Sr. No.	Proposed Changes by CLC vide its Report	Current Position	Suggestion of the CLC
1	Allowing Companies to realign their Financial Year	Section 2(41) of COMPANIES ACT, 2013 states that the financial year ("FY") of company or body corporate, means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company or body corporate is made up Under the first proviso to Section 2(41) of COMPANIES ACT, 2013, a company which is the holding company or a subsidiary or associate of a company incorporated outside India, and is required to follow a different FY for consolidation of its accounts outside India, may be allowed to follow such different FY upon making an application to the Central Government. A company, or body corporate, ceases to be a holding, subsidiary or associate company of the foreign entity, COMPANIES ACT, 2013 currently contains no provision allowing such company to revert to the FY required to be followed under COMPANIES ACT, 2013. This hinders the company's or body corporate's ability to accurately measure its revenue and earnings in that FY, as per Indian laws	The Committee recommended that *the companies, which cease to be associated with a foreign entity, should be allowed to file a fresh application with the Central Government in a prescribed form to allow them to revert back to the FY followed under COMPANIES ACT, 2013,* to promote ease of doing business and to simplify the compliances. **Impact** This recommendation will benefit the company which cease to be associated with a foreign entity to realign its FY and eventually its accounts with that followed under COMPANIES ACT, 2013. This will ensure smooth transition from old FY to New FY.
2	Facilitating Communication in Electronic Form	Section 20(2) of COMPANIES ACT, 2013 outlines that, a document may be served on Registrar or any member by sending it to him by post or by registered post or by speed post or by courier or by delivering at his office or address, or by such electronic or other mode as may be prescribed:	The Committee recommended that Section 20 of COMPANIES ACT, 2013 should be amended to introduce a specific provision enabling the Central Government to prescribe Rules, with suitable safeguards *to protect the interest of investors, for such class or classes of companies for whom it shall be adequate to serve such documents*

		Provided that a member may request for delivery of any document through a particular mode, for which he shall pay such fees as may be determined by the company in its annual general meeting.	*as may be prescribed to all their members in electronic mode only for compliance with the provisions of the Act. However, where a member has requested the company to serve physical documents also, the company shall, as an investor friendly measure, also serve such documents in physical mode.* The Committee also recommended that the proviso to Section 20(2) should be amended *to allow companies to stipulate such fees in any general meeting.* **Impact** The Company will now be able to serve documents electronically only, and in hassle free manner. The Company shall serve the documents physically only if it receives request from any member. The Company can now stipulate fees in all the general meetings held during the year as opposed to annual general meeting as provided earlier.
3	Recognising Issuance and Holding of Fractional Shares, RSUs And SARs	***Fractional Shares*** Section 4(1)(e)(i) of COMPANIES ACT, 2013 provides that the memorandum of association ("MoA") of a company shall state that: "the amount of share capital with which the company is to be registered and the division thereof into shares of a fixed amount and the number of shares which the subscribers to the memorandum agree to subscribe, which shall not be less than one share." Table F – Schedule I of COMPANIES ACT, 2013 also restricts the ability of subscribers to hold fractional shares. "Except as required by law, no person shall be recognised by the company as holding any share upon any trust, and the company shall not be bound by, or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these regulations or by law	The Committee suggested that COMPANIES ACT, 2013 should be amended *to insert provisions that enable issuance, holding and transfer of fractional shares for a class or classes of companies, in such manner as may be prescribed*. Such shares should only be issued in dematerialised form. For listed companies, such prescriptions may be made in consultation with SEBI. *It is also clarified that this recommendation only pertains to cases that would involve a fresh issue of fractional shares by the company and not to those cases where fractional shares get created for the time being on account of any corporate action.* **Impact** The retail investors who may not have the purchasing power to buy a whole share due to the high price of a single unit will now be able purchase fractional shares.

		otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder." ***Restricted Stock Units (RSUs) and Stock Appreciation Rights (SARs)*** The Committee observed that while other means of compensating employees' such as Employees' Stock Options ("ESOPs") and Sweat Equity Shares have been explicitly recognised by COMPANIES ACT, 2013, RSUs and SARs lack recognition under the same and that this may lead to regulatory gaps	The Committee was of the opinion that *RSUs and SARs should be recognised under COMPANIES ACT, 2013 through enabling provisions. If these schemes require the issue of further securities by the company, their issuance must be allowed only after approval of the shareholders through a special resolution. The provisions should also allow an annual omnibus approval by the shareholders of the company to ensure that fresh approvals should not be required at the time of each allotment of such schemes. However, where the settlement of such rights does not involve offer or conversion into securities, approval by shareholders need not be mandated.* **Impact** Employees holding an SAR shall have the right to receive dividends or vote or enjoy the benefits available to a shareholder in respect of an SAR. The recognition of SAR and RSU in COMPANIES ACT, 2013 will bring in more clarity to the issuer and will reduce the regulatory gap between SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and COMPANIES ACT, 2013
4	Easing the Requirement of Raising Capital in Distressed Companies	Section 53 of the COMPANIES ACT,2013 states that, except as provided under Section 54, a company shall not issue shares at a discount. Under Section 79 of the Companies Act, 1956 ("CA-1956") shares were allowed to be issued at a discount. Sub-Section 2 of Section 79 prescribed that company can issue share at discount if at least one year has passed from commencement of business, by passing a resolution that specified the	The Committee recommended that *the distressed companies should be allowed to issue shares at a discount to the Central Government or State Government or to such class or classes of persons as may be prescribed, notwithstanding the prohibition under Section 53 of COMPANIES ACT, 2013*. It was stated that for this purpose, *distressed companies may be categorised as such class or classes of companies that have cash losses (other than those arising out of depreciation or revaluation) for previous three consecutive*

