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Compounding Of Offences Under The Companies Act, 2013

Arnav Joshi[1]

[1]B.A.LL.B. (Hons.) 4th Year, National Law University Delhi

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ABSTRACT
The Indian corporate regulatory regime is passing through a significant paradigm shift in India's corporate legal system, moving from a punitive to a more business-friendly and compliance-oriented regime, primarily through the mechanism of 'compounding of offences' under the Companies Act, 2013. Compounding of offences under the company law offers a structured settlement for technical and procedural defaults, enabling companies to avoid protracted criminal cases and allowing the judiciary to focus on more serious offences. This approach aligns with 'Restorative Justice' principles, aiming to correct mistakes rather than merely punishing management. Key legislative changes, particularly the Companies (Amendment) Acts of 2019 and 2020, have decriminalised many trivial offences, reclassifying them as civil wrongs and establishing a tiered framework that includes the in-house adjudication mechanism (IAM) alongside compounding. While these reforms have streamlined processes and reduced administrative backlogs, a persistent challenge lies in the lack of clear, statutory guidelines for calculating compounding fees, leading to unpredictability and inconsistency in judicial decisions. The paper highlights that the current system still suffers from procedural ambiguities, particularly regarding the distinction between adjudication by the Registrar of Companies (ROC) and compounding by the National Company Law Tribunal (NCLT) or Regional Director (RD). To further enhance predictability and efficiency, the paper proposes strategic recommendations, including the implementation of clear sentencing guidelines, increasing the pecuniary limits for Regional Directors, standardising joint compounding applications, establishing a central digital database for orders, and introducing 'safe harbor' provisions for insolvency resolutions. These reforms are crucial for achieving a truly predictable and transparent compliance system that supports the 'Ease of Doing Business' initiative in India..
Keywords— Compounding of Offences, Companies Act, Decriminalisation, Corporate Compliance, Restorative Justice..

1. INTRODUCTION:

India's corporate legal framework has undergone a significant transformation, shifting from a traditionally rigid and punitive legal framework to one that substantially emphasises a more tolerant and business-friendly compliance regime. Central to this philosophical reorientation is the mechanism of 'compounding of offences' under the Companies Act, 2013. This dynamic process allows companies and their officers to resolve technical and procedural defaults by paying a specified fee, thereby circumventing the complexities and delays associated with prolonged criminal litigation. The primary impetus behind this reform is to alleviate the substantial backlog of cases burdening India's courts, enabling the judiciary to concentrate on serious offences[1], while simultaneously facilitating businesses to operate without the constant threat of criminal prosecution. The voluntary character of the compounding process, in which companies are independent agents of the process, is representative of a system that espouses proactive correction, rather than punitive correction. Compounding in company law is fundamentally rooted in the principle of leniency; it recognises that mistakes can happen, and it gives companies and their officers an opportunity to correct those errors without facing the harshest penalties right away. This approach is designed to foster a more cooperative relationship between businesses and regulatory authorities, encouraging transparency and accountability while also promoting compliance. However, it is crucial to understand that this leniency is not synonymous with laxity. The law is not offering a blanket pardon for corporate missteps, nor is it allowing companies to sidestep their responsibilities once compounding is granted.

This research paper shall examine the evolution and practical application of compounding provisions, analysing how recent legislative amendments, particularly the Companies (Amendment) Acts of 2019 and 2020, have refined the corporate compliance regime. In this research work, the author shall explore the decriminalisation of minor offences and the establishment of a tiered framework that differentiates between adjudication by administrative bodies and the quasi-

[1] [1]Umakanth Varottil, Decriminalisation of Corporate Offences in India: A Case of Over-Reliance on Monetary Penalties (2021) 34(2) National Law School of India Review 201.

judicial process of compounding of offences in the company law. Despite these advancements aimed at enhancing the 'Ease of Doing Business', significant challenges persist, notably the lack of clear, statutory guidelines for determining compounding fees, which introduces an element of unpredictability and inconsistency in judicial outcomes. Through an analysis of key judicial pronouncements and legislative reforms, this research aims to highlight the successes and shortcomings of the current compounding framework and propose strategic recommendations for fostering a more predictable, transparent, and efficient corporate compliance environment in India.

