

AMENDMENTS FOR CMA FINAL DEC 2025- CORPORATE AND ECONOMIC LAWS

SCOPE OF THE DISCUSSION

- I. MSME
- II. SARFAESI Act 2002
- III. The Competition Act 2002
- IV. Incorporation of Companies and matters incidental thereto
- V. Meetings of Board and Its Powers
- VI. Acceptance of Deposits
- VII. Insolvency and Bankruptcy Code 2016
- VIII. SEBI (Prohibition of Insider Trading) Regulations 2015
- IX. SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018

MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT 2006

The definition of MSME has undergone change with effect from 01.04.2025. The new definition will be:

	Investment in P & M OR Equipment		Annual Turnover
MICRO	Not more than Rs 2.5 Cr	AND	Not more than Rs 10 Cr
SMALL	Not more than Rs 25 Cr	AND	Not more than Rs 100 Cr
MEDIUM	Not more than Rs 125 Cr	AND	Not more than Rs 500 Cr

SARFAESI ACT 2002

The Net Owned Fund requirement of Asset Reconstruction Company(ARC) has undergone some changes.

- Now the minimum NOF for registering ARC is Rs 300 Cr
- All the ARC existing as on the date has to comply the NOF of Rs 300 Cr by 31.03.2026

THE COMPETITION ACT 2002

There are two major amendments in the Competition Act 2002

- i. Change in threshold of Combination under Sec 5
- ii. Change in term Exclusive Supply Agreement under Sec 3

Change in threshold of Combination under Sec 5

The new threshold for Combination under Section 5 is as

THRESHOLDS FOR FILING NOTICE				
		ASSETS		TURNOVER
All Enterprises have Assets and TO only in India	Individual	More than Rs 2500 Cr	OR	More than Rs 7500 Cr
	Group	More than Rs 10000 Cr	OR	More than Rs 30000 Cr
Any Enterprise has Assets OR TO outside India	Individual	More than \$ 1.25 billion AND Min Rs 1250 Cr in India	OR	More than \$ 3.75 billion AND Min Rs 3750 Cr in India
	Group	More than \$ 5 billion AND Min Rs 1250 Cr in India	OR	More than \$ 15 billion AND Min Rs 3750 Cr in India

Change in term Exclusive Supply Agreement under Sec 3

- The term Exclusive Supply Agreement has been substituted with **Exclusive Dealing Agreement**
- The definition remains the same

Change in clauses of Appreciable Adverse Effect on Competition

- i. Creation of barriers to new entrants to the market
- ii. Driving existing competitors out of market
- iii. Foreclosure of competition ~~by hindering entry into the market~~
- iv. ~~Affecting accrual of~~ benefits or harm to customers
- v. Affecting improvement in provision of goods/ service

- vi. Affecting promotion of technical scientific & economic development
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INCORPORATION OF COMPANIES AND MATTERS INCIDENTAL THERETO

The Changes are with respect to

- i. Definition of Small Company
- ii. Resident in OPC
- iii. Conversion of OPC

Definition of Small Company

Section 2(85) read with Rule 2(1)(s) of Companies(Specification of definition details)Rules 2014 defines Small Company as

Company other than Public Company whose

- i. Paid up capital does not exceed Rs **4 Crore** or such higher amount as may be prescribed which shall not be more than Rs 10 crore
AND
- ii. Turnover for the immediately preceding FY does not exceed Rs **40 Crore** or such higher amount as may be prescribed which shall not be more than Rs 100 crore

The following companies cannot be Small Company

- a) Holding company and Subsidiary Company
- b) Sec-8 Company
- c) Company or Body Corporate governed under any special Act

Resident in OPC

Sole Member and Nominee of OPC

- Has to be Natural Person
- Citizen of India
- **May or may not be Resident in India** [w.e.f 01.04.2021]

Resident refers to a person who has stayed in India for a period of **120 days** during the immediately preceding FY [w.e.f. 01.04.2021]

Conversion of OPC to Private Ltd or Public Ltd

- The time limit of expiry of 2 years OR exceeding the threshold of Rs 50 lakh (paid up) or Rs 2 Cr(turnover) for converting OPC to Private or Public Company has been omitted [w.e.f. 01.04.2021]
 - So, now OPC can be converted to Private or Public at any time.
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MEETINGS OF BOARD AND ITS POWERS

The major amendments are with respect to

- i. Related Party Transactions
- ii. Omitting the Rule-4 of Companies (Meetings of Board and its Powers) Rules 2014
- iii. Audit Committee
- iv. Nomination and Remuneration Committee

Related Party Transactions

The thresholds for the requirement of Ordinary Resolution are as

- Sale, purchase, supply of any goods or material amounting to **10% or more of turnover**
- Selling or otherwise disposing of or buying of any property amounting to **10% or more of net worth**
- Leasing of property of any kind amounting to **10% or more of turnover**
- Availing or rendering of any services amounting to **10% or more of turnover**.

[w.e.f. 18.11.2019]

Omitting the Rule-4 of Companies (Meetings of Board and its Powers) Rules 2014

Rule-4 which specified the matters that could not be discussed in board meeting held through VC/OAVM unless there is physical quorum has been omitted

Audit Committee

If an unlisted public company to which the provision of constituting audit committee is applicable fails to meet the criteria (of paid-up, turnover and aggregate outstanding loan, debentures and deposits) for 3 consecutive FY, it is not required to constitute audit committee till it meets the criteria again.

