

# FINAL EXAMINATION

June 2023

P-13(CEL)  
Syllabus 2022

## CORPORATE AND ECONOMIC LAWS

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.*

*Wherever considered necessary, suitable assumptions may be made and clearly indicated in the answer.*

*Answer Question No. 1 and 8 which are compulsory and any four from Question No. 2, 3, 4, 5, 6 and 7.*

### Section-A

Please answer the following questions with brief justification as directed and/or reference to the relevant legal provision as appropriate. (1 mark is allotted for the correct choice and 1 mark for the Justification.)

#### 1. Multiple Choice Questions:

2×10=20

- (i) 'Foreign Company' means any company or body corporate incorporated outside India which
  - (A) has a place of business in India.
  - (B) conducts any business activity in India.
  - (C) need not have any business in India.
  - (D) Either (A) or (B)
- (ii) For Board meeting, quorum as per the Companies Act, 2013 is
  - (A) one third of the total number of Directors.
  - (B) two third of the total number of Directors.
  - (C) one third of the total number of Directors or two whichever is higher.
  - (D) half of the total number of Directors.
- (iii) Dividend distribution policy of a company is decided by
  - (A) Board of Directors
  - (B) Shareholders in General Meeting
  - (C) Stock Exchange
  - (D) SEBI

- (iv) Books of accounts can be inspected by
  - (A) M.D. only
  - (B) any Director
  - (C) any Shareholder
  - (D) any public on payment of fees
- (v) Shifting of Registered Office from one state to another, would require
  - (A) special Resolution only
  - (B) special Resolution and Central Government (C.G.) approval
  - (C) only C.G. approval
  - (D) only Board approval
- (vi) Any person aggrieved by the order of the Competition Appellate Tribunal (COMPAT), may file an appeal to the Hon'ble Supreme Court within \_\_\_\_\_ days from the date of the receipt of the order of Appellate Tribunal.
  - (A) 30
  - (B) 45
  - (C) 60
  - (D) 90
- (vii) Access someone's computer without the right authorization of the owner and does not disturb, alter, misuse or damage data or system by using wireless internet connection, is called
  - (A) Squatting
  - (B) Vandalism
  - (C) Hacking
  - (D) Trespass
- (viii) NSIC stands for
  - (A) National Social Institute Corporations
  - (B) National Small Institute Corporations
  - (C) National Scheme for Industries and Corporations
  - (D) National Small Industries Corporations

- (ix) Minimum paid up capital for Life Insurance business is ₹ \_\_\_\_\_ crore.
- (A) 50
  - (B) 75
  - (C) 100
  - (D) 125
- (x) According to Banking Regulation Act, 1949, no Banking Company shall pay dividend on its share until all its
- (A) depreciation is fully written off.
  - (B) 'capitalized expenses' have been completely written off.
  - (C) bad debts are provided in full.
  - (D) contingent liability is settled.

### Section-B

2. (a) A group of shareholders of MSK Limited made a complaint to the concerned Registrar of Companies (RoC) that the business of the Company is being carried on for unlawful and fraudulent purposes and filed an application to enquire into the affairs of the Company. Referring to and analyzing the provisions of the Companies Act, 2013, decide:
- (i) Whether the RoC has the power to order for an inquiry into the affairs of the Company?
  - (ii) If yes, state the procedure to be followed by the RoC.
  - (iii) Whether the inquiry should be pursued by the RoC in case the complaint is withdrawn by the same group of shareholders subsequent to the Order for enquiry?
  - (iv) Whether the Central Government has the power to direct the RoC to carry out the inquiry?
- (b) AB Ltd., a listed company, being managed by a Managing Director proposes to pay the following managerial remuneration:
- (i) Commission at the rate of five percent of the net profits to its Managing Director, Mr. M.
  - (ii) The directors other than the Managing Director are proposed to be paid monthly remuneration of ₹ 50,000 and also commission at the rate of one percent of net profits of the company subject to the condition that overall remuneration payable to ordinary directors including monthly remuneration payable to each of them shall not exceed two percent of the net profits of the company. The commission is to be distributed equally among all the directors.

