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ANALYSIS OF THE RECENT DEVELOPMENTS IN CORPORATE LAW: IMPLICATIONS FOR PRIVATE COMPANIES

Ajeet Singh¹

I. ABSTRACT

This article analyses the latest modifications in Corporate Law or Business law in India and how these modified laws impact Private companies or the Private sector. The Companies Act of 2013 has been amended to improve the administration and accountability of companies. The '*Satyam Computer Service Ltd. Vs Serious Fraud Investigation Office*'² landmark case contributed to major Amendments to the Companies Act of 2013, which shows that companies need independent directors to provide neutral surveillance, and audit committees are essential to ensure truthfulness and integrity. These major amendments are as follows: (1) Compulsory independent directors, (2) Separate meetings for independent directors, (3) Compulsory audit committee, and (4) Consolidated audit committee responsibilities. '*Samsung Vs Union of India*'³ case has also led to a significant development in Corporate Law, specifically in the field of Corporate Social Responsibility, which explains that companies must utilize 2 per cent of their profits on Corporate Social Responsibility practices by 'section 135 of the Companies Act of 2013'⁴ and all private companies must tell their Corporate Social Responsibility practices and expenses in the Financial Report. This case ruling has implications for all private companies of India whose net worth of Rupees 500 crore or more must utilise 2 per cent of their average profit on Corporate Social Responsibility and private companies must develop 'Corporate Social

¹ Ajeet Singh is a student of Fourth Year- BA LLB(Hons.) at Heeralal Yadav Law College, Lucknow.

² *Satyam Computer Services Limited v Serious Fraud Investigation Office.*, Supreme Court of India, Civil Appeal No. 7455 of 2018

³ *Samsung Heavy Industries Limited. v Union of India.*, Supreme Court of India, Civil Appeal Nos. 10179-10180 of 2017

⁴ Companies Act 2013, section 135

Responsibility'⁵ policies and strategy by 'schedule 7th of the Companies Act, 2013'⁶. Private companies must focus on corporate government and social responsibility for sustainable growth and trust from society and investors.

II. KEYWORDS:

Corporate law, Private companies, Companies Act of 2013, administration, accountability, independent directors, and Corporate Social Responsibility.

III. INTRODUCTION

The structure of Corporate Law in India has experienced important changes in recent years, especially relating to rules and regulations that govern corporate governance, financial statements, and shareholder rights. As the trade practices in India grow the legal structure controlling it, particularly in the setting of private companies. These modifications introduced by major amendments to statutes such as the Companies Act of 2013, SEBI regulations, and the Insolvency and Bankruptcy Code, represent a wider International Pattern towards enhanced accountability, transparency, and fairness in trade practices.

This article will analyse the recent developments in Indian corporate law and their important implications for private companies. These legislative changes are developed not only to improve the security of shareholders and investors but also to verify that companies comply with international best practices in financial reporting, governance, and corporate social responsibility. Corporate law is also known as Business law or Company law. The term Corporate Law is made from the amalgamation of two words: corporate and law. Corporate means enormous companies or businesses with several workers and offices and Law means the set of rules and regulations. Therefore, corporate law means the rules and regulations that

⁵ Anand Kumar, "Analyzing SEBI's Proposed Voluntary Delisting of Equity Shares: Alternative to Reverse Book Building Process" (10 December 2023) Extract Law Blog (<https://extractlaw.wordpress.com/2023/12/10/analyzing-sebi-proposed-voluntary-delisting-of-equity-shares-alternative-to-reverse-book-building-process/>) accessed [30th December 2024]

⁶ Companies Act 2013, Schedule 7

concern big companies or businesses, their offices, and the workers working within these companies or corporations.

This article examines how recent developments in corporate laws implemented increased regulatory obligations and remodelled business objectives for private companies. The amendments required companies to make three main changes:

1. Independent directors
2. Enhanced Corporate Social responsibility obligations
3. Improved dispute resolution procedures

The above three changes have made private companies to establish a system of checks and balances. Consequently, private companies must improve their management systems, giving priority to shareholders' interests and donating some capital to public welfare. Additionally, these modifications have created dual responsibilities for private companies: following the updated guidelines to grow sustainably, building trust with investors, and upholding the company's reputation.

IV. OBJECTIVES

The main objectives of this article are as follows:

1. To study recent developments in corporate law and their implication for private sectors.
2. To discuss important cases related to the topic of this article.
3. To give justiciable opinions and suggestions to private sectors.
4. To provide extra knowledge to law students and working professionals.