PART I: THE EVOLUTION OF DECRIMINALIZATION AND CORPORATE COMPLIANCE

Compounding is best understood as a structured settlement, a process whereby a company or its officers, having committed a default, can pay a specified fee to the competent authority to settle the infraction[2]. This mechanism allows them to avoid the uncertainty and inconvenience of a protracted criminal case. It is not a means of absolving companies of all responsibility, but rather a pragmatic and efficient method to resolve technical and procedural defaults. As noted by legal scholars, it acts as a "corrective governance tool" rather than a purely punitive one. This reflects an international move towards 'Restorative Justice' in corporate law, which aims to correct the mistake, rather than imprisoning the management. Feelings of security and finality offered by the process of compounding in cases of regulatory or legal concerns are one of the main appeals of compounding to the companies. This is not merely procedural but can be considered legal. Once a compounding settlement has been undertaken, no regulator may subsequently revisit the same matter, and neither the company nor the individual who settled could later choose to appeal the matter. This principle is officially referred to as the Doctrine of Finality, which is one of the most significant principles of the appeal and usefulness of compounding in the justice system.

In India, the courts have continuously strengthened this doctrine, and thus it is evident that compounding is never a short-term solution or even a loophole, but a solution. As an example, in the case of S. Viswanathan v. Kerala State of Kerala (1993), the High Court pointed out that after a party had already paid the composition fee and settled, the state then could not reopen the case and raise any claims of extra dues or that there was an undisclosed malaise. The court compared the action of compounding to a contract; the government agrees to the sum of the settlement, and in exchange, it will be free to surrender its right to prosecute or further attempt the same crime. This reading is especially important to businesses because it provides them with the security against uncertainty and reputational risk of litigation continuance or re-emergence. Businesses can now comfortably proceed without fearing that the problem fixed might suddenly crop up and come and destroy their business or long-term plans.

The doctrine, however, is a two-edged sword guaranteeing fairness to both parties. The finality of compounding is not just a shield for companies but also a barrier to them seeking further remedies after the fact. In the case of S. V. Bagi v. State of Karnataka[3], the court made it explicit that once a compounding settlement is reached, the party that settled cannot later appeal or challenge the decision. This prevents individuals or businesses from attempting to gain the benefits of a quick settlement while retaining the option to contest the outcome if it later seems unfavourable. The effectiveness and reliability of compounding are important strategic benefits to companies. It enables them to invest more efficiently, vision into the future without having to worry about unresolved cases and uphold their reputation by responding quickly to the regulatory issues. It also assists in developing a more predictable business environment since companies are aware that once they have met the terms of compounding, they are covered for future claims on the same matter.

Earlier, the power to compound was frequently held centrally and lacked transparency; however, the Companies Act, 2013 attempted to break this system of entrenched practices by notifying jurisdiction for Regional Directors (RD) and the National Company Law Tribunal (NCLT) with clear pecuniary limits. The expert Committee's report to the Union Finance Minister emphasised that criminalising procedural lapses acts as a deterrent to investment and dampens the "Ease of Doing Business" spirit in our country.[4] The Committee recommended the decriminalisation of 16 trivial offences into 'civil wrongs'.[5] The compliance environment significantly changed with the Companies (Amendment) Acts, 2019 and 2020. The aim of these amendments was to change the compliance environment fundamentally since the huge range of technical and procedural defaults turned into criminal issues; it was transformed into a civil penalty. Most importantly, these amendments were a boon to the In-house Adjudication Mechanism (IAM) in Section 454 of the Act.

Previously, minor defaults had to be punished with a fine, which required a quasi-judicial process of compounding (within Section 441) or a court trial. These offences were reclassified under the recent amendments as subject of a penalty that may be imposed upon the offender by the administrative body, Registrar of Companies (ROC) who

[2] [2] Institute of Company Secretaries of India, Compounding of Offences under Companies Act, 2013 (ICSI Publication, (2021) 7.

[3] [3] S V Bagi v. State of Karnataka, 87 STC 138 (Karn HC).

[4] [4] Report of the Company Law Committee (Ministry of Corporate Affairs, Government of India, November 2019) para 1.5; Also see Umakanth Varottil, Decriminalization of Corporate Offences (2021) 15(1) NLS Business Law Review 12.

[5] [5] Ministry of Corporate Affairs, Report of the Company Law Committee (November 2019)

may serve as an Adjudicating Officer.[6] This change has left the more formal process of compounding to fewer more serious, but non-fraudulent offences. Although this is a new tiered framework that will enhance the "Ease of Doing Business", its establishment itself has presented new challenges to the regulatory regime.[7] The high level of procedural ambiguity and the absence of a major need to address a lack of clarity in certain procedures and institutions, specifically the compounding structure, leave a sense of uncertainty in corporations. At the top end of the scale, there is a very significant procedural ambiguity that is connected to whether or not a company should seek adjudication before the ROC or compounding before the NCLT.