You are required to examine with reference to the provisions of the Companies Act, 2013 the validity of the above proposals.



(c) Examine the following as per National guidelines on responsible business conduct in respect of the following principles:

(i) Business should conduct and govern themselves with integrity and in a manner that is ethical, transparent and accountable.

(ii) Business should respect and promote the wellbeing of all employees, including those in their value chains. 4+8+4

3. (a) A group of members of ABC Limited has filed a petition before the Tribunal alleging various acts of oppression and mismanagement by the majority shareholders of the company. The Petitioner group holds 12% of the issued share capital of the company. During the pendency of the petition, some of the petitioner group holding about 5% of the issued share capital of the company wish to disassociate themselves from the petition and they along with the other majority shareholders have submitted before the Tribunal that the petition may be dismissed on the ground of non-maintainability. Examine their contention having regard to the provisions of the Companies Act, 2013.

(b) PQR Limited is an unlisted public company having a paid-up share capital of twenty crore rupees as on 31st March, 2022 and a turnover of one hundred fifty crore rupees during the year ended 31st March, 2022. The total number of directors is thirteen. Referring to the provisions of the Companies Act, 2013 answer the following:

(i) State the minimum number of independent directors that the company should appoint.

(ii) How many independent directors are to be appointed in case PQR Limited is a listed company?

(c) VS Computers Limited declared and paid dividend in time to all its equity holders for the financial year 2021-22, except in the following two cases:

(i) Mrs. AB, holding 250 shares had mandated the company to directly deposit the dividend amount in her bank account. The company, accordingly remitted the dividend but the bank returned the payment on the ground that there was difference in surname of the payee in the bank records. The company, however, did not inform Mrs. AB about this discrepancy.

(ii) Dividend amount of ₹ 50,000 was not paid to the successor of Late Mr. PR, in view of the court order restraining the payment due to family dispute about succession.

You are required to critically analyse these cases with reference to provisions of the Companies Act, 2013 regarding failure to distribute dividends.

(d) Explain the applicability of Insolvency and Bankruptcy Code, 2016. 4+5+3+4

4. (a) (I) ABC Ltd. is a public limited unlisted company with ₹ 50 crore equity capital of ₹ 10 each. It has taken over 70% equity of a company called BCG Ltd. which is a listed company with equity capital of ₹ 20 crores divided into share of ₹ 10 each. ABC Ltd. and BCG Ltd. have decided to merge.

The CEO of BCG Ltd. has following queries which you have to answer.

- (i) Is the decision to merge is in order and necessary?
- (ii) Is the merger to be approved by shareholders of each of the companies?
- (iii) What happens if few shareholders do not consent?
- (iv) Does require order of NCLT?

1×4

- (II) The last Board meeting of ABC Structurals Ltd., a public limited company was held on 25th January, 2022. The MD wants that in the next Board meeting the annual financial statements to be placed and approved. The Accounts manager feels that the financial statements shall be ready latest by 15th June only. Mr. Ahuja is the chairman of audit committee, who will not be in India during the whole of June. MD feels that we get the financial statements approved through video board meeting. Presently, there is no chairman in the company, MD chairs the Board meetings. State your views.

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- (b) M/S ABC Ltd. Manufactures of Tyres of all types of vehicles, is a Public Limited Company manufacturing units, one at Durgapur, West Bengal, Palej, Gujrat and Munnar in Kerala with Corporate office at Kolkata. The company is professionally managed, the promoter being the chairman, only comes in Board meeting and does not interfere in day to day management. The other directors are independent. The company has sales offices and dealers in India.

The financial performance of the company is as follows:

Parameters	2017-2018	2018-19	2019-2020	2020-2021
Turnover	700	650	920	1010
Net worth	402	423	480	530

Net profit	14.5	15.7	16.8	18
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Queries:

- (i) Do the company comes under CSR obligation?
- (ii) Is CSR committee required?
- (iii) What are the other obligations for CSR under the Act?

