

# THE ORACLE

MANGALURU BRANCH (SIRC) E-NEWSLETTER

VOLUME 02 | ISSUE 08 | SEPTEMBER- OCTOBER 2025 | MANGALURU



**SEPTEMBER 2025**

Page 1

# UPCOMING EVENTS



# OCTOBER 9

## Seminar on Tax & Company Audit

## CHAIRMAN'S MESSAGE



*CA. Prashanth Pai K.*

*Chairman- ICAI Mangaluru Branch*

Dear Members,

Warm greetings !

As we navigate the heart of the tax audit season, I would like to take a moment to share a brief recap of the productive activities we conducted in September and outline our plans for the coming month.

September 2025 was a month of Learning and Gratitude. The month began on a note of reverence and appreciation as we celebrated Teachers' Day on September 5th. We were honoured to have Dr. Dayananda Naik as our Chief Guest, who shared his insightful views on the profound impact of educators. The event was a fitting platform to felicitate and express our heartfelt gratitude to our esteemed faculty members, who work tirelessly to shape the future of our profession.

Subsequently, on September 19th, we organized a highly informative seminar on "Latest Developments in GST" featuring the renowned CA Akshay M Hiregange as our resource person. The session provided invaluable insights into the evolving GST landscape, equipping our members with crucial knowledge for their practice.

We are acutely aware that October is a critical month where every member is deeply engaged in meeting the deadline for tax audits. In light of this, the Branch has decided to provide a brief respite from a packed event calendar to allow you to focus entirely on your professional commitments.

However, understanding the need for guidance during this period, we have planned a key technical session:

Seminar on Tax Audit & Company Audit on October 9th, 2025 and CA Abhishek Murali and CA Jomon K George are the resource persons.

This seminar is designed to be a precise and powerful refresher, helping you navigate the intricacies of audit assignments with confidence. We encourage all members to block their calendars.

We wish you all a very successful and productive tax audit season. Let us power through this demanding period, and we promise to return with renewed energy and a vibrant lineup of activities for November 2025.

Wishing you all the very best.

**\*"Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning, and focused efforts"\***

Warm regards,

CA Prashanth Pai K  
Chairman,  
ICAI Mangalore Branch

From the Editor's Desk



Dear Esteemed Members,  
Warm greetings from the Mangaluru Branch of SIRC of ICAI!

As we step into September, the rhythm of the professional calendar keeps us steadily engaged. The month carries with it a sense of transition—from the monsoon's retreat to the onset of festive anticipation, and from mid-year reviews to upcoming audit and compliance deadlines.

August was a memorable month for all of us. We proudly celebrated the 79th Independence Day, reflecting on our nation's remarkable journey of resilience and reform. Adding to the pride, our Mangaluru Branch of SIRC of ICAI received the Best Branch Award (Medium Category) at the AAKKAM Regional Conference of SIRC. This recognition belongs to each one of you—our members—whose continued participation, enthusiasm, and support have made our branch a benchmark of excellence within the region.

Professionally, September is one of the most demanding months in our calendar. With the extended due date of 15th September for filing Income Tax Returns for companies, firms, and other audit cases (other than those covered under transfer pricing), along with the due date for payment of the second instalment of Advance Tax, members are already deeply engaged in compliance work. The 30th of September also marks the due date for filing Tax Audit Reports (Forms 3CA/3CB/3CD) and Form DIR-3 KYC under the Companies Act. The upcoming 56th GST Council Meeting is also expected to bring further clarifications and procedural refinements, keeping us ever alert and adaptive.

This edition of our E-Bulletin continues to highlight the intellectual strength of our members, featuring articles authored by fellow professionals. These contributions reflect not only technical expertise but also the spirit of collaboration and continuous learning that defines our profession. I encourage more members—especially our young CAs—to share their insights, experiences, and thought leadership in forthcoming editions.

As we move deeper into the financial year, let us continue to uphold our professional values of integrity, independence, and excellence, while embracing the evolving landscape of technology, regulation, and opportunity.

Wishing you all a fruitful and fulfilling September!

Warm regards,  
CA. B Krishnananda Pai  
Editor – E-Bulletin  
Mangaluru Branch of SIRC of ICAI

### **Case Laws in Company Law that Induced Changes in the Companies Act, 2013 and Rules**

This article examines select landmark judicial decisions in Indian corporate jurisprudence that materially influenced the drafting, content or subsequent interpretation of the Companies Act, 2013 and the subordinate rules. The analysis is written for experienced chartered accountants, company secretaries and corporate lawyers, practitioners who require a professional, technically rigorous treatment that combines statutory references, corporate case studies, and numerical illustrations that illuminate practical application.



