



NCLAT exempted the firms categorized as 'red' and 'amber' from corporate social responsibility. **MINT**

NCLAT exemption to 50 IL&FS companies

Insolvency appellate tribunal NCLAT has exempted IL&FS Group companies—categorized as “red” and “amber”—from corporate social responsibility (CSR) on account of interest expenses accrued on their loan amount.

The order will benefit around 50 amber and red companies of the debt-ridden IL&FS Group, which are protected under the moratorium granted by the NCLAT from its order dated 15 October 2018.

These red and amber entities have not been accruing interest on their outstanding debts, resulting in such companies showing notional profits in their books of accounts under Section 198 of the Companies Act. Such notional profits have led to such companies liable to comply with CSR obligations under Section 135 of the Act.

IL&FS Group moved an application last year before NCLAT to correct this, seeking exemption for entities from compliance with CSR obligations, based on which the appellate tribunal issued notice to the government. A two-member bench, including chairperson Justice Ashok Bhushan, granted the waiver using its discretionary power under Sections 241(2) and 242(2) (m) of the Companies Act in an order passed earlier this month. **PTI**