V. RECENT DEVELOPMENTS IN SEBI REGULATIONS:

SEBI stands for Securities and Exchange Board of India; it was established in 1988 and serves as the primary regulatory body for the securities market in India. SEBI's role is to safeguard the investor's interest, regulate the securities market, oversee market intermediaries, prevent market manipulation, enforce securities laws, and promote market development.

The recent developments in SEBI regulations are as follows:

1. 'SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015'⁷. This regulation defines the requirements of all listed companies to make sure transparency and equality in their transactions. It also includes essential parts such as corporate governance, shareholders rights and disclosure of financial reports. This regulation.
2. 'SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011'⁸. This regulation: (a) protects investors through transparency, complete disclosure and suspension of fraudulent activities, (b) advertises fair market procedures, (c) supervises significant acquisitions with a 25 % threshold and takeover procedures for unbiased transactions.
3. 'SEBI (Delisting of Equity Shares) Regulations, 2021'⁹. This Regulation (a) protects the interests of investors in Securities and guarantees a lawful and transparent market, (b) governs and develops the securities market and stops unlawful activities in the market.
4. 'SEBI Listing Obligation and Disclosure Requirements (Second Amendment) Regulations of 2023'¹⁰. This amendment gives strength to listing liabilities and disclosure requirements for all listed companies.

VI. IMPLICATIONS OF SEBI REGULATIONS OF 2011, 2015, 2021, AND 2023 ON PRIVATE COMPANIES

- Private companies are required to reveal acquisitions if it is more than 25% of shares and financial reports.
- Private companies are required to follow guidelines of takeover procedure, valuation of shares, and corporate governance.

Guidelines for takeover producers are:

⁷ SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, Gazette of India, 2 Sept. 2015

⁸ SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011, Gazette of India, 23 September 2011

⁹ SEBI (Delisting of Equity Shares) Regulations 2021, Gazette of India, November 17, 2021

¹⁰ SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations 2023, Gazette of India, May 23, 2023

- i Pre offer;
- ii Public announcement,
- iii Open offer, and
- iv Post offer.

Guidelines for the valuation of shares procedure are:

- i Minimum offer price,
- ii fair price, and
- iii valuation report.

Guidelines for corporate governance are

- i Board composition of 50% independent directors,
 - ii shareholders' approval,
 - iii disclosure, and
 - iv protect minority shareholders
- Private companies are required to prioritize shareholders' interests and safeguard shareholders' rights and equality in their transactions.
 - Private companies are required to follow outlined financial reporting guidelines.

These guidelines are:

- i Sharing regular financial reports,
 - ii following accounting laws,
 - iii disclosing big financial changes, and
 - iv submitting auditors' reports.
- Private companies which are not following these regulations may face economic or financial sanctions or monetary penalties, reputation damages, and dismissal of license.

VII. SOME MAJOR CHANGES IN CORPORATE LAWS AND THEIR IMPLICATION ON PRIVATE COMPANIES.

The '**TCS Ltd vs Cyrus Investment Pvt Ltd**'¹¹ case is also known as the Tata-Mistry case, it has caused a major development in the '**Companies Act of 2013**'¹² which affects the private sectors in India. Contentious issues arose from the dismissal of Cyrus Mistry as Chairman of Tata Sons, issues raised in this case were oppression and mismanagement, minority shareholder protection, shareholder agreement and valuation of shares. The court ruled in this case that the dismissal of Cyrus Mistry was not oppression and mismanagement.

The following Amendment in the 'Companies Act of 2013'¹³ from the above case:

1. 'Explains the range of oppression and mismanagement and gives the importance of shareholders' agreement'¹⁴.

(i) The range for oppression:

- i Prejudiced management of shareholders,
- ii misuse of authority,
- iii disobeying the shareholder agreement and
- iv neglecting minority interest in the shareholder agreement.

(ii) The range for mismanagement:

- illegal actions,
- Ineffective company management
- violating rules and regulations and
- Inefficient financial management.

2. 'Help minority shareholders who face injustice'¹⁵.