**Rahul Sharma**

**FCA, MBA(Fin.), LL.b., CAIIB**

**Chartered Accountant & Banker**

We focus on four categories of judicial influence:

1. Corporate governance and accounting scandals (illustrated by Satyam Computer Services Ltd.)
2. Investor protection and public/deposit mobilisation (illustrated by Sahara)
3. Remedies for oppression and mismanagement — jurisdiction and scope (illustrated by Tata Sons v. Cyrus Mistry)
4. Doctrines that permit courts to look beyond corporate personality (lifting/piercing the corporate veil)

For each area we summarize the judicial facts and holdings, (b) explain the Companies Act provisions that were introduced or clarified as a direct or proximate legislative response, and (c) provide corporate-level examples and numerical illustrations showing the implications for accountants and auditors.

## Corporate governance and accounting scandals — the Satyam episode

Background and judicial / regulatory response:

The Satyam Computer Services fraud (publicly revealed in January 2009) exposed deliberate manipulation of revenue, fictitious cash balances and fabricated payroll. The immediate regulatory aftermath involved criminal investigation (CBI), regulatory action by SEBI and intense public policy debate. The Satyam episode is widely considered a proximate cause for many features of the Companies Act, 2013 (and related rules) that strengthened audit independence, board oversight and minority remedies: mandatory independent directors in specified companies (Section 149), audit committees with prescribed duties (Section 177), mandatory rotation of auditors (Section 139 and related rules), and a statutory class action mechanism (Section 245). These changes aimed to reduce single-point failures in governance and provide better legal recourse to dispersed shareholders.

Corporate case study — Satyam: quick facts and a numerical illustration

Quick facts (practitioner summary)

- Date of public disclosure: 7 January 2009 (chairman's confession).
- Approximate scale of recognised fraud (as reported in public filings and investigations): upwards of ₹7,000 crore (various sources reported ranges up to ₹12,000 crore when ancillary claims and adjustments are included).
- Key governance failures: dominant promoter control, weak board oversight, audit collusion and inadequate external checks.

Numerical illustration (how audit rotation and independent directors change the risk profile)

Assume a listed company ABC Ltd. showing reported cash & bank balance of ₹2,500 crore and yearly net profit of ₹800 crore. If a similar-scale accounting fabrication (say 30% overstatement of cash balances and 20% of revenue) were present, the misstatement amounts would be:

- Inflated cash: 30% of ₹2,500 crore = ₹750 crore.
- Inflated revenue (assume revenue ₹6,000 crore): 20% of ₹6,000 crore = ₹1,200 crore.

Total material misstatement in the balance sheet/income statement magnitude = ₹1,950 crore.

Governance mechanics — role of independent directors and audit committees:

- With mandatory independent directors (one-third of board for listed companies), audit committee oversight and mandatory disclosures by the auditor, the chances of prolonged concealment fall because (a) independent directors are required to meet and examine records, (b) audit committee receives detailed information from management and external auditors, and (c) rotation of audit firm/partner reduces the long-term cozy relations that can facilitate collusion.

## **Class action and minority investor protection — statutory insertion (Section 245)**

Why the change was needed:

Before the Companies Act, 2013, Indian shareholders injured by corporate fraud often lacked an efficient collective remedy. In contrast, foreign investors in the Satyam litigation filed securities class actions abroad. The new Act introduced Section 245 (Class Action) and Section 246 (Procedure), permitting members or depositors who meet the threshold to approach the Tribunal collectively seeking specific reliefs: injunctions, restitution, damages and orders against auditors and directors.

Practical implication for practitioners:

- Thresholds and lead applicant rules make Tribunal procedures streamlined but require careful case management.
- For auditors and statutory professionals, the inclusion of auditors and audit firms as potential defendants in class actions increased professional liability exposure, motivating firms to strengthen documentation and internal quality control systems.

## **Investor protection and deemed public issue — Sahara (SEBI v Sahara)**

Judicial facts and consequence:

The Sahara litigation (Sahara India Real Estate Corporation Ltd. v. SEBI and related cases) concerned mobilization of money via optionally fully convertible debentures (OFCDs) sold to millions of small investors. The Supreme Court (and earlier tribunals) treated such mobilisations as 'public' in substance despite private placement labels, directing refunds and strict oversight. The Sahara controversy highlighted gaps where corporate forms and private placement devices were used to access public savings beyond statutory thresholds.

Statutory and regulatory response:

- The Companies Act 2013 and subordinate rules clarified and strengthened provisions on private placements (Section 42), acceptance of deposits (Sections 73–76), and strengthened disclosure obligations. While SEBI's regulation of securities falls under SEBI Act, the Sahara case led to greater coordination between SEBI and the Ministry of Corporate Affairs, and to rule-making that tightened the ambit of private placements and penalties for mislabelling public subscriptions.

Practical note for compliance officers:

- A company planning any fundraising must test any offer against the economic substance test: number of offerees, degree of retail distribution, communication modes used, and the pricing/terms. Failure to classify correctly may convert a 'private' activity into a 'deemed public issue' with severe compliance consequences and refund liabilities.

