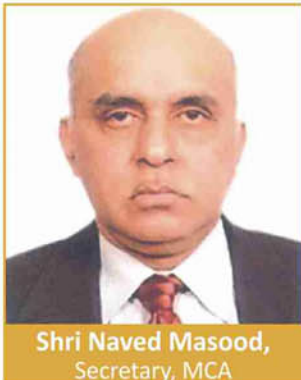




Monthly Newsletter

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Secretary, MCA

From The Secretary's Desk

After a continuous spell of economic downturn, the Indian economy has shown some signs of early recovery. The WPI-based inflation has decreased to 4.9% in April, 2013, its lowest level in three-and-a-half years. Retail inflation (consumer price index) has also come down from double-

digit levels to 9.4%, and is expected to drop further. The Index of Industrial Production has shown modest recovery, with the capital goods sector growing by 6.9%, and the Manufacturing and Electricity sectors growing at 3.2% and 3.5% respectively. Exports also has recorded positive growth for the fourth consecutive month, following contraction for eight months since May, 2012.

Following the moderation in inflation, RBI has cut key policy rates for the third time since January, 2013. The repo rate (the rate at which the Reserve Bank lends to the commercial banks) has been reduced to 7.25%, its lowest level since May, 2011. The cost of borrowing is expected to come down further, and would help to improve the business climate.

The decline in inflation to comfortable levels needs to be sustained. The Reserve Bank has observed that growth revival would be driven by easing supply bottlenecks, improving governance and stepping up public investment, among others. Continuing with the commitment of fiscal consolidation would also be a crucial factor.

The Cabinet Committee on Investment, at its meetings held on 20.03.2013 and 22.04.2013, has cleared investments in 31 out of 40 Oil and Gas blocks for exploration and production. This decision is expected to bring in an additional investment of US\$ 2.5 billion over the next 3-5 years. It should reassure the corporate sector and help to attract additional productive investments.

Corporate entities, till recently, had to undergo a detailed process of serving notices in cases of mergers and acquisitions. The Competition Commission of India (CCI) has further amended the combination regulations. After a review, CCI has considered it

appropriate to exempt/simplify the process in certain cases.

Liquidation of companies through court action is a tedious process. The Ministry of Corporate Affairs has taken some new initiatives for technical upgradation of the systems and capacity building of manpower in the offices of Official Liquidators to facilitate adoption of e-Governance and introduction of e-auctions. I hope this will help expediting early resolution of pending issues and usher in greater transparency in liquidation cases.

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Extension of term of Wal-Mart Inquiry Committee : The term of the Hon'ble Shri Justice Mukul Mudgal Committee, appointed to inquire into media reports concerning Wal-Mart, has been extended by another month, up to 31.05.2013.

Review of Functioning of Official Liquidators: Shri Sachin Pilot, Hon'ble Minister of State (Independent Charge) for Corporate Affairs, held a review on 09.04.2013 regarding issues relating to dissolution and winding up of companies with Official Liquidators (OLs) attached to different High Courts. The Hon'ble Minister emphasized the need for quick action in winding up companies, and distribution of dues to claimants. It was reported during the review meeting that out of 4,988 companies under liquidation in various High Courts, 1,046 cases are pending for more than 20 years. It was also observed that a sum of Rs 3,270 crores realized by way of sales of assets of defunct companies is lying undistributed for various reasons. Technical upgradation of the systems and capacity building of personnel under the new initiatives of e-Governance and e-Auctions, are expected to expedite action in pending cases.

Minister Inaugurates 'CSIA International Corporate Governance Conference': Shri Sachin Pilot, Hon'ble Minister of State (Independent Charge) for Corporate Affairs, inaugurated the *Second Corporate Secretaries International Association International Corporate Governance Conference*, sponsored by Institute of Company Secretaries of India on 05.04.2013. The theme of the conference was 'Corporate Governance for Sustaining Prosperity and Posterity.' The Hon'ble Minister highlighted the steps taken by this Ministry towards repositioning itself as a significant facilitator in creating a positive and healthy environment for doing business in India, through an enlightened regulatory regime, so that entrepreneurial energies are utilized in creating value for all stakeholders.

MCA21 Portal: Due to serious disruptions in services, a review of the stability and performance of the MCA21 portal was conducted by this Ministry in consultation with Department of Electronics & Information Technology (Deity). Specific directions have been given to M/s. Infosys Ltd., the present Service Provider for early resolution of all problems faced by stakeholders. The

performance of services provided by the portal is being closely monitored in the Ministry.