Nomination and Remuneration Committee

If an unlisted public company to which the provision of constituting Nomination and Remuneration Committee is applicable fails to meet the criteria (of paid-up, turnover and aggregate outstanding loan, debentures and deposits) for 3 consecutive FY, it is not required to constitute Nomination and Remuneration Committee till it meets the criteria again.

ACCEPTANCE OF DEPOSITS

There are two amendments under this Chapter

- i. On or before 30th of April of every year minimum **20%** of amount of deposits maturing in the following FY to be kept in a separate scheduled bank account known as Deposit Repayment Reserve [Earlier it was 15%]

- ii. Specified IFSC Public Company and Private Company can now accept deposits from members amount not in excess of **100% of [Paid-up capital + Free Reserves + Securities Premium]**
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INSOLVENCY AND BANKRUPTCY CODE 2016

There are two changes under IBC 2016

- i. Initiation of CIRP by financial creditor [Sec 7]
- ii. Persons not entitled to make application [Sec 11]

Initiation of CIRP by financial creditor [Sec 7]

If the application to NCLT is made by financial creditors in the form of debt/securities, the application has to be made by

- 100 such creditors OR
- 10% of total creditors of such class

[Whichever is LESS]

Persons not entitled to make application [Sec 11]

- i. Corporate Debtor undergoing CIRP or Prepackaged Insolvency Resolution Process(PPIRP)
 - ii. Financial Creditor(FC) or Operational Creditor(OC) or Corporate Debtor(CD) undergoing PPIRP
 - iii. CD having been completed CIRP 12 months preceding date of application
 - iv. CD in respect of whom a resolution plan has been approved 12 months preceding date of application
 - v. CD or FC who has violated terms of resolution plan approved 12 months before date of application
 - vi. CD in respect of whom a liquidation order has been passed
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SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS 2015

The following amendments are applicable in respect of Insider Trading Regulations

- i. The “immediate relative” in definition of Persons deemed to be Connected is changed to “relative”.
- ii. The term “ relative” includes
 - a. Spouse of the person
 - b. Parent of the person/spouse
 - c. Sibling of the person/spouse
 - d. Child of the person/spouse
 - e. Spouse of sibling
 - f. Spouse of child
- iii. In addition, definition of Persons deemed to be Connected now includes
 - a. A Firm or its partner or its employee in which Connected Person is a Partner
 - b. A person sharing household or residence with Connected Person
- iv. The time limit for executing trading plan changed to **120 days** from public disclosure of plan [Earlier it was 6 months]
- v. The following requirements are omitted from trading plan
 - a. ~~Trading cannot be made during the period from 20th trading day prior to last day of financial period and second trading day after disclosure of financial results~~
 - b. ~~Plan shall be for minimum 12 months~~
- vi. The meaning of Unpublished Price Sensitive Information
 - Information related to Company or Security
 - Which is not generally available AND
 - When available affects the price of the securities including
 - a) Financial Results
 - b) Dividend
 - c) Change in Capital Structure
 - d) Merger, Demerger, Amalgamation, Acquisition, delisting, disposals and expansions of business, award or termination of orders/contracts not in the ordinary course of business and such other transactions
 - e) Change in KMP [Other than due to Superannuation or end of term and resignation of Statutory Auditor or Secretarial Auditor]
 - f) Change in rating other than ESG Rating
 - g) Fund raising proposed to be undertaken
 - h) Agreements which may impact the management or control of company

- i) Frauds or defaults by Company/Promoter/Director/KMP/ Subsidiary OR arrest of KMP/Promoter/Director of Company [Whether occurred in India or abroad]
- j) Resolution Plan/restructuring or one-time settlement in relation to loans/borrowings from Banks/FI
- k) Admission of winding up petition filed by any party/creditors OR admission of application filed by corporate applicant or FC for initiating CIRP against the company OR Approval/Rejection of Resolution Plan under IBC 2016
- l) Initiation of Forensic Audit and receipt of Forensic Audit Report
- m) Actions initiated or orders passed within India or abroad against the Company/Promoter/KMP/Directors/ Subsidiary by
 - I. Regulatory Authority OR
 - II. Statutory Authority OR
 - III. Enforcement Authority OR
 - IV. Judicial Body
- n) Outcome of any litigation or dispute which may have an impact on the Company
- o) Giving of guarantee, indemnity, becoming a surety for any third party not in the ordinary course of business
- p) Granting, withdrawal, surrender, cancellation or suspension of any key license or regulatory approvals.

SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS 2018

With respect to SEBI (ICDR) 2018, the following are the changes:

- i. “Wilful defaulter” shall be substituted by “**Wilful defaulter or fraudulent borrowers**”
- ii. Amount for general corporate purposes and unidentified purposes shall not exceed **35%** raised by issuer
- iii. Promoters lock in period reduced to **18 months**
- iv. Lock in period for amount exceeding promoters’ contribution reduced to **6 months**

- v. Credit Rating Agency to be appointed as monitoring Agency if issue size exceeds Rs 100 Cr
 - vi. Monitoring Agency to submit report every quarter till 100% of the receipts are utilized
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INFORMATION TECHNOLOGY ACT 2000

- The penalty in Sec 72A [Punishment for disclosure of information in breach of lawful contract] amended to “up to Rs 25,00,000”
 - Earlier it was
 - ~~Imprisonment which may extend up to 3 years OR~~
 - ~~Fine which may extend to Rs 5,00,000 OR~~
 - ~~Both~~
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