## **Oppression, mismanagement and the scope of remedies — Tata Sons v Cyrus Mistry**

Case facts and judicial holding:

The Tata Sons — Cyrus Mistry litigation (company petitions under Sections 241–244) was an extended corporate governance dispute that reached the Supreme Court and provoked deep analysis of the powers of tribunals, meaning of 'oppression and mismanagement' and the scope of remedies under the Act. The Supreme Court ultimately held (March 26, 2021) that NCLAT had limited powers to reinstate a removed chairman and that the powers conferred by Sections 241/242 do not ipso facto permit reinstatement where the company's internal governance actions had reasonable justification.

How that affected practice and the Act's interpretation:

- The case clarified that removal of a person as chairman or director by board processes will not be lightly converted into an 'oppression' remedy unless the act is shown to be prejudicial and disproportionate.
- Practitioners must therefore draft board resolutions, minutes and processes with utmost care — documentary evidence of 'due process' in removal and appointments is the key line of defence.

Corporate case-study illustration:

- Suppose a promoter group with 18% stake is removed from executive office under a board resolution passed by a majority representing 65% of voting rights recorded in the minutes. If the removed executive alleges oppression, the Tribunal will examine whether the removal was a bona fide business decision or a sham to oust minority influence. The Tata judgment emphasises requirement of cogent evidence of prejudice beyond mere strategic loss of position.

## **Piercing or lifting the corporate veil — judicial trends and statutory cross-references**

Doctrinal background:

The Salomon principle (UK) — that a company has a separate legal personality — remains the starting point; however Indian courts have developed a robust set of exceptions permitting the courts to look beyond the company in cases of fraud, sham, agency, or evasion of statute. The Companies Act, 2013 contains express and implied hooks (e.g., provisions that allow for attaching personal liability in offences where directors are responsible) and the Insolvency & Bankruptcy Code (2016) and other statutes interact with companies law to limit abusive use of limited liability.

Case examples and practitioner implications:

- Courts will examine whether the company acted as a façade to conceal the true facts, whether persons in control siphoned funds, or whether corporate form was used to avoid statutory duties. For compliance and auditing teams, this means enhanced procedures where related-party transactions, promoter guarantees, intra-group loans and off-balance sheet arrangements are concerned.

Numerical illustration — related party transaction that triggers veil-lifting risk:

- Suppose Group Co A lends ₹200 crore to Group Co B (100% subsidiary) on commercial terms. Group Co B then transfers ₹180 crore to promoter-controlled entity for “consulting services” with limited supporting documentation. Over time, creditors of Co B suffer losses and seek relief. If evidentiary records show the flow was a promoter siphon disguised as intra-group transaction, courts may pierce the veil and hold promoters/directors personally liable for ₹180 crore plus penalties and interest.

### **Practitioner checklist — what Chartered Accountants should strengthen**

- Board minutes and resolution hygiene: precise recording of discussions, dissent, attendance, and independent director observations.
- Audit working papers: contemporaneous evidence for confirmations, bank reconciliations, revenue cut-off tests, and substantive sampling.
- Related-party transaction (RPT) documentation: valuation reports, independent quotations, approvals and audit committee clearances.
- Private placement and deposit compliance: maintain investor lists, cut-off limits, and proof of offerees to rebut any 'deemed public issue' claim.
- Training and quality control: rotation of partners, robust engagement letters, 'tone at the top' checks and whistleblower mechanisms.

### **Annexure — selected statutory references & landmark judgments**

- Companies Act, 2013: Sections 139 (Audit & Auditors — rotation), 149 (Board — independent directors), 177 (Audit Committee), 245–246 (Class Action), 42 (Private Placement), 73–76 (Deposits).
- Satyam Computer Services Ltd. (public disclosure January 2009) — regulatory aftermath included strengthened audit & board provisions in Companies Act, 2013 and SEBI reforms.
- Sahara India Real Estate Corporation Ltd. v. SEBI — litigation on 'deemed public issue' and refunds.
- Tata Sons v. Cyrus Mistry (Supreme Court judgment March 26, 2021) — interpretation of Sections 241–242 and limits on reinstatement remedies.

### **Bibliography / Suggested reading**

1. Alvarez & Marsal, 'Seven years after the Satyam Computers Fraud' (analysis).
  2. Supreme Court of India judgment: Tata Sons v. Cyrus Mistry, Judgment dated March 26, 2021 (available on official Supreme Court site).
  3. Various practitioner notes on Class Action under Companies Act, 2013 (Section 245) — Taxmann, Vinod Kothari, Ipleaders.
  4. Articles and working papers on auditor rotation and independence (IIMB working papers, ICAI technical notes).
- (Select URLs and judgments were consulted during the research and should be retained in working bibliography for formal citation in professional submissions.)