Action against Irregularities by Companies: The Government has taken several steps against irregularities by certain companies, and to prevent recurrence of such incidents. These include:

(a) Fresh Investigations by SFIO: Upon receiving reports from Registrar of Companies of irregularities in the books of accounts of some Group companies in West Bengal, the Ministry has directed an investigation by the Serious Frauds Investigation Office (SFIO) into the affairs of 54 companies. These companies are:-

- (i) M/s. Rose Valley Real Estate & Construction Ltd. and its 18 group companies;
- (ii) M/s. Saradha Realty India Ltd. and its 13 group companies;
- (iii) M/s. Icore E-services Ltd., and its 11 group companies; and
- (iv) M/s. Sunshine India Land Developers Limited and its 8 group companies.

(b) Special Task Force for Chit Fund Companies: The Ministry has set up a Special Task Force in the Serious Fraud Investigation Office (SFIO), to conduct investigations into the affairs of Chit Fund companies. The Task Force will also coordinate with other law enforcement agencies and regulators, including the concerned State Governments.

(c) Rules to Ban MLM Schemes: The Ministry of Finance has framed model rules to ban Multi-level Marketing (MLM) Schemes under the *Prize Chits & Money Circulation (Schemes) Banning Act, 1978*. State Governments have been requested to issue Notifications to bring the model rules into force. MLM Schemes involving enrollment of a vertical chain of investors/agents constitutes "Money Circulation", which is a banned activity under the said Act.

(d) Investor Awareness Programmes against MLM companies: The Ministry of Corporate Affairs is conducting Investor Awareness Programmes (IAP) to spread investor awareness about frauds committed by fraudulent companies. The Ministry has tied up with BSNL for sending bulk cautionary short messages to its subscribers, and with Doordarshan to display crawler/ticker message on DD News, both in English and

Hindi. Other planned initiatives include presenting a brief investor awareness message on the reverse side of passbooks of Post Office Savings Bank Accounts. The Ad word facility of *Google India* has also been roped in to help investors to the MCA21 portal for assistance in un-claimed dividends, matured deposits etc.

Circulars: The Ministry of Corporate Affairs has issued two Circulars concerning administration of the Companies Act, 1956 in April, 2013 (for further details, visit our website: www.mca.gov.in). These Circulars broadly relate to:

- (i) In continuation of the earlier circular Nos. 03/2013 dated 08.02.2013 and 07/2013 dated 20.03.2013, the time limit for filing and relaxation of additional fee on forms has been extended till 15.04.2013. It has been clarified that additional fee would be levied for forms that were due to be filed on or before 16.01.2013 along with the normal fee. Relaxation of any additional fee will be considered in respect of forms that become due on or after 17.01.2013. (See General Circular No. 08/2013 dated 10.04.2013)
- (ii) The Ministry has clarified several issues regarding (i) conversion of multiple firms into a single Limited Liability Partnership, and (ii) treatment of change of status of an auditor after such conversion by audit firms into an audit LLP. (See General Circular No. 09/2013 dated 30.04.2013)

International Cooperation:

1) Minister's visit to Sweden and Estonia: Shri Sachin Pilot, Hon'ble Minister of State (Independent Charge) for Corporate Affairs, visited Sweden and Estonia from April 11-16, 2013. The Hon'ble Minister participated at the Sixth India Trilateral Forum organized by the German Marshall Fund of the United States, and Swedish Ministry for Foreign Affairs. The Forum facilitates a dialogue between representatives of India, European Countries and USA on strategic, economic and governance issues. The Hon'ble Minister observed that though bilateral trade between India and Sweden has increased over the last five years to US \$ 3 billion last year, the economic engagement between the countries is still far below potential. The Hon'ble Minister expressed the hope that Sweden would support the claim of India for an Observer status in the Arctic Council. During the Estonia visit, the Hon'ble Minister met the Estonian Minister of Justice, Minister of Economic

Affairs & Communications, and Chairman, Foreign Affairs Committee of the Parliament of Estonia. Issues with regard to development of business, and legal environment in the respective countries, and the role of Information Technology were discussed during the meetings. Developments with regard to corporate and competition law, as well as roles of respective regulatory authorities in both the countries were also discussed.



Corporate Affairs Minister Shri Sachin Pilot with Swedish Minister for Financial Markets Mr. Peter Norman

2) Meeting with IFC on Corporate Governance: A delegation from the International Finance Corporation (IFC), held discussions with the Additional Secretary and other Senior officials of the Ministry of Corporate Affairs regarding promoting corporate governance and CSR in the Country. An MOU between IFC and IICA is expected to be signed in this regard.

3) Indo-Netherlands Joint Working Group on Corporate Governance and CSR: The Hon'ble Minister of State (Independent Charge) for Corporate Affairs has reconstituted the Indian side of the Indo-Netherlands Joint Working Group on Corporate Governance and CSR, with Shri M.J. Joseph, Additional Secretary of the Ministry as Co-Chairman. Other Members include corporate leaders drawn from both the public and private sectors. The second meeting of the Joint Working Group is expected to be held in Amsterdam shortly.