		maximum discount rate for issuance of shares and thereafter make an application to the Central Government for approval. The bar on issuing shares at more than a 10% discount, could be waived at the instance of the Central Government. Section 53 of COMPANIES ACT, 2013 to permit companies to issue shares at a discount to their creditors when their debt is converted into shares in pursuance of any statutory resolution plan or debt restructuring scheme following guidelines, directions, or regulations specified by the Reserve Bank of India	*years or more and fulfil such terms and conditions and issue shares at a discount in such manner as may be prescribed by the Central Government*. To ensure further safeguards, the Committee recommended that *the registered valuers should continue to value such issuances, failing which such issuances would be void*. **Impact** Enabling distressed companies to issue shares at a price below the nominal value will provide them an avenue for fund raising and will allow the Central Govt./ State Govt./Other Classes of Authorized Persons to inject capital into such companies in public interest.
5	Replacing Affidavits with Self-Declaration	COMPANIES ACT, 2013 encompasses several provisions that lay down a requirement to furnish an affidavit before the Registrar of Companies ("RoC"), Regional Director ("RD"), the National Company Law Tribunal ("NCLT") and the National Company Law Appellate Tribunal ("NCLAT").	The Committee recommended that *the requirement of furnishing an affidavit should be replaced with filing a declaration under the provisions of COMPANIES ACT, 2013 and Rules made thereunder, except in those provisions that involve filing an affidavit in a judicial or quasi-judicial proceeding before the NCLT, the NCLAT, or the RD*. **Impact** Allowing company to file self-declaration instead of affidavit will promote a trust-based ecosystem and will promote the ease of doing business in India
6	Clarifying Provisions on Buy-Back of Securities	Section 68 of COMPANIES ACT, 2013 empowers companies to buy-back their shares or other specified securities from members holding such shares or securities. Section 68(2)(c) provides that the buy-back should be twenty-five per cent or less of the aggregate of paid-up capital and free reserves of the company: Provided that in respect of the buy-back of equity shares in any financial year, the reference to twenty-five per cent in this clause shall be construed with respect to its total paid-up equity capital in that financial year."	The Committee recommended *to include 'free reserves' in the calculation of buy-back of equity shares, even if the term has not been specifically included in the proviso*. To provide clarity, the Committee *sought to include the reference to 'free reserves' in the proviso to Sec 68(2)(c).* **Impact** Including free reserve in provision will reduce the ambiguity in calculating limits for the buyback.

		There was difference in the provision's language on buy-backs under Section 77A of COMPANIES ACT, 1956 and Section 68 of COMPANIES ACT, 2013. Section 77A(2)(c) provides that the buy-back shall be twenty-five per cent or less "of the total paid-up capital and free reserves of the company". In contrast, Section 68(2)(c) stipulates that the buy-back shall be twenty-five per cent or less "of the aggregate of paid-up capital and free reserves of the company". There was also need for clarity concerning the stage at which shares arising out of employee benefit schemes by companies that grant stock options (such as ESOPs) can be bought back.	The Committee, recommended that *the Explanation at the end of Section 68 should be amended and the words "which have been exercised" may be inserted after the words "stock option".* **Impact** This will bring in clarity for company which is proposing to buy back shares arising out of employee benefit schemes
7	Specific Prohibition on The Inclusion of Trusts on the Register of Members	Section 153 of the erstwhile CA-56 provided that the register of members or debenture holders shall not contain notice of any trust expressly, impliedly or constructively. The rationale behind this section was to relieve the company from taking notice of third-party rights regarding the shares registered in the names of any members. There are no provisions corresponding to Section 153 of CA-56 in COMPANIES ACT, 2013. However, Para 4, Table F- Schedule I of COMPANIES ACT, 2013 currently prohibits a company from recognising a person holding any share upon a trust.	The Committee recommended *the insertion of a provision corresponding to Section 153 of CA-56 in COMPANIES ACT, 2013 that expressly prohibits companies from entering notice of any trust, express, implied, or constructive on their register of members or of debenture holders* **Impact** Insertion of provision akin to Section 153 of the Companies Act, 1956 would provide further clarity on this issue
8	Holding General Meetings Through the Use of Technology	Section 96 of COMPANIES ACT, 2013 stipulates that every company other than a one-person company must hold an AGM each year. Section 96(2) further specifies that such a meeting shall take place on any day that is not a national holiday, during business hours, and at the registered office of the company, or some other place in the city, town or village where the registered office. of the company is situated. Section 100 of COMPANIES ACT, 2013 provides that the company's Board may arrange an	The Committee recommended amending suitable provisions of CA- 13 *to enable the Central Government to prescribe the manner in which companies can hold AGMs and EGMs physically, virtually and in hybrid mode.* It was also stated that *where the meeting is for an EGM to be conducted entirely in electronic mode, the notice period for such meetings could be reduced to such period as may be prescribed by Central Government*.

		Extraordinary General Meeting ("EGM") whenever it deems fit. Owing to the COVID-19 pandemic and the social distancing norms in place, the MCA had allowed EGMs to be convened through Video-Conferencing ("VC") or Other Audio-Visual Means ("OAVM"), vide its circulars dated 8th April 2020 and 13th April 2020. Subsequently, in light of the representations made by various companies and shareholders, the MCA further extended these relaxations to apply to AGMs. The MCA also permitted 'hybrid meetings', thereby allowing flexibility for members to attend meetings either physically or virtually.	The Committee proposed to empower the Central Government to prescribe detailed procedures and safeguards by way of Rules. **Impact** Allowing such flexibility of holding AGMs and EGMs, either fully or partially through VC or OAVM, by way of an enabling provision within CA-13 will reduce cost, ensures members' wider participation of shareholders in meeting.
9	Maintaining Statutory Registers Through an Electronic Platform	As per Companies Act, 2013 and the Rules framed thereunder, companies are mandated to maintain records in the form of registers that contain particulars relating to their dealings, including information about the company's directors, shareholders, loans, etc. Presently, there are about fifteen statutory registers under Companies Act, 2013 that companies are obligated to maintain.	The Committee recommended *that certain class or classes of companies, as may be prescribed, should be required to compulsorily maintain their registers on an electronic platform in such form and manner as may be prescribed by the Central Government*. For this purpose, the Committee recommended *that the Central Government may set up an electronic platform for such registers to be maintained, stored and periodically updated*. Additionally, the requirement to include past records pertaining to statutory registers on the electronic platform should also be provided with adequate transitional period. **Impact** This recommendation will ease the regulatory burden. Creating an online platform for maintaining statutory registers under Companies Act, 2013 will make the process more secure and transparent, thereby avoiding duplication of effort for companies. Single consolidated platform would make sharing and viewing information stored in such registers easier for all stakeholders