PART II: LEGISLATIVE AND JUDICIAL TRENDS

The Companies Act, 2013 has redefined the corporate compliance framework of India, which is based on a subtle architecture aimed at distinguishing the trivial procedural contravention and more substantial infringements of the law. Compounding of offences[8] under Section 441 of the Act is one of them. Section 441 of the Companies Act, 2013, has long been a source of uncertainty for both legal practitioners and corporate stakeholders, particularly regarding offences that are punishable solely by a monetary fine rather than imprisonment. The rationale of the provision was probably to separate between more grave crimes, which should result in a prison sentence, and minor and technical violations, which could be corrected by fines. Section 441 of the Companies Act, 2013, was originally worded in such a way that it did not provide any method or formula for calculating the compounding fee when a company sought to compound an offence. However, without a clear judicial guidance, the question of how far their discretion would go in the context of giving a sentence to such offences was unclear to many courts and regulatory bodies. This lack of clarity led to hesitation and inconsistency in the application of Section 441, leaving companies uncertain about whether they could resolve certain defaults without prolonged legal proceedings. Though the provision did put a cap based on the maximum fine that is applicable for the concerned offence, everything else was left open for the adjudicating authority, that is either the National Company Law Tribunal (NCLT) or the Regional Director. The lack of certainty and uniformity shook the foundation of a fair corporate regulatory system and caused uncertainty for businesses and their advisers. Companies had no clear idea of the committed financial penalty for the same procedural misstep that would depend entirely on the discretion of the authority before them.

For years, courts have been entangled in disputes over the technicalities of calculating compounding fees and determining what qualifies as a compoundable offence under company law. Uncertainty in the calculation of fees is the main argument of the pro-cyclical argument against the existing system, which proves the hypothesis of a hidden process and the unforeseeable outcome. While under Section 454, the Adjudication rules, there exist statutory factors carefully defined within the Section that ought to be followed by the Adjudicating Officer when imposing a penalty- size of the company, nature of the default, injury to public interest and repetition of the default- there are no such specific statutory provisions under the compounding framework under Section 441. The compounding fee is determined virtually at its own discretion with the RD or the NCLT. The absence of a standardised matrix compels the companies to fall back to variable precedents and the lack of predictability is the hypothesis of an unpredictable outcome.

In the case of Viavi Solutions India Private Limited v. Registrar of Companies, NCT Delhi & Haryana (2017) Viavi Solutions and its officers found themselves at the NCLT, New Delhi, to compound an offence under Section 92 for belated filing of Annual Returns. The NCLT at first gave permission for compounding but later imposed a hefty fee which, according to the company, was very harsh given the nature of the lapse. Viavi Solutions stated that it was neither intentional nor fraudulent, but rather a technical default as a result of an administrative failure. According to them, the NCLT had just opted for the highest penalty permissible, without taking into consideration any mitigating circumstances. The appellate tribunal noted that the absence of guidelines led to arbitrary and inconsistent results and that compounding fees had to be fixed and could not be done at will. Authorities cannot simply go to the maximum or highest amount by default. The NCLAT arrived at a possibility of a "12-Point Test". This test required decision-makers to systematically evaluate key factors before setting a compounding fee. They had to consider the nature and gravity of the offence, it was a mere technical breach, or did it cause tangible harm to shareholders, creditors, or the public was the breach willful, wanton or a bonafide mistake? Was it a first time offender or had the company demonstrated that it had ignored compliance many times? Was the company compelled to rectify the error voluntarily prior to existing to seek compounding, or was it caught? The economic position of the business must also have been considered. Will the fee charged paralyse the business, or was it within its capability? This elucidative study introduced a lot of transparency and accountability in the process. It was the first occasion when officials had to justify and expose their decisions based on well-thought-out, clear, and structured criteria as opposed to subjective impressions. Compounding was redefined as a curative, not a disciplinary, process. The

[6] [6] Companies (Adjudication of Penalties) Rules 2014.

[7] [7] World Bank, Doing Business 2020: Comparing Business Regulation in 190 Economies (World Bank Group 2020).