IFRS-converged Indian Accounting Standards: The Institute of Chartered Accountants of India (ICAI) has brought out Educational Materials on two Indian Accounting Standards (Ind-ASs), namely Ind AS 18, "Revenue" and Ind AS 108, "Operating Segments". These would provide guidance for implementation of IFRS-converged Indian Accounting Standards (Ind-ASs). ICAI has also devised an IFRS Certificate Course of 100-hours duration. So far about 4500 members have been successfully trained under this programme.

ICSI National Awards for Excellence: The Institute of Company Secretaries of India (ICSI) Awards were presented by former Chief Justice of India Hon'ble Shri Justice M.N. Venkatachaliah during the 2nd CSIA International Corporate Governance Conference held on 05.04.2013. The '*ICSI National Awards for Excellence in Corporate Governance-2012*' was shared by Indian Oil Corporation Limited and HCL Technologies Limited, as recognition of being the two 'Best Governed Companies'. Certificates of Recognition were presented to five companies, namely, CMC Limited, Engineers India Limited, ONGC Limited, Persistent Systems Ltd., and Powergrid Corporation of India Ltd. The ICSI Life Time Achievement Award for the year 2012 was presented to Shri Deepak S. Parekh, Chairman, Housing Development Finance Corporation Ltd. for translating excellence in Corporate Governance into reality.

Major Events at Indian Institute of Corporate Affairs:

(1) Global Conference on Corporate Social Responsibility:

With the objective of demystifying and facilitating various organizations to understand the requirements of integrating CSR with their core business operations, the Indian Institute of Corporate Affairs along with Sambhavana, a Non-Profit Community based Organization, organised a Two-Day "Global Conference on Corporate Social Responsibility-India" on April 16-17, 2013 at Hotel Trident, Nariman Point, Mumbai.

(2) Induction Training Programme for ICLS

Probationers: Twenty three ICLS (Indian Corporate Law Service) Probationers of the 2011 batch had an interaction with the Secretary, and other senior officers of Ministry of the Corporate Affairs on 11.04.2013. The Probationers are undergoing a three-month field training at the offices of Regional Directors/ Registrars of Companies/ Official Liquidators.

Simplification of Combination Regulations by CCI: The Competition Commission of India (CCI) has amended the Combination Regulations vide Notification dated 04.04.2013, to further simplify the procedures relating to mergers and acquisitions. Some major changes are:

- It is not necessary to file a notice for acquisition of less than five per cent of shares, or voting rights of companies, if the acquirer already holds more than twenty five percent, but less than fifty percent of the shares or voting rights of the company.

- It is not necessary to file a notice for mergers/amalgamations, if one of the enterprises has more than fifty per cent shares or voting rights of the other enterprise. No notice would be required for cases of merger, or amalgamation of enterprises, in which more than fifty per cent shares or voting rights in each such enterprises are held by the same group.

Other Events at CCI:

(1) Shri Ashok Chawla, Chairperson, Dr. Seema Gaur, Advisor (Eco.) and Shri P.K. Purwar, Advisor (FA) participated at the 12th Annual Conference of the International Competition Network during April 23-26, 2013 held in Warsaw, Poland.

(2) Seventh "Distinguished Visitors Knowledge Sharing" Lecture was delivered by Dr. Mohan Gopal, an eminent jurist and Director, Rajiv Gandhi Institute for Contemporary Studies on "Law, Economics and Development: Critical Challenges in the Indian Context" on 08.04.2013.

(3) A meeting with delegation from Ministry of Commerce of China (MOFCOM) headed by Mr. Wu Zhengu, Deputy Director General of Anti-Monopoly Bureau was held on 08.04.2013 in CCI and possibilities of signing of MOU were discussed.

(4) Dr. Satya Prakash, Director (Law) and Ms. Neha Raj, Dy. Director (Law) attended Workshop on Intellectual Property and Competition Law, organized by OECD- Korea Policy Center and World Intellectual Property Organization (WIPO) during April 17-19, 2013 in Jeju Island, Korea.

(5) A preliminary meeting of CCI officers with policy makers of Ministry of Road Transport & Highways was organized on 09.04.2013 where modalities were discussed to jointly undertake competition assessment of policies of Ministry of Road Transport & Highways.

(6) A workshop on 'Public Procurement' was organized in Department of Industry, Govt. of NCT of Delhi on 25.04.2013 in Delhi where in presentation on 'Overview of Competition Law' and 'Public Procurement & Competition Law' was made.

(7) A Seminar on "Abuse of Dominance – the case of payment card interchange fees" was organized on 25.04.2013. Mr. John Ramires, Managing Director, Econ One Research Inc, USA, was the main speaker.