10	IEPF Related Changes in Sections 124 And 125 Of COMPANIES ACT, 2013	Section 125(1) of Companies Act, 2013 establishes an IEPF to promote investor welfare through investors' education, awareness and protection. This includes the amount in the Unpaid Dividend Account of companies to be transferred to the IEPF under Section 124(5). Section 124(5) includes the transfer of monies in the Unpaid Dividend Account, Section 124(6) prescribes that all shares in respect of which dividends have not been paid or claimed for seven consecutive years or more shall also be transferred by the company to the IEPF. Presently, at the time of transfer of shares to IEPF ***after seven years, the dividend of only the first year is being transferred along with the shares***. The unclaimed dividend for the balance of six years continues to lie with the company, and the same gets transferred to IEPF over the next six years.	The Committee recommended amending the suitable provision such as, In Section 124(5) concerning the transfer of *money transferred to the Unpaid Dividend Account, after the words "such transfer", the words "or any dividend, which has not been paid or claimed in respect of securities transferred by the company under sub-section (6)*" should be inserted. **Impact** Transferring all amount at once will reduce the regulatory burden on companies to transfer the unclaimed amount every year. In Section 125(3)(a), which *provides the purposes for which the fund may be utilised, after the words "matured debentures", the words "redemption amount towards unpaid or unclaimed preference shares"* should be inserted. **Impact** This will ensure that the sections get in line with the aims of the Fund as well as the sources of monies transferred to it under Section 125(2)(m). After Section 125(11), the following sub-section should be inserted: *"(12) The authority may, by general or special order in writing, delegate to any member, officer or any other person subject to such conditions, if any, as may be specified in the order, such of its powers and functions under this Act as it deems necessary*." Amendment to Section 68 *to enable monies that remain unclaimed for seven years or more in respect of shares/securities that have either been bought back or cancelled, to be transferred to IEPF.*

11	Strengthening The National Financial Reporting Authority	Section 132(4) of Companies Act, 2013 provides that NFRA shall have the power to investigate matters of 'professional or other misconduct' committed by any member or firm of chartered accountants. When such misconduct is proved, it can impose a penalty or debar the member or the firm from being appointed as an auditor or internal auditor or valuer under Companies Act, 2013 or from undertaking an audit, internal audit and valuation under the Act. The amount of penalty and period of debarment (both in the case of individuals and firms) has been provided under such provisions. The NFRA does not have the powers to take actions against individuals and firms for non-compliance with Companies Act, 2013 and requirements thereunder, which do not qualify as 'professional or other misconduct'. **NFRA fund** Currently, NFRA receives its funding entirely from the Central Government. These funds are used for the (a) salaries and allowances etc., for Chairperson, Members and other officers and employees of NFRA; and (b) other expenses of NFRA connected with functions and purposes of NFRA under Companies Act, 2013. **Enabling NFRA to make regulations and granting supervisory powers to the NFRA Chairperson** Section 132 of Companies Act, 2013 enables the Central Government to make Rules for the functioning of NFRA. For example, the Government has prescribed the (i) NFRA (Manner of appointment & other terms and conditions of service of Chairperson and Members) Rules 2018; (ii) NFRA Rules, 2018; (iii) NFRA (Meeting for Transaction of Business) Rules, 2019; and (iv) NFRA (Recruitment, Salary, Allowances and other Terms and Conditions of Service of	The Committee was accordingly of the opinion that *NFRA should be empowered to take appropriate action against other contraventions in addition to its existing powers to take action against 'professional or other misconduct'*. *There should also be specific provisions to enable NFRA to initiate appropriate penal action in case its orders are neither complied with nor any appeal against such an order has been filed in the NCLAT*. The Committee was of the opinion that *suitable amendments be made to Companies Act, 2013 for the constitution of a NFRA Fund*. Thus, the Committee recommended that *NFRA should be enabled to make regulations for specific matters such as form and manner of filing information with NFRA, and place, timing, and procedure to be followed for meetings of the NFRA. However, it discussed that in accordance with principles of good governance and accountability followed by the Central Government, such powers should be sufficiently encumbered with safeguards.* Thus, it was of the opinion that Section 132 be suitably amended to provide the NFRA Chairperson with powers of general superintendence and direction within NFRA.

		Secretary, Officers and other Employees of Authority) Rules, 2019. Presently, NFRA does not have any regulation-making powers under Companies Act, 2013.	
12	Strengthening The Audit Framework	Sections 139 to 148, and the Companies (Audit and Auditors) Rules, 2014, govern the manner in which companies are audited under Companies Act, 2013. This includes provisions on auditors'appointment, removal and resignation, and eligibility. Companies Act, 2013 also envisages penalties for non-compliance with the provisions relating to the discharge of the auditor's duties. It provides for the power of NCLT to debar auditors if they act fraudulently or abet or collude in any fraud by, or relation to, the company or its directors or officers. **Non-Audit Services** Section 144 of Companies Act, 2013 lists certain services that an auditor is prohibited from rendering which includes services related to accounting, bookkeeping and actuarial services **Punishment under Section 143** Section 143 of Companies Act, 2013 provides the powers and duties of auditors and auditing standards, including rights of access to books of account and making a report to the company members. Section 143(12), if an auditor of a company has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, she needs to report the matter to the Central Government or committee constituted by the Board depending on the amount involved in	The Committee was of the opinion that *differing classes of companies may be permitted to avail differing non-audit services from their auditors*. Thus, it recommended that Section 144 of Companies Act, 2013 may be amended *to enable the Central Government to prescribe a differential list of prohibitions on availing non-audit services or total prohibition of the same for such class or classes of companies where public interest is inherent, as may be prescribed*. The Committee noted that after the amendment to Section 147 through the Companies (Amendment) Act, 2020 ("CAA-20"), auditors are not presently punishable for the contravention of Section 143, except for contravention of Section 143(12), which is covered by Section 143(15). To rectify this anomaly, it recommended that a suitable amendment may be made to Section 147 to cover penal consequences for contravention of Section 143 regarding sub-sections other than sub-section (12). The Committee was of the opinion that there is a need to review the provisions concerning the resignation of auditors. Particularly, it was felt that *there is a need for a resigning auditor to assure the shareholders and other stakeholders that, in her opinion, there is nothing in the company's accounts which needs to be brought to their notice, and that her resignation is an independent decision*. *The auditor shall be under an explicit obligation to make detailed disclosures before resignation and should specifically mention whether such resignation is due to non-cooperation from the auditee company, fraud or severe non-compliance, or diversion*