[8] [8] Compounding is simply a settlement process, never an acquittal. It offers a way in which a company or its officials can resolve a default through paying a financial penalty, thus escaping official and prolonged prosecution. This is a quasi-judicial procedure that applies to offences that can be punished with a fine only or those that can be punished with a fine or imprisonment or both.

whole point, as explained by the NCLAT, was to allow companies the chance to make amends of the veritable lapses, rather than to make a profit to the state by issuing draconian penalties. This difference is significant because most of the emerging businesses in a country, particularly startups and small businesses, are yet to learn how to manoeuvre through the requirements of the formal regulation. The new strategy understands that although the willful defaulters and repeat offenders should be handled severely, unintentional or technical violations, especially those of first-time offenders, should receive a corresponding response that promotes compliance and does not push the companies into a hole or out of the business.

Under the new regime, offences that are subject to imprisonment only or those that are subject to imprisonment and fine, are not subject to compounding, which is also due to more serious offences. Moreover, the Act offers no protection to the compounding, in case the investigation of the company has been commenced or is underway, or the same offence has been compounded by the company or officer within the last three years, hence it does not get used as an instrument to deal with the habitual non-compliance. The best recent move in Indian corporate law has been the establishment of a great divide between the compounding system and a new parallel system: the In-house Adjudication Mechanism (IAM) under Section 454. The difference between the two is very important. Adjudication is an administrative mechanism in which the Adjudging Officer (usually Registrar of Companies, ROC) issues a penalty. Compounding, in contrast, is a quasi-judicial process for settling a "fine" in lieu of prosecution.[9] Adjudication is handled entirely by the ROC. Compounding is handled by the Regional Director (RD) if the maximum fine is up to ₹25 Lakhs, or by the National Company Law Tribunal (NCLT) if the fine exceeds this threshold.

This dual-track system was a deliberate legislative choice, born from the Companies (Amendment) Acts of 2019 and 2020. These amendments were the direct result of recommendations from the Injeti Srinivas Committee constituted to recommend decriminalising the Companies Act to improve India's "Ease of Doing Business" ranking. The committee's core recommendation was to re-categorise minor, technical, and procedural defaults, which clog the legal system, from "criminal" to "civil" wrongs. The 2020 Amendment Act, in particular, was a "decriminalization wave" that re-categorised numerous offences[10], moving them from the "fine-based" framework (which required compounding by the NCLT/RD) to the "penalty" framework (which could be swiftly disposed of by the ROC through the IAM). The companies were now in a position to predict, with a higher degree of certainty, what will be the probable effects of a compliance failure. This predictability is critical not only to business planning but also in promoting the culture of voluntary obedience and responsible corporate citizenship. This legislative evolution has been able to ring-fence the more resource-intensive compounding process under Section 441 and permitting the quick and administrative disposal of minor defaults.

Nonetheless, judicial interpretation has also pointed at some important complications. The NCLAT's decision in Karthikeya Paper and Boards Ltd. v. ROC[11] provided a crucial clarification on Section 441(6). It ruled that for offences punishable with "imprisonment or fine", the NCLT cannot compound the offence on its own; it must first obtain prior permission from the Special Court, as the possibility of imprisonment is a matter for the criminal judiciary. This further complicates and makes the process time-consuming. The discretion regarding the calculation of fees has been put to test. Later, in the case of ROC, West Bengal v. Karan Kishore[12] the NCLT power to give compounding fees was examined by the NCLAT, where the NCLT has the discretion to give a lower fee than the prescribed minimum fine under the Act in which Karan Kishore Samtani indicated that the calculation of the fee was ambiguous. Also, in the case of M/S. Sinhal Hygeinic Products (NCLT)[13], where the company sought the non-payment of Annual General Meetings taking place over several years together. The case is an example of the application of compounding to clear long-running defaults and shows how huge the potential fines are in computing per year of default to the company and to each officer in default.

This remained unclear until recently, the National Company Law Tribunal (NCLT) offered a long-overdue clearance in its 2025 ruling in the case of Nvent Thermal India Private Limited v. Mumbai, Registrar of Companies[14]. The case was about a firm that had not held its Annual General Meetings (AGM) in the two consecutive financial years, 2015-16 and 2016-17, leading to a significant delay of 496 days. The firm blamed this oversight to a complex internal reorganisation, which had caused it to derail its regular financial and legal functions. The main legal question was whether this procedure default, falling in Section 99 of the Act, punishable by a fine only, was compoundable under Section 441. In this case, NCLT Mumbai Bench had to decide if an offence punishable only with a fine and not with imprisonment has a statutory bar to compounding. The Tribunal noted that Section 99 of the Companies Act, 2013 prescribes only a fine and that there can therefore be no impediment to compounding brings out the aspect as to how the judiciary

[9] [9] Sikha Bansal, Adjudication, Compounding and Prosecution under the Companies Act, 2013 (Corporate Professionals, (2022) 12.