- (iv) What will happen if the stipulated amount is not spent within the year?  
(v) What will happen if a project is taken up but full allocated amount is not spent ? 4+1+1+1+1
5. (a) Describe various steps to be taken by a listed Company in prevention of Insider trading.  
(b) Discuss “Abuse of dominant position” and “predatory pricing” under Competition Act, 2002. 8+(5+3)
6. (a) Write short notes on:  
(i) Prohibited sectors/persons for Foreign Direct Investment in India  
(ii) Provisions of Parking of ECB proceeds until its utilization  
(b) Describe in brief under SARFESI Act, 2002:  
(i) Non-performing Asset  
(ii) Qualified Buyer  
(iii) Securitisation (4+4)+(3+3+2)
7. (a) Describe in brief the Digital MSME Scheme and Emergency Credit Line Guarantee Scheme for MSME Sector.  
(b) (i) Describe briefly the process of Money Laundering used by the Money Launderers.  
(ii) List 5 Cyber Crimes under IPC and special laws. (4+4)+(5+3)

### Section-C

8. (a) Mr. Ravinder Nath is Managing Director of ABC Ltd. The Audit is going and there are many issues which the Auditor has pointed out and the same are being clarified by the Company Management but the Auditor is not satisfied with the explanations. MD wants to consult you as the CFO of the Company on how the current Auditor can be removed. Auditor is also not feeling comfortable and has threatened to resign. Please advise MD on the legal provisions under the Companies Act, 2013 in respect of the following:  
(i) Can the Auditor be removed? Please state the procedure.  
(ii) As the Auditor is not satisfied and what if he resigns?  
(iii) If the Auditor decides to continue with the assignment and he issues a qualified report on the observations found by him during the course of the Audit.

4+3+3

(b) Fast Technologies is an unlisted company having a share capital of INR 23 Crores are negotiating with Foreign investor for a 20% stake in the Company by issue of fresh shares at a price to be negotiated. There is no Foreign Investment cap as the Company is operating in Technology Sector. As CFO of the Company, please prepare a note for the Directors of the Company on:

- (i) Whether the issue is possible?
- (ii) What steps to be taken for Shares issue?

3+3

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# SUGGESTED ANSWERS TO QUESTIONS

## SECTION - A

1.

- (i) (D) Either A or B.
- (ii) (C) one third of the total number of Directors or two whichever is higher.
- (iii) (A) Board of Directors.
- (iv) (B) any Director
- (v) (B) special Resolution and Central Government (C.G.) approval.
- (vi) (C) 60
- (vii) (D) Trespass
- (viii) (D) National Small Industries Corporations.
- (ix) (C) 100
- (x) (B) 'Capitalized expenses' have been completely written off.

## SECTION - B

**2(a)**

- (i) Yes, the ROC has the power to order for an inquiry as he deems fit after providing the company a reasonable opportunity of being heard, into the affairs of the company if he is satisfied on a representation made to him by any person that the business of a company is being carried on for a fraudulent or unlawful purpose or not in compliance with provisions of this Act. [Section 206(4) of the Companies Act, 2013]
- (ii) Procedure followed by ROC: The Registrar may, after informing the company of the allegations made against it by a written order, call on the company to furnish in writing any information or explanation on matters specified in the order within such time as he may specify therein and carry out such inquiry as he deems fit after providing the company a reasonable opportunity of being heard.
- (iii) The inquiry can be pursued by the ROC in case the complaint is withdrawn by same group of shareholders subsequent to the order for inquiry in terms of section 206(4).
- (iv) Yes, the Central Government may, if it is satisfied that the circumstances so warrant, direct the Registrar for the purpose to carry out inquiry under section 206(4).