		the suspected fraud. Section 143(15) provides the penalty if an auditor does not comply with the provisions of sub-section (12). Section 143(15) only provides the penalty for non-compliance of sub-section (12). Noncompliance of other sub-sections was earlier covered by Section 147, which provided that if an auditor contravened any of the provisions of Section 139, 143, 144, or 145, she / it would be punishable with a fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees or four times the remuneration of the auditor, whichever is less. However, Section 147 was amended in 2020 and inadvertently omitted the entire Section 143 from the purview of punishments **Resignation by auditors** The third proviso to Section 139(2) of Companies Act, 2013 allows auditors to resign from their position. Moreover, Section 140(2) provides the procedure for such resignation. An auditor that resigns from a company shall file a statement within 30 days with the company and the RoC indicating the reasons and other facts as may be relevant about her resignation. Rule 8 of the Companies (Audit and Auditors) Rules, 2014 refers to the form of such a statement, which shall include the 'reasons for resignation' and 'any other facts relevant to the resignation **Mandatory joint audit for certain companies** Section 139(3) of Companies Act, 2013 allows joint audits. It provides: "Subject to the provisions of this Act, members of a company may resolve to provide that — (b) the audit shall be conducted by more than one auditor."	*of funds. Moreover, if such information comes to light after the resignation of an auditor but has not been disclosed in the resignation statement, suitable action may be taken against the resigning auditor*. The Committee was of the clear view that similar obligations of a resigning auditor may be borrowed from the UK Companies Act, 2006. The Committee was of the view that Companies Act, 2013 be suitably amended to enable the Central Government to mandate joint audits for such class or class of companies as may be prescribed by the Central Government. In the case of a joint audit, the provisions concerning the extent of liability of individual auditors should also be accordingly provided in Companies Act, 2013. The Committee deliberated on this issue and viewed that since a holding company makes significant investment in its subsidiary companies, there should be proper oversight, especially on financial matters, of such subsidiary companies by the Board and the auditor of the holding company. The Committee was also informed about the existing auditing standards and practices. The Committee was of the view *that suitable amendments may be required to ensure that the auditor of the holding company has been given assurance about the fairness of audit of each subsidiary company by the respective auditors. In addition, the auditor of the holding company may also be empowered to independently verify the accounts or part of accounts of any subsidiary company*. The Committee was however of the view that suitable amendments concerning these matters may be introduced after further examination and public consultation

		Auditor of holding company to comment on the true and fair view of each subsidiary company Section 143(1) provides as under *"*Provided that the auditor of a company which is a holding company shall also have the right of access to the records of all its subsidiaries and associate companies in so far as it relates to the consolidation of its financial statements with that of its subsidiaries and associate companies." **Forensic Audit** Currently there is no such concept of forensic audit but presently such audit is being conducted on the specific directions of regulators or on demand of creditors.	The Committee recommended that *forensic audit may be ordered during investigations, of such nature as may be prescribed, under Chapter XIV of COMPANIES ACT, 2013*. The Central Government should have the power to prescribe detailed Rules for this purpose through subordinate legislation.
13	Standardising Qualifications by Auditors	Sections 143(3)(f) and 143(3)(h) of Companies Act, 2013 obligate the auditor to provide observations and comments on financial statements of the company and to provide qualifications, reservations or any adverse remarks, as the case may be, concerning the maintenance of accounts in that company. The auditors' reports often highlight reservations or adverse remarks regarding a company's financial statements, such remarks do not sufficiently elaborate on the corresponding negative effect on the economic health or functioning of the company.	The Committee proposed *that an enabling provision be inserted in Companies Act, 2013 to allow the Central Government to introduce a format for auditors that would enable them to state the impact of every qualification or adverse remark on the financial statements of the company for circulation to the Board before the same is passed on to shareholders* **Impact** The standardised format will ensure greater clarity, disclosure and uniformity and will help the stakeholders to known better about the economic health of the company.
14	Setting up of Risk Management Committees	COMPANIES ACT, 2013 currently contains no specific provisions relating to the formation of a Risk Management Committee (RMC) References of Risk Management under COMPANIES ACT, 2013: Section 134(3)(n), Section 177(4)(vii), Schedule IV, Part II of COMPANIES ACT, 2013	The Committee recommended the *inclusion of new provisions in COMPANIES ACT, 2013 for the constitution of an RMC for such class or classes of companies, as may be prescribed by the Central Government* to strengthen the Board's power to overview and supervise risk management systems **Impact** Mandatory constitution of RMC will enable the Board to overview and supervise risk management systems and mitigate risks threatening the organization.

		SEBI LODR Regulations-2015 require the top 1000 listed entities, determined based on market capitalisation, to set up a RMC of directors	
15	Clarifying the tenure of an Independent Director	Section 149(10) provides for the term of an ID . Section 149(11) provides that an ID shall not be permitted to hold office beyond 2 consecutive terms and will be eligible for re-appointment only after the expiry of the requisite cooling-off period of 3 years. MCA issued clarification that the appointment of an ID for a term of 5 years or less is to be treated as one term. Therefore, even where two consecutive terms are held for a total period of less than10 years, the cooling-off specified under Section 149(11) will apply. Section 149(6)(e)(ii)(B) of COMPANIES ACT, 2013 provides for a condition for appointment of a person as an ID and Section 149(11) provides that during the three-year cooling-off period, the ID of a company shall not be appointed in or associated with the company in any other capacity directly or indirectly i.e. combined reading of Section 149(6)(e)(ii)(B) and Section 149(11) prevents a person from associated with the company in any capacity during the cooling-off period including functioning	The Committee agreed that the total tenure should not exceed the prescribed 5 years for a single term or 10 years for two consecutive terms, as the case may be, under any circumstances *and is inclusive of any tenure as additional director i.e., the period during which the ID functioned as an additional director before regularisation cannot be excluded while computing the total tenure of the ID*. The total tenure of an ID should be capped at 5 years for a single term and 10 years where he/she is reappointed after the first term, *irrespective of any resignation before the expiry of the term for which he/she was appointed as an ID* **Impact** The capping of single tenure to 5 years and 10 years in case of re-appointment *irrespective of resignation* will prevent IDs from resigning and defeating the 3 years cooling off period provisions required after completion of second tenure. To harmonise the two provisions, the Committee recommended that Section 149(11) should be amended *to allow the relevant legal or consulting firm referred above to continue to render its services as per thresholds provided in Section 149(6)(e)(ii)(B)*. It was further recommended that the threshold of 10% referred to in Section 149(6)(e)(ii)(B) should be reduced to 5% to increase transparency and reduce the pecuniary relationship of persons appointed as IDs as well as legal advisors or consultants.

