditure under Section 57(iii) of the Income Tax Act, 1961.

Brief Facts:

The assessee, engaged in the manufacturing of electrical stabilizers and rectifiers, declared income under three heads: business, capital gains, and other sources. Under the "income from other sources," he declared interest income from FDRs and unsecured loans, and claimed ₹10.5 lakhs as "amount written off – unrealizable." Loans were advanced to four entities against promissory notes between 1997 and 2001, but became unrecoverable. AO disallowed the claim; CIT(A) and ITAT upheld the disallowance.

Judgement:

Section 36(2)(i) requires that the debt must have been taken into account in computing income in an earlier year; Or must relate to a money-lending business. The assessee is not in the business of money-lending, as his audit report (Form 3CD) describes his business as manufacturing. Interest was offered under "Other Sources", not under "Business Income." No separate books of account for money lending were maintained. Loans were from surplus capital – not regular lending activity.

Section 57(iii) allows revenue expenditure for earning income under other sources. The loan principal amount is capital in nature, not revenue expenditure. Therefore, write-off of principal cannot be deducted under Section 57.

The assessee's argument that any future recovery would be taxable under Section 41(1) was rejected as Section 41(1) applies to prior deductions allowed, which is not the case here.

Conclusion:

The claim for deduction of ₹10.5 lakhs as bad debts or otherwise under income from other sources was not allowable. The Tribunal's findings were upheld as legally correct and factually supported. The appeal was dismissed, and the substantial questions of law were answered in favour of the Revenue.

❖ *Pronouncement*

3rd July, 2025	Ajay Gupta And Anr. (Petitioners) Versus Amit Sales Corporation Pvt. Ltd. And Anr (Respondents)	High Court of Delhi C.R.P. 303/2024 & CM APPL. 61563/2024

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 Section 138 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 fulfil 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 SCC 407*, the Hon'ble Apex 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.

For details: *https://delhihighcourt.nic.in/app/showFileJudgment/59503072025CR3032024_185850.pdf*

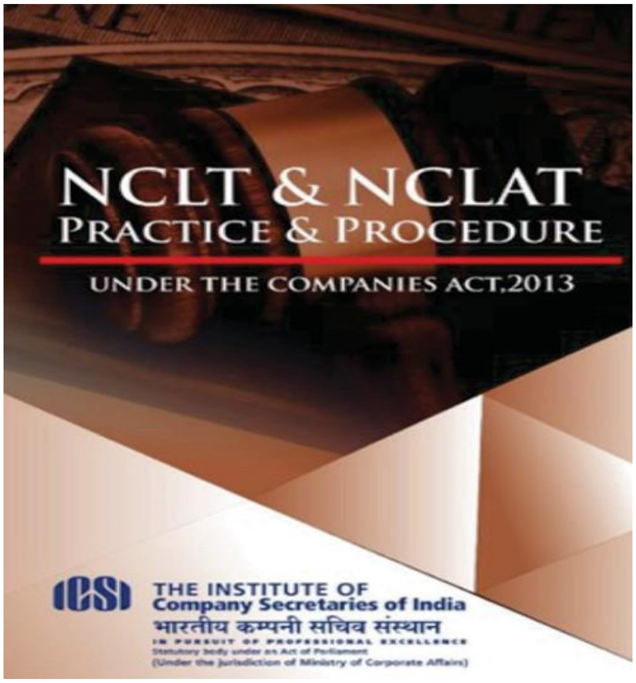
❖ *Market Watch*

Stock Market Indices as on 10.07.2025	
S & P BSE Sensex	83190.28(- 0.41%)
Nifty 50	25355.25(-0.47%)

Foreign Exchange Rates as on 10.07.2025
(*https://m.rbi.org.in//scripts/ReferenceRateArchive.aspx*)

INR / 1 USD	INR / 1 EUR	INR / 1 GBP	INR/ 1 JPY
85.57	100.47	116.50	.58

NCLT & NCLAT – Practice & Procedure



About the Book

The publication intends to provide a comprehensive insight into the functioning, significance, and evolving jurisprudence of the NCLT & NCLAT under the Companies Act, 2013 specifically garnering the role of Company Secretaries. The publication shall serve as a valuable companion in the exploration of the NCLT and NCLAT, enriching the understanding of Tribunal's role, procedures, and powers and as one stop solution for the hassles in NCLT practice for our practicing professionals.

Year of Publication: 2024

Price: Rs. 500/-

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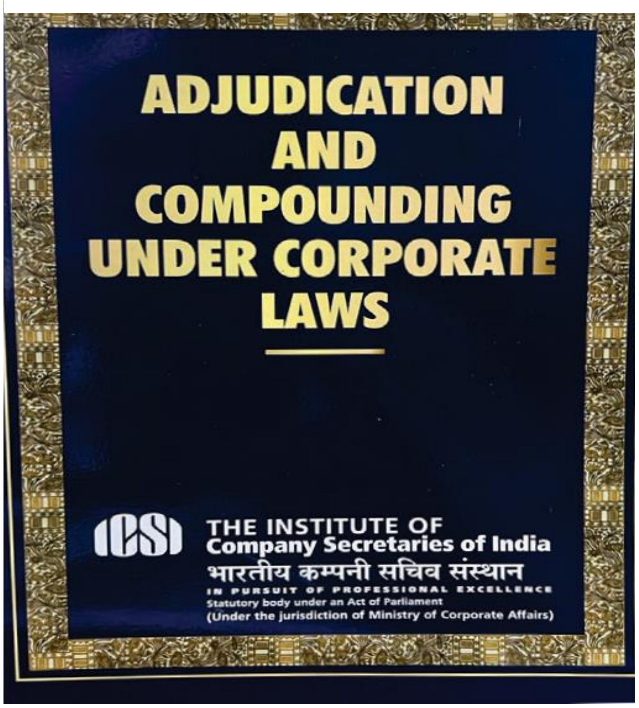
Adjudication And Compounding under Corporate Laws



About the Book

Each law, every legislation, even before it is enforced, has a dedicated layout for the activities which may be considered as offences therein; and with that is the charter the penalties, fines, punishments, and even imprisonment leviable on committing the same. If the legislature is entrusted with the task of putting all of the above in black-and-white, the law enforcing bodies take to task the defaulters – making sure that there is justice prevailing.

Year of Publication: 2024

Price: Rs. 500/-

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