**2(b)**

AB Limited, a listed company, being managed by a Managing Director proposes to pay the following managerial remuneration:

- (i) Commission at the rate of 5% of the net profits to its Managing Director, Mr. M. Part(i) of the Second Proviso to Section 197(1) of the companies Act 2013, provides that except with the approval of the company in general meeting by a special resolution, the remuneration payable to any one managing director or whole time director or manager shall not exceed 5% of the net profits of the company and if there is more than one such director then remuneration shall nor exceed 10% of the net profits to all such directors and manager taken together. In the present case, since the AB Limited is being managed by a Managing Director, the commission at the rate of 5% of the net profit to Mr. M, the Managing Director is allowed and no approval of company in general meeting is required.



- (ii) The directors other than the Managing Director are proposed to be paid monthly remuneration of rupees Rs.50,000/- and also commission at the rate of 1% of net profits of the company subject to the condition that overall remuneration payable to ordinary directors including monthly remuneration payable to each of them shall not exceed 2% of the net profit of the company: Part (ii) of the Second Proviso to Section 197(1) provides that except with the approval the company in general meeting by a special resolution, the remuneration payable to directors who are neither managing directors nor whole time directors shall not exceed- (A) 1% of the net profits of the company, if there is a managing or whole-time director or manager. (B) 3% of the net profits in any other case. In the present case, the maximum remuneration allowed to directors other than managing or whole-time directors is 1% of the net profits of the company because the company is managed by a managing director. Hence, if the company wants to fix directors' remuneration at not more than 2% of the net profit of the company, the approval of the company in the general meeting is required by passing a special resolution.

## **2(c)**

- (i) Principle 1: Business should conduct and govern themselves with integrity and in a manner is ethical, transparent and accountable. The principle ensures ethical behaviour in all operations, functions and processes, and is the basis of businesses that are guiding their governance of economic, social and environmental responsibilities. It considers that businesses are an integral part of society and they will hold themselves accountable for the effective adoption, the implementation and making of disclosures on their performance.
- (ii) Principle 2: Businesses should provide goods and service in a manner that is sustainable and safe. The principle emphasises that businesses have to focus on safety and resource-efficiency in the design and manufacture of their products. These products have to be manufactured in such a way, by which it creates value by minimising and mitigating its adverse impacts in the environment and society through all stages of its life cycle, from design to final disposal. This principle encourages businesses to understand every material sustainability issue across their product life cycle and value chain.

## **3(a)**

The argument of the majority shareholders that the petition may be dismissed on the ground of non-maintainability is not correct. The proceedings shall continue irrespective of withdrawal of consent by some petitioners. It has been held by the Supreme Court in *Rajmundhry Electric Corporation vs. V. Nageswar Rao*, AIR (1956) SC 213 that if some of the consenting members have subsequent to the presentation of the petition withdraw their consent, it would not affect the right of the applicant to proceed with the petition. Thus, the validity of the petition must be judged on the facts as they were at the time of presentation. Neither the right of the applicants to proceed with the petition nor the jurisdiction of Tribunal to dispose it of on its merits can be affected by events happening subsequent to the presentation of the petition.

## **3(b)**

- (i) According to Rule 4(1) of the Companies (Appointment and Qualifications of Directors) Rules, 2014, the following class or classes of companies shall have at least 2 directors as independent directors:
- (1) the Public Companies having paid up share capital of 10 crore rupees or more; or
  - (2) the Public Companies having turnover of 100 crore rupees or more; or
  - (3) the Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding 50 crore rupees. In the present case, PQR Limited is an unlisted public company having a paid-up capital of Rs. 20 crore as on 31<sup>st</sup> March, 2022 and a turnover of Rs. 150 crore

during the year ended 31<sup>st</sup> March, 2022. Accordingly, as per stated Rules is must have at least 2 directors as independent directors.