		as a legal or consulting firm regardless of the threshold of ten per cent	**<u>Impact</u>** The legal firm will be able to continue to be associated with the company and will not loose business even after completion of tenure of ID. Further reduction of pecuniary limits to 5% would promote short listing of more independent candidate for the role IDs.
16	Revising Provisions on Disqualification and Vacation of Directors' Office	Section 164 and Section 167 of COMPANIES ACT, 2013 lay down provisions relating to the disqualification and vacation of office of directors, respectively. Further, Section 167 provides for the grounds and circumstances under which the office of a director shall become vacant. Section 167(1)(a) states explicitly that such vacancy shall arise if the director incurs any of the disqualifications specified in Section 164 and proviso to section 167(1)(a) clarify that the vacation in respect of Section 164(2) would only operate in all those companies where the director held office, other than the company which defaulted under Section 164(2). This provision leads to the vacation of directorship in otherwise compliant companies if a director commits default under Section 164(2) in another company. Also, a six-month grace period is granted under proviso to Section 164(2) to a newly appointed director of a defaulting company to make good such company's defaults	The Committee recommended that the vacation of directorship u/s 167(1)(a) should be limited only to disqualifications triggered by reasons of personal incapacity u/s 164(1) and not those incurred u/s 164(2). **<u>Impact</u>** The directors will not have to vacate office in otherwise compliant companies for 5 years, thereby not affecting the constitution of the board and business of such otherwise compliant companies. The Committee deliberated that it may be prudent to allow six months only for defaults ensuing from Section 164(2)(a) such as failure to file annual returns/ financial statements, which may be satisfactorily remedied in six months and for defaults enlisted in Section 164(2)(b) the Committee recommended that the relaxation be extended to a period of two years, from the date of appointment **<u>Impact</u>** The newly appointed directors will get reasonable amount of time viz. 2 years to remedy the default in repayment of deposits

			or payment of interest on deposits or to redeem any debentures on the due date or pay interest due on debentures or pay any dividend declared
		Also, such automatic vacation of office *adversely implicates nominee directors appointed pursuant to the nomination by debenture trustees registered with SEBI*, for disqualification under Section 164(2)(b) as Section 164 and Section 167 make no distinction between nominee directors and other directors of the company in so far as the disqualification and vacation of directorship are concerned.	The Committee recommended that a new proviso be inserted in Section 164(2) to the effect that the disqualification as referred to in clause (b) **shall not apply to the nominee directors appointed pursuant to nomination by the debenture trustees** registered with SEBI **Impact** There will be differentiation of nominee directors appointed by debenture trustees thereby providing them immunity from disqualification u/s 164(2)(b) resulting in vacation of office as applicable to other directors. But if amendments are made to remove vacation of office on grounds of disqualification u/s 164(2) then such amendment to differentiate nominee directors would not be required.
17	Cooling-Off period before Auditors become Directors	Section 149(6)(e)(ii) of COMPANIES ACT, 2013 prohibits a person from being appointed as an ID of a company if she or any of her relatives has been an employee, proprietor or partner of a firm of auditors or company secretaries or cost auditors in such company or group of companies, in any of the three financial years preceding the year in which employment is to take place. However, COMPANIES ACT, 2013 currently contains no provision prohibiting an auditor from becoming a non-executive director ("NED"), managing director ("MD") or wholetime director ("WTD") in the same company or group of companies	To uphold the independence of auditors, the Committee recommended the insertion of a mandatory **one-year cooling-off period**, from the date of cessation of office, only after which an auditor of a company may be permitted to hold the position of a NED, MD, WTD in the same company or its holding company, subsidiary company(ies), fellow subsidiary(ies) or associate company(ies). The Committee also additionally recommended that in case of an audit firm structured as a partnership/LLP, such a restriction would operate only concerning the partner that audited the company. **Impact** Any person intending to be appointed as NED, MD or WTD of a company or its group companies will have to cease to be associated with the auditors of such

			company as an employee, partner or proprietor and serve a cooling off period of 1 year before such appointment.
18	Cooling-off Period before an ID becomes a Managerial Personnel	Section 149(6)(e)(i) of COMPANIES ACT, 2013 provides that a person shall not be appointed as an ID of a company if such a person currently holds or used to hold the position of a KMP or an employee in the same company or group of companies during any of the three financial years immediately preceding the financial year in which employment is to take place. However, there is currently no restriction under COMPANIES ACT, 2013 on an ID for becoming a managerial person, i.e., an MD, WTD or manager, in the same company or group of companies after ceasing to be an ID of such company. Regulation 25(11) of the newly amended SEBI LODR Regulations provides that no ID who resigns from a listed entity shall be appointed as an executive director or WTD on the board of the company, its holding, subsidiary, associate company or any other company belonging to its promoter group before the lapse of a period of one year from the date of resignation as an ID	The Committee recommended the insertion of a mandatory **one-year cooling-off period** in COMPANIES ACT, 2013, from the date of cessation of office, only after which an ID may be permitted to hold the position of an MD, WTD, or manager in the same company or its holding company, subsidiary company(ies), fellow subsidiary(ies) or associate company(ies). **Impact** Such provision in COMPANIES ACT, 2013 would deter an ID from resigning as ID and joining as an ED and perform his duties as an ID independently and objectively.
19	Clarifying the manner of Resignation of certain KMPs	Section 168(1) allows a director (other than KMP who is not a director and whose appointment intimation was filed with the Registry) to resign from their office by providing notice to the company in writing. Upon receiving such resignation, the Board must take note thereof and intimate the RoC under Rule 15 of the Companies (Appointment and Qualification of Directors) Rules, 2014. The proviso to Section 168(1) further provides that directors may forward a copy of their resignation, along with detailed reasons, to the RoC, within thirty days of their resignation. Section	In line with Section 168 of COMPANIES ACT, 2013 that outlines the procedure for the resignation of directors, the Committee suggested that the initial obligation to notify the RoC of resignations tendered by certain KMPs (other than KMP who is a director and whose appointment intimation was filed with the Registry) should be placed on the company and where the company fails to intimate the RoC within 30 days, the KMPs, whose appointment intimation was filed with the ROC, should be allowed to file their resignations directly with the RoC.