[10] [10] Such as such as delays in filing annual returns (Sec 92) or failure to appoint Key Managerial Personnel (Sec 203).

[11] [11] Karthikeya Paper and Boards Ltd v Registrar of Companies [2019] SCC OnLine NCLAT 1052

[12] Registrar of Companies, West Bengal v Karan Kishore Samtani [2020] SCC OnLine NCLAT 832

[13] [13] M/S Sinhal Hygeinic Products (P) Ltd (2018) CP No 113/ND/2018 (NCLT)

[14] [14] Petition No. 7/MB/2025.

is ready for rectification rather than retribution even in the corporate world. This judgment strengthened the concept of Reformative Justice in the area of corporate regulation. The Tribunal emphasised that, since no substantive harm was caused to the public or shareholders, and since the company had addressed the underlying issue, there was no justification for imposing the harsher consequences that accompany criminal prosecution. Furthermore, this approach streamlines the resolution of technical breaches. The decision, therefore provides a delicate balance between deterring and fairness whereby the ultimate objective of regulating corporations is to achieve compliance rather than crippling corporations due to such minor acts.

In the case of Pahuja Takii Seed Ltd. & Ors. v. Registrar of Companies[15], relying upon the inherent authority that the Tribunal was conferred by Rule 11 of the NCLT Rules, 2016, that provided that the Tribunal may make the orders necessary to ensure that justice is served and to prevent an abuse of process, the NCLAT stated that companies and directors may and should submit a joint application in cases when they intended to compound the same offence. The Tribunal accepted joint applications, thereby not only saving itself the burden of work but also saving the applicants unnecessary legal procedures which were expensive and redundant. This was particularly helpful to the companies where the boards were quite big, and the old regime might have required dozens of the same applications to oversee. It sends a very clear message, the law system is ready to change and innovate in the search of fairness, efficiency, and business facilitation. This case can be seen as an example of the judiciary that did not only follow the letter of the law, but also the spirit behind it, which is that the compounding process should be put into practice as a practical way to correct an unintentional error, but not as a pitfall of bureaucracy.

Section 441(5) therefore, becomes a very important balancing measure. It makes sure that compounding as a method is not made as a loophole to the repeat offenders or as a protection to an individual who wants to avoid regulatory enforcement. It, instead, strengthens the appeal of the legal system and makes sure that the privilege to compound is obtained by the people who aim at doing it properly. Finally, the legal policy is that of responsible leniency: It is of assisting businesses to develop and perform well but not at the expense of compromising the rule of law and power of regulation agencies. The message is clear, as the door is open to correct the wrongs, but there is no tolerance towards defiance and ignoring of legal orders.

The judiciary is promoting the idea of taking corrective action, which means that corporate entities will be willing to take corrective actions on top of their mistakes with the assurance that actual attempts to abide by the law will be rewarded with rewards instead of being punished permanently. This will serve to create compliance culture where firms will not be stifled by the fear of being subject to constant liability due to technical and other minor errors.

The fact that the judges still have the discretionary authority implies that the results of a case can differ drastically across cases. Even a minor infraction can receive vastly varying punishment, depending on how the tribunal chooses to interpret it, based on the history of the company in question, and other situational considerations. To make the situation even more difficult, Section 441(5) puts a system of increasing fines on repeat lawbreakers, which doubles the financial incentives of the individuals who have previously breached the law. Although this can be meant as a deterrent, it also increases the uncertainty experienced by businesses, particularly in highly regulated environments, when unwanted repeat violations are a common occurrence. Therefore, despite the shift in the legal framework in which the punishment-based, police-oriented framework is replaced by more governance-focused framework, the absence of clear guidelines regarding the imposition of fines puts companies in an uncertain situation.

PART III: STRATEGIC RECOMMENDATIONS FOR REGULATORY REFORM

1. Clear Sentencing Guidelines in Law

The biggest gap so far is that there exists no set legal formula for working out compounding fees. Every bench sees things differently, and that leads to what we may call an “unpredictability paradox”. Legislature should provide specific rules/regulations to deal with the compounding fee based on hard numbers: company turnover, how many days the default lasted, and the real-world impact on the public interest.

