



Monthly Newsletter

Volume - II

June - 2011



From The Secretary's Desk:

Since vision of the Ministry of Corporate Affairs is "to facilitate corporate growth with enlightened regulation", we are striving to attain a harmonious balance between the twin

roles of the Ministry as a regulator as well as that of a facilitator. Our goal is to transform India as the most favourable destination for business with a view to attract increasing levels of domestic and foreign investment for rapid growth and development. We keep in mind our larger objective of achieving high GDP growth with an inclusive dimension in our developmental efforts. We are attaching great significance to green initiatives in the Ministry towards the eventual goal of becoming the first "Paperless Office of the Government of India".

Some of the major initiatives that have been taken by the Ministry on simplification of rules and procedures, regulatory, service delivery and capacity building sides include Carve-Outs in Indian Accounting Standards (Ind ASs) in order to fill up the gap/differences in application of Accounting Principles & Practices and economic conditions prevailing in India. Ind ASs are known as such after being converged with International Financial Reporting Standards (IFRS).

This edition of Monthly Newsletter focuses on some of the above areas of reforms and initiatives which are sheer results of shared information and ideas with all stakeholders. I hope the Ministry will continue to be benefited by the partnership in sharing information and ideas to make a better future.



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Review of Corporate Sector: The total number of companies in the Registry as on 30.06.2011 is 11,34,102 of which 10,061 companies have been liquidated/dissolved, 2,11,573 companies have become defunct, 8,214 companies have amalgamated/merged and 4,437 companies are under liquidation. The major sectors where new registration have taken place in June, 2011 are Trading, Real Estate & Renting, Community, Personal & Social Services and Manufacturing (Metals & Chemicals) indicate a rise in Registration in June, 2011 over May, 2011. However, Business services, Construction and Manufacturing (Machinery & Equipments) indicate a decline over the previous month. As on 30.06.2011, 5,394 LLPs have been registered in the country, which includes 389 LLPs newly registered in the month of June, 2011. Regarding foreign companies, as on 30.06.2011, 3,132 active foreign companies have established their place of business in the country which includes 10 newly registered foreign companies while 9 foreign companies have ceased to have their principal place of business in the country in June, 2011.

Circulars and Notifications on Simplification of Procedures and Processes continues: General Circular Nos. 33 dated 01.06.2011, 35 dated 06.06.2011, 36 dated 07.06.2011, 38 dated 20.06.2011 and 39 dated 21.06.2011 and Notification No. GSR 427(E) dated 02.06.2011 have been issued by the Ministry to simplify the procedures, rules and processes. These broadly relate to the issuance of Green Initiatives by way of issuing digital certificates and clarifications regarding permitting video-conferencing in companies'

Board Meetings and Annual General Meetings, Fast Track Exit mode for defunct companies and companies Director identification Numbers. (For further details, please visit MCA website: <http://mca.gov.in>)

Issue of Certificates and standard letters by the Registrar of Companies brought under digital mode: In pursuance of General Circulars No. 29/2011 dated 20.05.2011, all certificates and standard letters issued by the Registrar of Companies will now be issued electronically under the Digital Signature of the Registrar of Companies. Thirteen different types of certificates have already been digitized and all types of certificates will be only under the digital mode with effect from 03.07.2011.

Training and Workshop for Officers and Staff: The Indian Institute of Corporate Affairs (IICA) conducted Mid-career training programme for Indian Company Law Service (ICLS) officers on `Corporate Insolvency and Liquidation, Winding up of Companies` from 13.06.2011 to 17.06.2011. The training programme was attended by 17 ICLS Officers. An Orientation Workshop on eXtensible Business Reporting Language (XBRL) for officers and staff in the Ministry was organized on 28.06.2011.

MCA 21 e-governance Project: Emphasis on improving compliance of the Companies Act in filing Annual Returns and Balance Sheets and Other improvements.

In the continuous process of further enhancement and system improvements in the MCA21 system, the following improvements have been made during June, 2011:

IICA - ICLS Academy: Academic Schedule & Programmes:

S.No	Programme Title	Date of Programme	Remarks
1.	Company Law Registry functions of offices of Register of Companies.	4-8th April, 2011	Conducted
2.	Corporate Governance & Regulation under Companies Act, 1956.	9-13th May, 2011	Conducted
3.	Corporate Insolvency, Winding up and Liquidation of Companies	13-17th June, 2011	Conducted
4.	Inspections & Investigations under Companies Act, 1956	11-15th July, 2011	Scheduled
5.	Corporate Law & Raising of Capital	8-12th August, 2011	Scheduled
6.	Dealing with Corporate Fraud	12-16th September, 2011	Scheduled
7.	Short Programme on General Administration - will include modules on Office Administration; Right to Information Act; Government Accounting Principles	10-14th October, 2011	Scheduled
8.	Compliance with Accounting Standards Companies	14-18th November, 2011	Scheduled
9.	Corporate Insolvency, Winding up and Liquidation of Companies	19-23rd December, 2011	Scheduled
10.	Inspections & Investigations under Companies Act, 1956	9-14th January, 2012	Scheduled
11.	Audit of Companies under Companies Act, 1956	13-17th February, 2012	Scheduled
12.	Mergers, Amalgamations & Takeovers.	14-18th March, 2012	Scheduled

- An additional payment option i.e payments through RBI guided NEFT is being introduced.
- For improving compliances, companies defaulted in filing Annual Returns and Balance Sheets from the financial year 2006-07 onwards have been disallowed for filing e-forms.
- A monitoring mechanism has been introduced in the system for blocking temporarily filings by errant companies as well as professionals for furnishing wrong data and incorrect certification in forms filed under the Companies Act, 1956.
- Introduced improved Complaint Monitoring System.

Special drive to clear pending e-forms: A large number of e-forms filed prior to implementation of revised Regulation 17 are pending for want of action by the companies/stakeholders and have consequently become time-barred. The Registrars of Companies have been asked to undertake a review of all such applications and to dispose them of by 07.07.2011.

Action against erring professionals: During examination of certain e-forms filed by some listed companies, which were also certified by the practicing professionals, it was found that particulars given in the forms were totally different as compared to the records of the company. An enquiry has been ordered to ascertain the facts and circumstances so that the concerned professional institute may be impressed upon to invoke their disciplinary jurisdiction against erring professionals.

Simpler and Uniform Cost Accounting Records: The Central Government has issued simplified uniform Cost Accounting Records Rules vide GSR 429(E) dated 03.06.2011, applicable to all companies engaged in production, processing, manufacturing, or mining activities. Every company, with a net worth of more than rupees five crores or whose turnover is more than rupees 20 crores or which is already or proposed to be listed in any exchange, will be bound by these rules and will file a compliance report within 180 days from the close of the Company's financial year.

Cost Accounting Records norms rationalized: In respect of Cement, Tyres and tubes, Steel, Paper, Insecticides, Glass, Paints and Varnishes and Aluminium, the Central Government has rationalized the applicability of the audit of Cost accounts to be maintained by companies. Only such companies with an aggregate turnover of over one hundred crore of rupees and/or listing of securities of the company on any stock exchange need maintain the records with effect from 01.04.2011.

Simplified rules for Cost Audit Reports: Simplified rules have been issued, vide GSR 430(E) dated 03.06.2011, applicable to all companies for which an

audit of cost records has been ordered by the Central Government under sub-section (1) of section 233B of the Act. The notification takes effect from 01.04.2011.

Special Sectoral Studies: Cost-Audit Information filed with the Ministry is being used for conducting Sectoral studies on capacity utilization and profitability in various industries. Currently, the focus is on cement and automobile tyre industries.

Investor Awareness Programmes in District: A new initiative has been started by the Ministry wherein all the Registrars of Companies have adopted one district each for conducting investor awareness programmes in coordination with the Professional Institutes i.e. ICAI, ICWAI and ICSI. Gwalior was one of the first districts where a half day programme for investor awareness was organised on 25.06.2011 at Hotel Central Park, Gwalior, in collaboration with Gwalior Branch of the Central India Regional Council of The Institute of Chartered Accountants of India and was attended by local Chartered Accountants and investors.

International Cooperation: A Letter of Intent for strengthening the cooperation between the Ministry of Corporate Affairs of India and the Ministry of Economic Affairs of the Netherlands in the area of Corporate Governance and Corporate Social Responsibility has been signed on 07.06.2011 by Secretary, MCA and Mr. Bob Hiensch, Netherlands Ambassador to India, Government of Netherlands, in New Delhi. An Indian delegation consisting of 3 members' team led by Shri Jaikant Singh, Director, Ministry of Corporate Affairs visited Jersey (UK) to attend the International Association of Insolvency Regulators (IAIR)'s Annual General Meeting and Conference held on 19-22 June, 2011 at Jersey (UK).



All financial instruments to be maintained in dematerialized form: The Central Government is contemplating the issue of rules to make it mandatory for all public Companies and their subsidiaries which have raised money by issue of shares, debentures, by accepting public deposits, stock, bond or any other financial instruments from public, other than from directors of the company, to issue and keep such share certificates, debenture certificates and certificates issued for receipt of deposits, stock, bond or any other financial instruments in dematerialized form only, in the manner prescribed in the Depositories Act, 1996.