		168(2) stipulates that the resignation tendered by the director shall be effective from the date of receipt of the notice by the company or any date specified by the director in the notice, whichever is later.	Also, the date on which resignation of such KMPs shall come into effect may be harmonised with Section 168. **Impact** The Companies now will also have to intimate resignation of KMPs who are not directors and whose appointment was filed, to the ROC within 30 days of such resignation and on failure of the Company to do, the KMPs are empowered to file their resignation after expiry of the said 30 days directly with the ROC.
20	Reviewing provisions on Merger and Amalgamation	**Applicability of Section 230 to Liquidators appointed under IBC** Section 230(6) of COMPANIES ACT, 2013 outlines requirements for a compromise or arrangement concerning a company being wound up, to be binding on the liquidator appointed under COMPANIES ACT, 2013 or IBC, as the case may be. The Company Law Committee deliberated on whether the reference to liquidators appointed under the IBC may be omitted from Sections 230(1) and 230(6) to only limit the same to those liquidators appointed under COMPANIES ACT, 2013	The Committee recommended that these words should not be omitted from the provision since liquidators under COMPANIES ACT, 2013 and the IBC have been actively using this provision. **Impact** The liquidators under IBC, 2016 will continue to be able to use the provisions under section 230 of the COMPANIES ACT, 2013.
		Extinguishment of Treasury Shares Treasury shares refer to the own shares of a company and are assets of the company. Such treasury stock may arise on an amalgamation or merger where the transferee company receives its own shares pursuant to merger of transferor company with itself. The proviso to Section 232(3)(b) of COMPANIES ACT, 2013 specifically prohibits treasury. The same restriction has also been spelt out in Section 233(10) of COMPANIES ACT, 2013. Both these provisions state that any treasury shares arising as a result of a compromise or arrangement shall be cancelled and extinguished since the voting rights in such shares may be used	The Committee recommended that each company holding treasury shares should report such shares to the Central Government through a declaration in a prescribed form. Thereafter, companies shall dispose of such shares within 3 years and report back to the central Government. Such disposal may take place through sale or reduction of capital without invoking provisions of Section 66 of COMPANIES ACT, 2013, considering the peculiarity of the situation and the fact that there would be no outflow of funds from the company. If the Company fail to dispose of such shares within the prescribed timeline the said shares shall stand cancelled and the share

		by the directors/ promoters of a company to exercise control over the company indirectly, thereby potentially thwarting the interests of minority shareholders	capital of the company shall be accordingly reduced. Appropriate penal action may also be initiated against such a company. **<u>Impact</u>** The reporting requirements would enable the Government to regulate Companies holding such shares. Further disposal requirements of such shares within 3 years would deter the directors or promoters of Companies to use such shares to exercise control thereby potentially thwarting the interests of minority shareholders.
		<u>Fast-Track Mergers</u> Section 233 of COMPANIES ACT, 2013 provides for a fast-track merger or amalgamation between two or more small companies, between a holding company and its wholly-owned subsidiary, or a prescribed class of companies. The scheme is to be approved by shareholders holding at least ninety per cent of the total number of shares of the company. The threshold requirement means that if the shareholders present at the meeting hold at least ninety per cent of the share capital, irrespective of the majority by number voting against the scheme, it would still be approved. Hence, the interests of minority shareholders have not been adequately protected within this framework. Also, the approval threshold is particularly difficult to achieve in listed companies thereby delaying the approval process and defeating the section's essence that seeks to expedite mergers	**The Committee recommended a modified twin test requiring approval by** (i) majority of persons present and voting at the meeting accounting for 75%, in value, of the shareholding of persons present and voting; and (ii) representing more than 50%, in value, of the total number of shares of the company to make the fast-track merger approval process under Section 233 more robust and simultaneously continue to protect minority shareholder interests The Committee also expressed that Section 233 of COMPANIES ACT, 2013 should be amended to also permit fast track mergers **between a holding company and its subsidiary company or companies (other than WOSs) if such companies are not listed and meet such other conditions as may be prescribed.** **<u>Impact</u>** The introduction of twin test would protect the interest of minority shareholders and allowing holding and subsidiary companies (other than WOSs) would expedite the process thus preventing such companies

			going through section 232 of the COMPANIES ACT, 2013.
		Empowering the Central Government to make Rules for other compromises and arrangements The provisions of Section 233 can be invoked for any scheme of compromise or arrangement under Section 230(1) or division or transfer of a company referred in Section 232(1)(b)	The Committee recommended that Section 233(12) should be amended to empower the Central Government to make Rules to allow flexibility for the Central Government to prescribe the manner in which Section 233 may be invoked for such class or classes of companies as are referred to or prescribed under sub-section 233(1) in respect of compromise or arrangements under Section 230(1) and Section 232(1)(b).
		Special Benches of the NCLT Section 419 of COMPANIES ACT, 2013 provides for the constitution of benches for exercising powers and functions by NCLT under COMPANIES ACT, 2013 and IBC-2016. It was informed to the Committee that suggestions have been received for enabling provisions to be included in this section to allow the constitution of Benches/special Benches, which may deal with only specific powers and functions of the NCLT under COMPANIES ACT, 2013 or IBC-2016 (e.g., mergers or amalgamations).	The Committee discussed this suggestion and believed that since Section 419 (1) presently vests the Central Government with the **power to constitute such number of Benches of the NCLT as may be specified by it by way of notification**, therefore, enabling provisions may be included in Section 419 to enable the competent authority to constitute specialised Benches that may deal with matters of economic importance such as mergers, amalgamations or corporate restructuring, and specialised IBC cases or cases involving public interest **Impact** Constituting specialised benches would reduce burden of other benches and speed up disposal of matters of economic importance thereby contributing to the economic growth of the country.
21	Easing Restoration of Struck Off Companies	RoC has been empowered to remove the name of a company from the register of companies after due compliance with the procedure laid down under Section 248 and the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016. Section 252 provides that any person aggrieved by an order notifying a company as dissolved can file an appeal before the NCLT to restore the company's name in the register of companies within three years. Further the company's name may be restored on an application by the	The Committee recommended that in cases where aggrieved persons apply for restoration **within 3 years** under Section 252(1), **the application should be filed before the RD, and the RD may pass an order** of restoration of name upon her satisfaction. The Committee additionally noted that where the application is **filed after 3 years but before the expiry of 20 years**, under Section 252(3), the power of restoration **should continue to rest with the NCLT** so that it can exercise adequate discretion and