2. Increasing the Regional Directors’ Power

To really unclog the National Company Law Tribunal (NCLT), the legislature need to revisit the powers of the Regional Directors (RD). Right now, Section 441(1)(b) provides that RDs can only handle offences where the max fine is ₹25 Lakhs. In today’s world, with giant companies and fines that keep growing, that number is basically out of date. So, tons of minor cases end up at the NCLT just because the theoretical maximum fine is above this old cap. Legislature need to raise that threshold to at least ₹1 Crore. If RDs could handle more mid-sized cases, the NCLT could focus on what really matters like big insolvency issues, tricky mergers, and other heavy-hitters.

3. Making Joint Applications Standard

It is clear that making companies and their directors file separate applications is not going to serve the purpose of the legislation. The NCLT Rules need an update in the relevant e-forms (especially Form GNL-1) to make “Composite Compounding Applications” official. The MCA portal should let people file once and have it cover

[15] [15] Pahuja Takii Seed Ltd & Ors v Registrar of Companies, NCT of Delhi & Haryana (2018) SCC Online NCLAT 553.

everyone involved with that company's CIN. That shall reduce procedural expenses for applicants and saves the Registrar of Companies from having to juggle a bunch of files for what's really one issue.

4. Building a Central Digital Compounding Orders Database

Presently, one can usually find NCLT orders online, but it is not the same for Regional Directors' orders and decisions. Although, they handle most of the small compounding cases, but their decisions are hard to find. Without this data, lawyers and compliance teams are in the dark about how these cases usually play out. So, the MCA should set up a searchable, central digital database just for compounding orders.

5. Safe Harbor Provisions for Insolvency Resolutions

When new management steps in after a company goes through the Corporate Insolvency Resolution Process (CIRP), they often get stuck dealing with old defaults made by previous owners. The Companies Act/Rules should clearly that only the former management is responsible for compounding pre-CIRP offences. Once the resolution plan gets approved, the new management should walk away free from any old penal proceedings, no strings attached.

CONCLUSION

In the last 20 years, corporate regulation has become effective, embracing the efficiency of companies and minimising bureaucratic delays. On the one hand, the machinery of corporate justice runs more smoothly than before. On the other hand, the lack of clear standards for determining penalties means that while companies can expect a more streamlined process, they cannot confidently predict the eventual cost of their errors. The introduction of the refined compounding process has reduced administrative backlogs and expedited the disposal of minor defaults. Judiciary, particularly the NCLAT, has played a crucial role in shaping the legal framework. They have redefined compounding as a curative, not disciplinary, process, fostering predictability for businesses. However, this positive transformation comes with a caveat that the unpredictability surrounding penalties and fines persists, leaving businesses in a state of uncertainty about the financial consequences of their missteps.

The compounding mechanism is intended as a facilitative tool, making it easier for businesses to correct their course without being unduly burdened by litigation or prolonged penalties. It supports the broader policy objective of improving the ease of doing business in India by reducing unnecessary friction and fostering a more business-friendly environment. However, this facilitation is carefully balanced by stringent safeguards. The law draws a clear line while it is forgiving towards honest errors and encourages timely rectification, it is uncompromising in its treatment of intentional non-compliance. Courts are not merely going through the motions with this ideal; they are even breaking down any superfluous procedural hurdles. The shift in philosophy signifies a radical change in the approach toward dealing with any minor corporate misconduct by not considering it a criminal offence, but rather an infraction deserving of a commensurately civil punishment. Such pragmatic malleability is an indication of an effort to change the law system to the modern world of business and abandon the stagnation of established bureaucracy.

Despite these progressive reforms, the existing regulatory regime faces ongoing challenges, primarily the unpredictability surrounding the calculation of penalties as the absence of clear statutory guidelines for compounding fees, unlike the Income Tax Act, leads to inconsistencies and uncertainty for corporations. Furthermore, procedural ambiguities, such as the initial requirement for separate applications for companies and directors, created unnecessary burdens until rectified by NCLAT orders. To fully realise the vision of a predictable and transparent compliance system, several strategic recommendations are imperative. By implementing the measures (as suggested in the previous part of this research paper), India can solidify its position as a jurisdiction committed to fostering a truly business-friendly and efficient corporate regulatory environment. To put an end to the discussion, the obstacle to procedures has been decreased, and attention is placed on correction and compliance instead of punishment. However, the efficiency that comes with this is offset by the continued uncertainty on the scale of punishments. Until more definite criteria of financial sanctions are set, firms will still struggle to deal with the uncertainty of consequences, despite the fact that the procedure will have become less onerous. The process of the achievement of a completely predictable business-friendly system of law has not yet reached its full course..

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