These provisions are:

¹¹ *Tata Consultancy Services Limited v. Cyrus Investments Private Limited and Ors.*, Supreme Court of India, Civil Appeal Nos. 440-441 of 2020

¹² Companies Act, 2013 (No. 18 of 2013), Gazette of India, Extraordinary, Part II - Section 1, dated August 29, 2013

¹³ Companies Act, 2013 (No. 18 of 2013), Gazette of India, Extraordinary, Part II - Section 1, dated August 29, 2013

¹⁴ Companies Act 2013, section 241

¹⁵ Companies Act 2013, section 244

- The court can order to make correct records to show the true shareholding,
- The court can order to remove managers or directors who are held liable for being guilty of oppression or mismanagement,
- the court can order companies to pay compensation to affected shareholders.

3. 'Enhanced protection for minority shareholders and given provision through which minority shareholders can file the suit in the court'¹⁶.

These provisions are:

- right to apply for class action,
- shareholders having 100 shares or at least 10% of shares in a company can file a suit against such company,
- conditions for filing suit are oppression, mismanagement, violation of rights and not following company rules.

4. 'Explains principles for the valuation of shares'¹⁷.

These principles are:

- Asset-based valuation includes book value, tangible asset value, and total asset value,
- Earning-based valuation includes P/E ratio and earning per share.
- Market-based valuation includes market capitalization, differentiable company analysis, and market multiple methods.

The tata-Mistry case has led to the following implications for private companies:

- Private companies need to have good governance rules.
- Private companies have to reveal shareholders' agreements and valuation reports.
- Private companies need to protect the interests of minority shareholders.
- Private companies need to comply with the amendments in the Companies Act of 2013.

¹⁶ Companies Act 2013, section 245

¹⁷ Companies Act 2013, section 247

- a) The '*Essar Steel India v RBI*'¹⁸ case has caused a major development in corporate law, specifically in the 'Insolvency and Bankruptcy Code of 2016'¹⁹ and the 'Companies Act of 2013'²⁰.

VIII. MAJOR AMENDMENTS/DEVELOPMENTS IN CORPORATE LAWS

A. Amendments in the 'Insolvency and Bankruptcy Code of 2016'²¹ are as follows:

- 'Insertions which protect companies from past mistakes'²²,
- 'Modifications which make sure fair payment to creditors'²³, and
- 'Insertion of section prohibiting disqualified entities from buying insolvent companies'²⁴.

a) Implication for Private companies from Amendments under IBC 2016

- Decreased financial burden.
- Enhanced protections for creditors.
- Strengthened management system of companies during their insolvency.

B. Amendments in the 'Companies Act of 2013'²⁵ is as follows:

- 'Modification empowers the National Company Law Tribunal to restore the name of a company if it was removed by a mistake'²⁶,

¹⁸ *Essar Steel India Ltd v Reserve Bank of India.*, Supreme Court of India, Civil Appeal Nos. 8766-67 of 2018

¹⁹ Insolvency and Bankruptcy Code, 2016 (No. 31 of 2016), Gazette of India, Extraordinary, Part II - Section 1, dated May 28, 2016

²⁰ Companies Act, 2013 (No. 18 of 2013), Gazette of India, Extraordinary, Part II - Section 1, dated August 29, 2013

²¹ Insolvency and Bankruptcy Code, 2016 (No. 31 of 2016), Gazette of India, Extraordinary, Part II - Section 1, dated May 28, 2016

²² Insolvency and Bankruptcy Code 2016, section 32(A)

²³ Insolvency and Bankruptcy Code 2016, section 53

²⁴ Insolvency and Bankruptcy Code 2016, section 29(A)

²⁵ The Companies Act, 2013 (No. 18 of 2013), Gazette of India, Extraordinary, Part II - Section 1, dated August 29, 2013

²⁶ Companies Act 2013, section 241

- 'Explains the National Company Law Tribunal's role to managing companies during Insolvency'²⁷ and
- 'Insertion empowers Central Government can now assign particular transactions as Financial Debt'²⁸.

1) Implication for Private companies from Amendments under the Companies Act 2013

- Motivation for business growth and investment.
- Systematized insolvency arrangement.
- Explanation of debt classification.

The '*ICICI Bank Ltd vs SEBI*'²⁹ case has caused a major development in corporate law. In this case, ICICI bank opposed SEBI's sanction for breaching disclosure norms connected to the Three Thousand Two Hundred Fifty Crore loan to Videocon group. Later, the Securities Appellate Tribunal affirmed SEBI's sanction.

The main amendments/developments in corporate laws are as follows from the above case:

- 1) All companies must disclose important information quickly.
- 2) Companies must get approval from company owners before doing business with their directors or executives.
- 3) Companies must have independent directors to supervise the company management system.
- 4) Companies must have experienced boards of directors with their proper roles and responsibilities.