		company, or any of its members or creditors before the expiry of twenty Years. An order for the restoration of the name of a struck off company may only be passed by the NCLT and NCLT hears matters both under COMPANIES ACT, 2013 and the IBC and therefore is overburdened. Hence, NCLT is not able to expediently dispose of all the applications for restoration of companies under Section 252.	scrutiny before the name of the company is restored in the register of companies. This provision should continue without any change since the company has not come forward within a reasonable period for its restoration. **Impact** Empowering RD to hear appeals filed within 3 years by aggrieved persons for restoration of name of struck-off company will greatly reduce the burden of NCLT.
22	Recognising Special Purpose Acquisition Companies	A Special Purpose Acquisition Companies ("SPAC") is a shell company that is allowed to issue an IPO without any commercial activity and then merge with or acquire a target company within a stipulated time, failing which SPAC has to be liquidated. The target company benefits from SPAC without having to go through the rigours of an IPO ("Indirect Listing"). Currently SPACs are allowed to be listed in IFSC's pursuant to IFSCA (Issuance and Listing of Securities) Regulations, 2021. Also, Primary Market Advisory Committee of the SEBI is actively examining the possibility of introducing a framework for regulating SPACs in India	The Committee recommended introducing an enabling provision to recognise SPACs under COMPANIES ACT, 2013 and allow entrepreneurs to list a SPAC incorporated in India on domestic and global exchanges. The Committee further recommended relaxing the requirement to carry out businesses before being struck off and providing exit options to dissenting shareholders of a SPAC if they disagree with the choice of target company identified. The Committee also opined that for a foreign listing of Indian incorporated SPACs to become a reality, the commencement of Section 23(3) and 23(4) of COMPANIES ACT, 2013 is a necessary pre-condition. **Impact** The amendments or introduction of enabling provisions would enable various entities carrying businesses and are desirous of listing on domestic or foreign stock exchanges but not able to meet or satisfy listing criteria's to get listed through SPACs as SPACs are shell companies and are allowed to get listed without carrying of any commercial activity.

23	Prohibiting Conversion of a Co-operative Society into a Company	Section 2(11) of COMPANIES ACT, 2013 expressly excludes a co-operative society registered under any law relating to co-operative societies from the definition of a body corporate. However, Section 366 of COMPANIES ACT, 2013 enables entities duly registered under other Acts, including cooperative societies, to register themselves as companies under COMPANIES ACT, 2013. Further under RBI's scheme on Voluntary Transition of Primary (Urban) Co-operative Banks ("UCBs") into Small Finance Banks ("SFB"), UCB's with a good track record have been made eligible for voluntarily transition into an SFB, after the completion of due diligence required by the RBI. As per the said scheme the promoters of the proposed SFB have been enabled to incorporate a public limited company under COMPANIES ACT, 2013, having the word 'bank' in its name, after receiving in-principal approval from the RBI, such a newly incorporated company will then agree with the UCB to transfer assets and liabilities to be executed after issuing an SFB license by the RBI. Thus, RBI's scheme permits the transition of a UCB into an SFB only by incorporating a fresh company under COMPANIES ACT, 2013 since the license of the UCB is not directly converted into that of an SFB, whereas Section 366 allows co-operative societies to convert to a company without fresh incorporation	The Committee recommended that it would be expedient to amend Section 366 of COMPANIES ACT, 2013 and expressly prohibit the conversion of cooperative societies into a company bring it in tune with the RBI's policy **<u>Impact</u>** The amendment would bring the provisions of COMPANIES ACT, 2013 in line with the RBI's policy and uphold the validity of definition u/s 2(11) of COMPANIES ACT, 2013 thereby prohibiting conversion of a Co-op Soc u/s 366 of COMPANIES ACT, 2013.
24	Facilitating E-Enforcement and E-Adjudication	Under Section 398 of COMPANIES ACT, 2013 the CG has the power to prescribe Rules regarding the filing of applications, documents, inspection, etc., in electronic form. However, the Explanation to the said section clearly states that the rules made under this section shall not relate	The Committee proposed to remove the Explanation under Section 398 of COMPANIES ACT, 2013 to enable the Central Government to make Rules, for conducting enforcement-related actions in a transparent and nondiscretionary manner with a proper

		to imposition of fines or other pecuniary penalties or demand or payment of fees or contravention of any of the provisions of this Act or punishment therefor, thereby preventing CG to make rules for carrying out certain adjudication related activities in electronic mode	trail through an electronic platform, under the Act. The Committee also opined that removing the Explanation would not entirely prevent physical enforcement or adjudication since Section 400 of COMPANIES ACT, 2013 empowers the Central Government to specify whether Rules framed under Section 398 are exclusively for electronic purposes or as an alternate/ in addition to physical form. Further, Rule 3(5) of the Companies (Adjudication of Penalties) Rules, 2014 provides for the option of a physical hearing where the same is a preferred mode of adjudication either by the adjudicating officer or the parties involved **Impact** Removal of explanation will enable the Central Government to use section 398 of COMPANIES ACT, 2013 as an enabling provision to make rules for imposition of fines or other pecuniary penalties or demand or payment of fees or contravention of any of the provisions of COMPANIES ACT, 2013 or punishment therefor electronically, in addition to prescribing Rules regarding the filing of applications, documents, inspection, etc., in electronic form
25	Stricter Regulation of Nidhis	COMPANIES ACT, 2013 does not define a 'Nidhi'. Section 406 of the COMPANIES ACT, 2013 empowers the Central Government to designate certain companies as Nidhis and modify the applicability of COMPANIES ACT, 2013 to such companies. Section 406 of COMPANIES ACT, 2013 mirrors Section 620A of CA-56, which similarly empowered the Central Government to regulate Nidhis. Nearly ten thousand Nidhi companies exist in the country now instead of less than one thousand under CA-56. During the administration of Section 406 in the last couple of years by	The Committee recommended that the provisions of **Section 406 should be amended** to ensure that **higher due diligence takes place at the incorporation stage**. Additionally, the Committee recommended the following: (i) the Central Government shall have the **power to prescribe Rules** pursuant to which only those companies that fulfil certain financial and non-financial criteria, as may be prescribed, shall become eligible to be declared as Nidhi's;

		the MCA, companies incorporated as Nidhis have committed violations of numerous provisions of COMPANIES ACT, 2013 and the applicable Rules, the violations are repetitive and that many such companies have been incorporated after demonetisation. Growth of Nidhis has been unbalanced across the country and that some states have extraordinarily high number of Nidhis, thus raising doubts regarding the intention of promoters in setting up such Nidhis	(ii) the declaration notification, for each Nidhi, may also specify additional restrictions or conditions as may be considered necessary and reasonable by the Central Government, and in case of non-compliance by such Nidhi, the Central Government should have the power to withdraw or revoke the declaration; (iii) the declaration granting the status of Nidhi should be valid for a specified period (approximately five years). Upon the expiry of such period, Nidhi's may apply for renewal of their status, and such renewal should be subject to the Nidhi's compliance with the provisions of COMPANIES ACT, 2013 and the Rules framed thereunder, and the conditions or restrictions, as the case may be, as specified in its declaration notification; (iv) the Central Government shall have the power to formulate schemes for restructuring (merger, amalgamation or takeover) of Nidhi's which are either sick, financially weak or have been mis-managed. Additionally, Nidhi's which are found to not be financially viable should be wound up through summary liquidation provisions; (v) existing Nidhi's should be mandated to comply with new requirements within a reasonable transitional period approximately 2-3 years). **Impact** The amendment would promote regulation of Nidhi's by the Govt. and deter use of Nidhi's as a vehicle by the promoters to defraud its members. Also, imposition of conditions to fulfil financial and non-financial criteria's will ensure members of the operating ability of the Nidhi.