Unlisted companies to file more disclosures in respect of Preferential Shares: The Central government has proposed to introduce a regime under which all preferential allotment, i.e., issues of shares on preferential basis and/or through private placements and issue of shares to promoters and their relatives made by unlisted public Companies shall not henceforth be made unless there is specific authorization under the Articles of association and unless a special resolutions empower the Board of Directors to do so. The fixation of prices will be done in advance, and when the value of debentures etc., convertible into equity at a later point in time exceeds Rupees Five Crores, specific approval of the Central Government would be required. All such instruments would be only in dematerialized form, and a compliance of disclosure provisions shall be filed with the Central Government.

Statutory Status and Demarcation of Jurisdiction of the New Regional Director, Hyderabad: A statutory notification GSR 453(E) dated 14.06.2011 has been published in the Official Gazette conferring the statutory status under Sections 25 and 609 of the Companies Act on the newly constituted office of Regional Director of the South Eastern-Region at Hyderabad, with his jurisdiction extending over the States of Karnataka, Kerala, Andhra Pradesh and Union Territory of Lakshdweep.

Filing of Returns in XBRL from 2010-2011 onwards: All companies, other than banking companies, insurance companies, power companies and Non Banking Financial Companies, either listed in India and their Indian subsidiaries, or having a paid up capital of Rs.5 crore and above, or having a turnover of Rs.100 crore and above have to file the Financial Statements in eXtensible Business Reporting Language (XBRL) mode only, from the year 2010-2011 and onwards.

Cases decided by Competition Commission of India (CCI):

- **MCX Vs NSE:** In a case wherein MCX had filed information against NSE, DotEx. and Omnesys Technology Pvt Ltd. The Commission passed a final order on 23.06.2011 holding NSE as a dominant player in the relevant market of CD segment and also found that NSE has abused its dominant position. After issuing show cause an order was

passed imposing penalty of Rs.55.50 crores on the National Stock Exchange for violating the provision of Competition Act.

- **FICCI Multiplex Association Vs United Producers/ Distributors Forum:** In a case wherein FICCI-Multiplex Association of India had filed an information on 26.05.2009 under section 19(1) of the Competition Act 2002 against United Producers/ Distributors Forum (UDF). The Commission found that the respondents have violated the provision of section 3(3) and imposed a penalty of Rupees one lakh on each of the 27 respondents.

Advocacy Programmes of CCI: As a part of Advocacy programme, 246 Public Sector Undertakings were sensitized about Competition Act in collaboration of SCOPE. The Advocacy booklets were also circulated to these PSUs.

Effective Infrastructure for Quick Review of Combination Filings: The Combination Division of CCI has framed associated Standard Operating Procedure (SOPs) and checklist etc for effective review of combination filings.

International experience exchange by Competition Commission: Chairperson, CCI participated in the 10th ICN Annual Conference at The Hague from May 17-20, 2011 and also met the Vice-President, EU, representatives from DoJ, USA, Deputy Head FAS, Russia, Brazil, South Africa and Chair of ICN Steering Group. He also met the representatives of Russia, Brazil and South Africa on forthcoming BRICS Conference in China. Shri A.K. Chauhan, Director General and Shri P.K. Purwar, Adviser participated in the workshop on "Competition Issues in Telecom Sector" organised by OECD-Korea Policy Centre's Competition Programme on May 31-June 2 at Jeju Island (Korea).

Carve out provided in Ind ASs: In order to fill up the gap/differences in application of Accounting Principles Practices and economic conditions prevailing in India, the recommended Ind AS by National Advisory Committee on Accounting Standards (NACAC) have finally adopted carve outs relating to the following i.e : The Effects of Changes in Foreign Exchange Rates, Investment in Associates, Financial Instruments in Presentation Part, Financial Instruments: Recognition and Measurement, Business Combinations etc. The details of the Carve outs are available at Ministry's website: <http://mca.gov.in>

Senior level Postings and Transfers: During June, 2011 there have been a few SAG level postings and transfers of Officers from the ICLS cadre. Shri Rakesh Chandra has been posted as DII, (Hqrs) in addition to his posting as DGCA Office at Delhi. Shri E Selvaraj, DII (Hqrs) has been transferred and posted as RD (SER), Hyderabad and Shri K Pandian, RD(SR), Chennai has been transferred and posted as Director in DGCA office (stationed at Chennai).