- (ii) According to Section 149(4) of the Companies Act, 2013, every listed public company shall have at least one-third of the total number of directors as independent directors. The Explanation to Section 149(4) specifies that any fraction contained in such one-third numbers shall be rounded off as one. In the present case, PQR Limited is a listed company and the total number of directors is 13. Hence, in this case, PQR Limited must have atleast 5 directors ( $1/3$  of 13 is 4.33 rounded as 5) as independent directors. Explanation to Rule 4 of the Companies (Appointment and Qualifications of Directors) Rules, 2014 clarifies that for the purpose of this Rule the paid up share capital or turnover or outstanding loans, debentures and deposits, as the case may be, as existing on the last date of latest audited financial statements shall be taken into account. In the present case, it is mentioned that paid up capital of PQR Limited is Rs. 20 crore as on 31<sup>st</sup> March, 2022 and turnover is Rs. 150 crore during the year ended 31<sup>st</sup> March, 2022. It is therefore assumed that 31st March 2022 is the last date of the latest audited financial statement.

### 3(c)

- (i) Section 127 of the Companies Act, 2013 provides for punishment for failure to distribute dividend on time. One of such situation is where a shareholder has given directions to the company regarding the payment of the dividend and those directions could not be complied with but the non-compliance was not communicated to him. In the given situation, the company has failed to communicate to the shareholder Mrs. AB about non-compliance for her direction regarding payment of dividend. Hence, the penal provisions under section 127 will be applicable.
- (ii) Section 127, inter-alia, provides that no offence shall be deemed to have been committed where the dividend could not be paid by reason of operation of law. In the present case, the dividend could not be paid because it was not allowed to be paid by the court until the matter was resolved about succession. Hence, there will not be any liability on the company and its directors, etc.

### 3(d)

**Applicability of Insolvency and Bankruptcy Code, 2016** The Insolvency and Bankruptcy Code, 2016 applies to whole of India. The provision of Insolvency and Bankruptcy code, 2016 applies to the following, in relation to their insolvency, liquidation, voluntary liquidation or bankruptcy as the case may be (Section 2 of Insolvency and Bankruptcy Code, 2016)

- (a) Companies incorporated under Companies Act, or
- (b) Under Special Act
- (c) Limited Liability Partnership (LLP)
- (d) Other body corporate as may be notified by Central Government
- (e) Partnership firms and individuals
- (f) Personal guarantors to corporate debtors
- (g) Partnership firms and proprietorship firms; and
- (h) Individuals, other than persons referred to in clause (e).

### 4(a)

- (I)
- (i) Yes. The decision to merge is in order. Companies are free to merge with consent of shareholders and by following the procedures prescribed under law. However, it will not fall under special category mergers under section 233 of the Act. Yes, a scheme is necessary.
  - (ii) Yes, the scheme has to be approved by  $3/4^{\text{th}}$  majority of shareholders in value.
  - (iii) The dissenting shareholders have to accept the decision of the majority.
  - (iv) Yes, It requires approval of NCLT. Since the transferee company is listed, SEBI regulations have to be complied with, wherever applicable.

(II) MD of the company need to know and understand and comply with the following.

- (i) As per section 173(1) Next board meeting shall have to be held within 120 days of the previous meeting Therefore next Board meeting cannot be held in June. There shall be another meeting to be held when financial statements are ready.
- (ii) Rule 4 of Companies (meeting of Board and its powers) Rules prohibits approval of annual financial statements through video meetings.

**4(b)**

1. Section 135 of the Act provides for the applicability of the CSR provision on corporate. Subsection (1) lays down that every company having
  - Net worth of Rs 500 crores or more; or
  - Turnover of Rs 1000 crores or more; or
  - Net Profit of Rs 5 croresTherefore, ABC Tyres Ltd. comes under CSR obligation.
2. Yes, the CSR Committee is required to be formed as it comes under the purview of Section 135 of the Act.
3. Other obligations are spending the amount within the financial year. The details have to be disclosed in the Board's Report as annexure. Form CSR 1 needs to be filed.
4. The unspent amount will have to be transferred to a special account..
5. If a project is taken up and the full amount is not spent, the amount shall be kept separately for financing which will be called an "ongoing project".