Implications for Private companies from the above case are as follows:

- 1) To be transparent in business transactions,
- 2) To keep independent directors for supervision,
- 3) To keep business and personal matters separate,

²⁷ Companies Act 2013, section 242

²⁸ Companies Act 2013, section 247

²⁹ *Industrial Credit Investment Corporation of India Bank Limited V Securities Exchange Board of India.*, Securities Appellate Tribunal, Appeal No. 183 of 2017

- 4) To make sure a smooth business transition.

The '*McDowell & Co Ltd V CTO*'³⁰ case has caused a major development in corporate law. In this case,

McDowell & Co Ltd opposed the Karnataka Value-Added Tax Authority's decision to dismiss the tier's demand for a tax deduction on purchase goods. Later, the Supreme Court held that companies can claim tax relief for the materials and business expenses used to make those products, provided that such materials and business expenses are taxable.

2) The main amendments in the Companies Act of 2013 with implications for private companies from the above case are as follows:

a) Amendments related to corporate taxation are:

- 'Prohibition of expenses on payment related to parties'³¹,
- 'Cap on cash transactions'³², and
- 'Reductions permitted only on actual payment'³³.

Implications for Private Companies from the above amendments are as follows:

- i All dealings with parties must be done in a transparent impartial manner.
- ii Cash transactions cannot be over two lakhs.
- iii Payment must be made before companies can claim deductions.

b) Amendments related to compliance are:

- 'Submission of annual returns'³⁴,
- 'Registration of financial statement and Board's report'³⁵, and
- 'Designation of auditors'³⁶.

³⁰ *McDowell & Company Limited v Commercial Tax Officer.*, Karnataka High Court, Writ Petition No. 9055 of 2014

³¹ Companies Act 2013, section 40(a)(1)

³² Companies Act 2013, section 40(a)(2)

³³ Companies Act 2013, section 43(B)

³⁴ Companies Act 2013, section 90

³⁵ Companies Act 2013, section 134

³⁶ Companies Act 2013, section 139

Implications for Private Companies from the above amendments are as follows:

- i All Companies must send yearly reports on time within 60 days.
- ii All Companies must submit important documents such as financial reports to authorities on time.
- iii The company auditor must be changed after 5 years of tenure.

C. The 'Companies (Amendment) Act of 2023'³⁷

The Companies (Amendment) Act of 2023 has led to major amendments in the company law of India.

The important amendments are as follows:

- a) The Ministry of Corporate Affairs has modified laws for foreign companies registering in India: the foreign companies must give more information about their business which will help to monitor their activities. The New accounting standards have been launched for Indian companies: The main standards are:
 - to create unified accounting procedures across various business sectors,
 - to align India's accounting rules with global standards to ensure consistency,
 - to make companies openly share key financial details, giving stakeholders a clear picture of their performance, stability, and cash management, and
 - to create a clear framework for financial reporting, reflecting the true economic impact of business transactions.
- b) Regulations governing Limited Liability Partnerships have been revised: The main regulations are:
 - the forms SH-7, SH-8, and SH-9 have been modified to add more information such as voting patterns,
 - the default instances and promoter details, and
 - the LLP Agreement are now required to add nominee details.

³⁷ The Companies (Amendment) Act, 2023 (No. 1 of 2023), Gazette of India, Extraordinary, Part II - Section 1, dated October 27, 2023

- c) Guidelines for company management and administration have been published: The main guidelines are:
- all companies must appoint a person who can share all details about beneficial shareholders,
 - the appointed person can be a secretary, manager, and director of the respective company, and
 - companies must share details about the appointed person in the financial report.

Implications for the private companies:

- 1) All private companies must share who is the real owner of the company.
- 2) All companies must comply with unified accounting procedures.
- 3) Foreign companies must comply with modified laws for foreign companies registering in India.
- 4) All companies must keep an accurate record of their business and financial reports.

D. The 'Companies (Amendment) Act of 2020'³⁸

The Companies (Amendment) Act of 2020 has led to major amendments in the company law of India.

The important amendments are as follows:

A) All private companies need:

- i to maintain a register for beneficial ownership information,
 - ii to reveal more information about executive enumeration,
 - iii to dematerialise their shares, and
 - iv to reveal more details about their business.
- v This amendment decriminalised some offences which private companies commit; these offences are:
- failure to submit annual returns with the Registrar,

³⁸ The Companies (Amendment) Act, 2020 (No. 29 of 2020), Gazette of India, Extraordinary, Part II - Section 1, dated September 28, 2020

- failure to keep a register of charges,
- failure to submit information of charges with the Registrar,
- failure to keep a register of directors and executives, and
- failure to submit statements with the Registrar.