Prepared by: Rahul Sharma, FCA — For professional use. This document summarises case law trends and practitioner implications and is not legal advice.

#### **DISCLAIMER:**

THE VIEWS AND OPINIONS EXPRESSED OR IMPLIED IN THIS E-NEWSLETTER ARE THOSE OF THE AUTHORS OR CONTRIBUTORS AND DO NOT NECESSARILY REFLECT THOSE OF THE MANGALURU BRANCH OF SIRC OF ICAI.

# **THE MONTH GONE BY SEPTEMBER 2025**

## **TEACHERS' DAY ON SEPTEMBER 5TH**



## **THE MONTH GONE BY SEPTEMBER 2025**

### **LATEST DEVELOPMENTS IN GST**



## MEDIA COVERAGE



ಕರಂಗಲ್ಪಾಡಿ: ಮಂಗಳೂರಿನ ಕರಂಗಲ್ಪಾಡಿಯ ಐಸಿಎಐ ಭವನದಲ್ಲಿ ಶಿಕ್ಷಕರ ದಿನಾಚರಣೆ ಜರಗಿತು. ಮಂಗಳೂರು ವಿಶ್ವವಿದ್ಯಾಲಯದ ನಿವೃತ್ತ ಪ್ರಾಧ್ಯಾಪಕ ದಯಾನಂದ ಅವರು ಮುಖ್ಯ ಅತಿಥಿಯಾಗಿ ಪಾಲ್ಗೊಂಡು ಶಿಕ್ಷಕರು ಮತ್ತು ವಿದ್ಯಾರ್ಥಿಗಳ ನಡುವೆ ಪ್ರೀತಿ, ವಾತ್ಸಲ್ಯ, ಮೌಲ್ಯಗಳನ್ನು ಬೆಳೆಸುವ ಮಹತ್ವದ ಕುರಿತು ಮಾತನಾಡಿದರು. ಈ ಕಾರ್ಯಕ್ರಮದಲ್ಲಿ ಐಸಿಎಐನ ಅಧ್ಯಾಪಕ ಸಮರ್ಪಣೆ ಮತ್ತು ಕೊಡುಗೆಗಳಿಗಾಗಿ ಸ್ಮಾನಿಸಲಾಯಿತು. ಅಧ್ಯಕ್ಷ ಸಿಎ ಪ್ರಶಾಂತ್ ಪೈ ಕೆ., ಸಿಕಾಸ ಅಧ್ಯಕ್ಷ ಸಿಎ ನಿತೀನ್ ಬಾಳಿಗಾ, ಖಜಾಂಚಿ ಬಾಲಸುಬ್ರಹ್ಮಣ್ಯ ಎನ್., ವ್ಯವಸ್ಥಾಪಕ ಸಮಿತಿಯ ಸದಸ್ಯ ಸಿಎ ಗೌರವ್ ಹೆಗ್ಡೆ ಸಿಕಾಸ ಉಪಾಧ್ಯಕ್ಷ ಭೂಮಿಕಾ, ಸಿಎ ವಿದ್ಯಾರ್ಥಿನಿ ಪಲ್ಲವಿ, ಸಿಕಾಸ ಕಾರ್ಯದರ್ಶಿ ಅದಿತಿ, ಪ್ರಮುಖ ಸದಸ್ಯರು ಭಾಗವಹಿಸಿದ್ದರು.

## **EDITORIAL BOARD**



**CA. Prashanth Pai K**



**CA. B Krishnananda Pai**

**The Managing Committee of Mangalore Branch of SIRC of ICAI invites articles, write-ups and other similar materials in the areas of Accounting, Taxation or any other subject of professional interest for publishing in its E-Bulletin. The articles submitted for consideration of publication should be of 2000-4000 words typed. Soft copy of the article, along with the author's photograph may be sent to [mangaluru@icai.org](mailto:mangaluru@icai.org) .**

**Feedback on this e-bulletin can be sent to the editorial team at [mangaluru@icai.org](mailto:mangaluru@icai.org) .**

### **Committee Members**

**CA. Daniel Marsh Pereira | CA. Mamta Rao | CA. Balasubramanya N |**

**CA. Bantwal Nithin Baliga | CA. Gaurav R Hegde**

### **Disclaimer:**

This E-Newsletter is purely for internal circulation for the branch's members and its students only, and cannot be used for any professional & commercial purpose. The views and opinions expressed or implied in this E- Newsletter are those of the authors or contributors and do not necessarily reflect those of the Mangaluru Branch of SIRC of ICAI. Unsolicited articles and transparencies are sent in at the owner's risk and the publisher accepts no liability for loss or damage. Material in this publication may not be reproduced, whether in part or in whole, without the consent of the Mangaluru branch.