**5(a)**

The following steps need to be taken by the Management of a Listed Company to prevent insider trading which can also be referred as Institutional Mechanism to counter Insider trading:

- a) The Chief Executive Officer shall put in place adequate and effective system of internal control for compliance.
- b) The Audit Committee shall review compliance with the provision of these regulations at least once in a financial year and shall verify that the systems for internal control are adequate and are operating effectively.
- c) Every listed company shall formulate policies and procedures for inquiry in case of leak or suspected leak of unpublished price sensitive information which shall be approved by the Board of directors and accordingly initiate appropriate inquiries in time and inform the Board promptly of the status.
- d) The listed Company shall formulate whistle- blower policy and make employees aware of such policy to enable employees to report instances of leak of unpublished price sensitive information.
- e) If an inquiry has been initiated by a listed Company in case of leak of unpublished price sensitive information or suspected leak of unpublished price sensitive information, the relevant intermediaries and fiduciaries shall co-operate with the listed company in connection with such an inquiry.

**5(b)**

**Abuse of Dominant Position**

- a) when a party directly or indirectly, imposes unfair or discriminatory condition in purchase or sale of goods or service; or Price in purchase or sale (including predatory price) of goods or service; or
  - b) Indulges in practice or practices resulting in denial of market access; or
  - c) Uses its dominant position in one relevant market to enter into, or protect, other relevant market. "dominant position" means a position of strength, enjoyed by an enterprise, in the relevant market, in India, which enables into-
- (i) Operate independently of competitive forces prevailing in the relevant market; or

- (ii) affect its competitors or consumers or the relevant market in its favour.

**“predatory price”** means the sale of goods or provision of services, at a price which is below the cost, as may be determined by regulations, of production of the goods or provision of services. The basic motive behind such a move is to reduce competition or eliminate the competitors.

**6(a)**

- (i) FDI has been notified to be prohibited in the following sector
- Lottery Business including Govt/Private Lottery, online Lottery
  - Gambling and betting including casinos
  - Chit funds (except for investment made by NRIs and OCIs on a non-repatriation basis.
  - Nidhi Companies
  - Trading in transferable development rights
  - Real Estate business or Construction of Farm businesses
  - Manufacturing of Cigars, Cheroots, cigarillos and cigarettes of tobacco
  - Atomic Energy and railway operations / Activities or sectors not open for private sector investments
  - Any investment by a person who is a citizen of Bangladesh or Pakistan or is entity incorporated in Bangladesh or Pakistan requires prior Central Govt. Approvals.
- (ii) The provision of FEMA 1999 allows the domestic borrowers to park the funds under external Commercial Borrowings to be parked until they become ready to be utilized and are listed as below:
- **Parking of ECB proceeds abroad** ECB proceeds meant only for foreign currency expenditure can be parked abroad pending utilization. Until their final utilization, these funds can be utilized in few specified liquid assets.
  - **Parking of ECB proceeds domestically** ECB proceeds meant for INR expenditure should be repatriated immediately for credit to their rupee Accounts with Authorized Dealer category 1 banks in India. The domestic borrower can park the proceeds with a category 1 AD through creation of deposits for a period maximum upto 12 months.

**6(b)**

- (i) **Non-performing Asset:** “Non-performing asset” means an asset or account of a borrower which has been classified by a bank or financial institution as sub standard, doubtful or loss asset. (a) in case such bank or financial institution is administered or regulated by any authority or body established constituted or appointed by any law for the time being in force, in accordance with the directions or guidelines relating to assets classifications issued by such authority or body. (b) in any other case, in accordance with the directions or guidelines relating to assets classifications issued by the Reserve Bank of India.
- (ii) **Qualified buyer:** “Qualified institutional buyer” means a financial institution, insurance company, state financial corporation, state industrial development corporation, trustee or asset reconstruction company which has been granted a certificate of registration under sub-section(4) of section 3 or any asset management company making investment on behalf of mutual fund or a foreign institutional investor registered under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulations made thereunder, or any other body corporate as may be specified by the Board.
- (iii) **Securitisation :** “Securitisation” means acquisition of financial assets by any asset reconstruction company from any originator, whether by raising of funds by such asset reconstruction company from qualified buyers by issue of security receipts representing undivided interest in such financial assets or otherwise.