26	Drafting and Clarificatory changes	The reference in Section 458 of COMPANIES ACT, 2013 concerning delegation of powers to the Securities and Exchange Board was omitted in 2017. The reference to the proviso of Section 458(1) in Section 24(2) is presently redundant and requires deletion.	In Section 24(2) of COMPANIES ACT, 2013, concerning the power of the Securities and Exchange Board to regulate the issue and transfer of securities, the words “and the matters delegated to it under proviso to sub-section (1) of Section 458” shall be omitted **Impact** There would be no impact as it is just an omission of redundant provision.
		Section 136 of COMPANIES ACT, 2013 provides a company’s members with the right to get copies of audited financial statements for all general meetings. While the proviso to Section 136(1) provides that such copies may be sent to members in a shorter time, it does not distinguish between AGMs and other general meetings as has been provided under Section 100. The Committee received suggestions to amend the first proviso to Section 136(1) to allow sending of copies of relevant documents at a shorter notice, both in case of AGM and other general meetings.	In the first proviso to Section 136(1) concerning sending copies of audited financial statements to members, separate schemes may be provided for (i) AGMs and (ii) any other general meetings. **Impact** Enabling provision to send copies of audited financial statements and other relevant documents at a shorter time in case of general meetings other than AGMs.
		Section 164 of COMPANIES ACT, 2013 provides for the disqualification for the appointment of directors. In particular, Section 164(1)(g) disqualifies a director who has been convicted of an offence dealing with related party transactions under Section 188 at any time during the last preceding five years. Pursuant to the recommendations of CLC 2019,132 Section 188 was decriminalised in 2020 and presently only attracts a penalty.133 As such, the Committee recommended the inclusion of such penalties attracted under Section 188 also as a ground for disqualification under Section 164(1)(g) of COMPANIES ACT, 2013.	‘Penalty in relation to Section 188’ shall be included as a ground for disqualification under Section 164(1)(g) **Impact** Conviction by imprisonment or punishment by fine for an offence u/s 188 if COMPANIES ACT, 2013 has been replaced with penalty and whereas section 164 of COMPANIES ACT, 2013 only includes punishment through conviction u/s 188 as a ground for disqualification of a director the amendment would cause a director to be disqualified even if he has been penalised for any contravention u/s 188 of COMPANIES ACT, 2013.

		Section 187 of COMPANIES ACT, 2013 provides that a company's investments shall be held in its own name. However, the proviso to Section 187(1) provides an exception in the case of shares held by nominees of holding company in the subsidiary company. But the nominees of investing companies also hold shares on behalf of their respective investing companies in a joint venture and not only in a subsidiary company.	In the proviso to Section 187 (1) concerning investments by a company, for the words "subsidiary company", the words "subsidiary company or joint venture" shall be substituted **<u>Impact</u>** Inclusion of joint venture would widen the scope of investments held by a company through its nominees
		There is requirement of 2 members in a Pvt. Co. and 7 members in a Public Co.	The Committee discussed that in the case of a WOS (whether public or private), the **holding company (whether public or private) should be allowed to be the only member.** This should also be permitted in case of a WOS in which the entire shareholding is held by the holding company along with one or more of its WOSs i.e., **the requirement to meet the minimum membership conditions of two or seven members for private and public companies, respectively, may be waived off and also such WOS should not be considered a 'One Person Company'** under COMPANIES ACT, 2013 just because it has only one member. The Committee was also of the view that consequential changes would be required with regard to matters such as the manner in **which shareholder meetings and approvals are to be completed** **<u>Impact</u>** The proposed amendment would ease procedural requirements thereby getting rid of making disclosures under sections 89 and 90 of the COMPANIES ACT, 2013 and promote ease of doing business by improving decision making ability of the investor company

		Section 248(5) of COMPANIES ACT, 2013 provides the details concerning striking off the name of a company from the register of companies by the RoC. Upon striking off, the RoC must publish a notice in the Official Gazette. On publication of such a notice, the company shall stand dissolved. Section 248(5) refers to a 'notice' and not an 'order'. Consequently, the reference to Section 248(5) in Section 248(6) needs to be amended to suitably refer to such notice.	In Section 248(6) concerning removing the name of a company from the register of companies, for the words **"before passing an order under sub section (5)",** the words "**before publishing the notice under sub-section (5)"** needs to be substituted **<u>Impact</u>** There would be no impact as it is just a procedural amendment
		Section 446B of COMPANIES ACT, 2013 provides **<u>lesser penalties</u>** for one-person, small, start-up, and producer companies. In such cases, as per the current provision, the penalty shall not be more than ½ of the penalty provided for other companies. The Committee felt that there is a need to remove the extant discretion of the adjudicator and stipulate that the penalty shall be equal to precisely one-half of that provided for other companies.	In Section 446B concerning lesser penalties for certain companies, for the words "which shall not be more than", the word "of" should be substituted **<u>Impact</u>** The amendment would remove the discretion of the adjudicator and fix the penalty to one-half to that of the other companies
		Presently, Sections 378Y and 378ZA (9) of COMPANIES ACT, 2013 require at least one-fourth of the total members of a producer company to be the quorum in the general meeting. Representations have been made to MCA to review this provision given the hardships caused to Producer companies to hold general meetings, particularly during the ongoing COVID-19 pandemic. Therefore, the Committee was of the view that this provision should be modified to allow a Producer Company to have a quorum of at least one-fourth of the total members or one hundred members, whichever is less.	Quorum requirements for general meetings of Producer Companies in COMPANIES ACT, 2013 may be relaxed **<u>Impact</u>** The amendment would enable ease of doing business and remove undue hardships on Producer Companies and promote smooth, robust and faster decision making on urgent matters

You may read the CLC Report March 2022 here
https://www.mca.gov.in/bin/dms/getdocument?mds=bwsK%252FBEAFTVdpdKuv5IR5w%253D%253D&type=open

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