B) This amendment reduces the laws relating to Share Capital and Debentures.

These laws are as follows:

- a simplified framework for issuing shares, including private placement and rights issues,
- more flexibility in share capital structure, allowing companies to comply with changing business needs,
- a simplified framework for issuing debentures, including private placement and public issues and
- reduced compliance obligation for private companies in India, encouraging simplification of doing business.

C) This amendment reduces the laws regarding Related Party Transactions.

These laws are as follows:

- the prior approval of the board of directors is needed for Related Party Transactions,
- the prior approval of the shareholders is needed for Related Party Transactions exceeding a specific threshold,
- all companies must disclose Related Party Transactions in the financial report, and
- Related Party Transactions exceeding 10% of the company's yearly turnover or rupees 100 crore minimum is required for prior approval.

Implication for private companies:

- 1) All Private companies must share more information about owners, salaries and business.
- 2) All Private companies will have an advantage from decriminalising some offences, which will reduce penalties and compliance burden.

- 3) All Private companies should review and update their share capital and debenture documents to ensure compliance with simplified laws.
- 4) It will be easier for private companies to do Related Party Transactions with simplified laws.

IX. THE 'COMPANIES (ADJUDICATION OF PENALTIES) SECOND AMENDMENT RULES OF 2024'³⁹

The Companies (Adjudication of Penalties) Second Amendment Rules of 2024 came into force on 9th October 2024, this amendment simplified the dispute resolution process for the pending cases in the court. **The important amendments are as follows:**

- 1) This amendment enhances the threshold for penalty application and reduces the burden on private companies. The Penalty can be applied only when non-compliance violates the enhanced threshold.
- 2) This amendment simplified the dispute resolution process and made it more efficient and quicker. These provisions are as follows:
 - introduced a single-stage dispute resolution process and eliminated the need for multiple hearings,
 - enabled electronic filing and processing for the dispute resolution process,
 - reduced the documentation requirements for the dispute resolution process,
 - introduced time bound dispute resolution process and ensuring pending cases should be decided within the given time, and
 - simplified notice and hearing procedures for the quicker dispute resolution process.
- 3) This amendment reduces the timeline for the dispute resolution process and ensures quicker resolution of penalty proceedings. The simplified dispute resolution process reduces uncertainty and anxiety for private companies.

Implications for Private Companies:

³⁹ The Companies (Adjudication of Penalties) Second Amendment Rules, 2024, Notification No. G.S.R. 630(E), Gazette of India, Extraordinary, Part II - Section 3, Sub-section (i), dated October 9, 2024

- All private companies will get penalties for bigger faults only.
- Disputes will be solved quickly reducing uncertainty and anxiety for all private companies.
- The dispute resolution process will be faster and more efficient, and save time for all private companies.

X. CONCLUSION

The recent developments in the Corporate Law of India focus on accountability, transparency, and governance improvements that substantially impact private companies. The Companies Act of 2013, has been developed to certify that private companies implement higher governance guidelines, maintain shareholder's rights, and commit to Corporate Social Responsibility practices. These reforms bring both openings and obstacles for private companies. For example, the compulsory addition of independent directors, CSR spending, comprehensive financial disclosures, and regular audits strengthen operational transparency and require firms to commit to additional administrative resources. Private firms are now better positioned to achieve sustainable growth and navigate India's dynamic corporate landscape.

These amendments in corporate laws predict the future where private companies need to implement strategic management and visionary initiatives to stay ahead in the rapidly evolving regulatory environment. The main recommendations for private companies are as follows:

- 1) **Strengthening Corporate Governance:** All companies should keep mandatory independent directors, audit committees, and policies for the protection of minority shareholder's interests.
- 2) **Enhancing Corporate Social Responsibility:** All companies should donate some capital for public welfare and not donate capital for regulatory compliance.
- 3) **Integrating Technology:** All companies should use computers to obey rules, and financial reports and to solve problems.

- 4) **Building Financial Resilience:** All companies must disclose their financial report, control over money regulations, and follow all guidelines related to these reports.

The modifications in corporate law offer Indian private companies a chance to become global leaders in good governance and sustainability. By quickly adapting to these changes, private companies can gain a competitive advantage, build trust with investors and contribute to India's long-term economic growth.