### 7(a)

**Digital MSME Scheme** The digital MSME is a Govt scheme for the MSME that was launched for promoting information and communication technology (ICT) in the MSME Sector by adopting ICT tools and applications in the production and business process of MSMEs. The services that will be available for MSMEs through various service providers include:

- ERP
- Accounting
- Manufacturing Design
- Regulatory Compliance including GST

The digital MSME Scheme is aimed at creating awareness supporting developments and e-platforms, thereby creating literacy, training and promoting digital marketing in MSME sectors. **Emergency Credit Line Guarantee Scheme (ECLGS)** The ECLGS was launched by the Govt of India as a special scheme, considering the Covid-19 crisis. The scheme aims to provide 100% guarantee coverage to banks and NBFCs to enable them to extend emergency credit facilities to business enterprises / MSMEs in view of Covid-19 to meet their additional term loan or additional working Capital requirements. Recently, the Govt extended the ECLGS to 31<sup>st</sup> March 2023 with purpose to provide relief to MSMEs. 100% Guarantee coverage for the additional funds sanctioned under the emergency credit line scheme. The scheme is attractive enough with a moratorium of period of 12 months on Principal amount with interest capped at 9.25% for the Banks and 14% for the NBFCs.

### 7(b)

(i) **The Process of Money Laundering** used by launderers is as follows:

**Placement:** Under this the Launderer introduces large chunks of illegal funds by breaking it into smaller less conspicuous sums and depositing the same in Bank accounts or by purchasing Bank drafts and following which the money is deposited in some other accounts at different locations.

**Layering:** The launderer then engages in a series of conversion and funds movement within the banking system so as to hide them or distance themselves from the criminal sources of funds.

**Integration:** The launderer then reaches the third stage wherein the illegal funds are totally mixed up with legitimate economy and he is ready to invest the funds into real Estate, business ventures, luxury assets etc.

(ii) **Cyber crimes under IPC and special laws.**

- a) Sending threatening messages by email-Sec 503 IPC
- b) Sending defamatory messages by email- 499 IPC
- c) Forgery of electronic records – 463 IPC
- d) Bogus websites, cyber frauds – Sec 420 IPC
- e) Email abuse – Sec 500 IPC

## SECTION - C

### 8(a)

(i) The auditor under section 139 may be removed from his office before the expiry of his term only by a special resolution of the Company and after obtaining prior approval of the Central Government by making an application in E-form- ADT-2 and shall be accompanied with the prescribed fees. The above stated application shall be made to the Central Govt within 30 days of the resolution passed by the Board of Directors. The Company shall hold the General Meeting within 60 days of receipt of approval of the Central Govt for passing the special resolution. The Auditor concerned shall be given an opportunity of being heard. If the Auditor is removed, then a new Auditor has to be appointed by the Board due to the casual vacancy caused thereafter in the next General meeting called.

- (ii) If the Auditor has resigned from the company, He shall file within a period of 30 days from the date of resignation, a statement in the form ADT 3 with the Company and the concerned Registrar. The Auditor shall indicate the reasons and other facts as may be relevant with regard to his resignation in his statement.
- (iii) If the Auditor gives a qualified Report, the same has to be replied by the Board of Directors as annexure to Board's Reports and shall be circulated and placed in AGM.

**8(b)**

- (i) Note for Directors Our Company, Fast Technology, is an unlisted Company and SEBI regulations do not apply. However, the Company has to comply with FEMA, 1999 regulations in respect of issue of share to Foreign Investors. As per existing FDI regulations, No Govt. approval is required. Nor our Company requires relevant approvals from RBI. The Investment is within the limit. Once we receive the remittance in respect of Shares, we need to intimate RBI as per laid down procedure.
- (ii) The Share certificates have to issued in dematerialized mode. There is no restriction on repatriation of dividend to the Foreign investor which will be subject to withholding taxes as per Indian tax laws.

The shares shall have same voting and other associated rights.

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