



Monthly Newsletter

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From The Secretary's Desk

The month of April 2012 marked the beginning of the Twelfth Five Year Plan (2012-17). The Plan envisages that the Private Corporate Sector is to invest 12.4% of GDP and save at the rate of 8.5% during the plan period. Performance of our corporate sector despite global slowdown and domestic uncertainties since 2008-09 does inspire confidence that we have set for ourselves an eminently achievable target for the Twelfth Plan.

The budget numbers for the first year of the Twelfth Plan have been projected to facilitate fiscal consolidation by inter alia increasing the tax rates for several indirect taxes and cutting down subsidies on fuel and fertilizers. However, in a democracy like ours, the Government has taken a conscious decision to moderate the pace at which the envisaged budgetary reforms would be brought into effect.

The International Monetary Fund (IMF) has recently projected a slowdown in the global growth from 4% in 2011 to 3.5% in 2012. However, growth is expected to revert back to 2011 level in 2013, once the pending issues are sorted out by the developed nations. For developing economies, GDP growth is projected to slowdown from 6.25% in 2011 to 5.75% in 2012, but expected to recover to 6% in 2013, supported by policy reforms and strengthened external demand.

Diverse views on India's economic prospects expressed by a number of rating agencies have recently appeared in the public domain. Standard and Poor's (S&P) has recently downgraded India's sovereign debt outlook from "stable" to "negative" on the basis of anticipated slowdown in growth with continuing concern about rising Current Account Deficit (CAD) and high fiscal deficit.

The latest bi-annual Regus Business Confidence Index (BCI) Report, which tracks the opinions of over 16,000 business managers and owners from 86 countries put India at the second position with 143 points, next only to Brazil with 148 points in March, 2012. The global average for the index in the latest report stands at 113 points.

As per a Nielsen survey Report for the quarter ended March 31, 2012, India has emerged as the most optimistic market in terms of consumer confidence for Fast Moving Consumer Goods (FMCG).

India has retained this top position for the ninth consecutive quarter.

I expect all stakeholders in general and Indian corporate sector in particular to appreciate the assessment on the emerging economic scenario made by the Government and international bodies such as the IMF and cooperate fully with the Government's endeavour for boosting domestic investments and savings to achieve the targets.



Performance of our corporate sector despite global slowdown and domestic uncertainties since 2008-09 does inspire confidence that we have set for ourselves an eminently achievable target for the Twelfth Plan.



Inauguration of IICA Campus at Manesar

The campus of the Indian Institute of Corporate Affairs (IICA) at Manesar was inaugurated on 13.04.2012 by Dr. Mammohan Singh, Hon'ble Prime Minister. The function was attended by Shri Bhupinder Singh Hooda, Hon'ble Chief Minister of Haryana, Dr. M. Veerappa Moily, Hon'ble Union Minister for Corporate Affairs, Shri R. P. N. Singh, Minister of State for Corporate Affairs and Petroleum & Natural Gas, Shri Shahbuddin Yaqoob Quraishi, Chief Election Commissioner, Shri Ashok Chawla, Chairman, Competition Commission of India, Shri Naved Masood, Secretary, Ministry of Corporate Affairs, Shri Bhaskar Chatterjee, Director General & CEO, Indian Institute of Corporate Affairs and other dignitaries from Government of India and Corporate world.



In his inaugural address, Hon'ble Prime Minister observed that the IICA has been conceived as a think-tank and research institute in the area of corporate law and allied disciplines, and also as a training organization for officers of the Indian Company Law Service (ICLS). Complimenting the Ministry of Corporate Affairs for this very important initiative, he expressed confidence in the Institute to live up to the expectations.



Hon'ble Corporate Affairs Minister remarked that in order to address the changing needs of the corporate sector, different inputs are required. One major challenge is the adequate capacity building at all levels of corporate governance. IICA is a sui generis Institute that has been designed to function as a holistic, capacity-building institution and a think-tank for corporate regulation and reform, through synergized knowledge-creation and management, global partnerships and real time solutions. The IICA is expected to undertake research, consultancy, incubation and problem-solving to enable innovative solutions, besides taking big steps in certification of skills. It will aim to foster inclusive growth and entrepreneurial excellence with a focus on ethical business practices.

Senior level appointments in MCA:

(A) Shri Sudhir Mital (IAS, PB:1978) has been appointed as Special Secretary to the Government of India in the Ministry of Corporate Affairs. Prior to this appointment, Shri Mital was the Additional Secretary in this Ministry.

(B) Shri Nilimesh Baruah, IRS (IT:85) has been approved for appointment as Director, Serious Fraud Investigation Office (SFIO) in the Ministry. He will replace Shri A.K. Bishnoi, IAS (UP:81).

Companies Bill, 2011: The Parliamentary Standing Committee on Finance took further oral evidence of the Secretary and other representatives of the Ministry of Corporate Affairs on 20.04.2012 over the provisions of the Companies Bill, 2011. Replies to the points raised by the Members of the Committee in the said meeting were forwarded to the Committee on 27.04.2012.

First Meeting of the Committee on Corporate Governance: The First meeting of Committee on 'National

Corporate Governance Policy' constituted under the Chairmanship of Shri Adi Godrej was held on 05.04.2012. Dr. M. Veerappa Moily, Hon'ble Minister for Corporate Affairs addressed the Committee and explained the need for a comprehensive Corporate Governance Policy for India. He emphasized that strong internal audit, better risk management and extensive disclosures are evolving as important aspects of corporate governance; and hence the focus on Value Statements, Corporate Social Responsibility and Sustainability would help companies address the challenges of future. The Chairman expressed that the proposed Corporate Governance Policy should become applicable across companies in a phased manner. He suggested that, to begin with, the Policy should apply to listed companies and only those unlisted companies which meet the criteria of paid-up capital/net worth/turnover as may be decided.

Constitution of National Advisory Committee on Accounting Standards: By a statutory Order issued vide F. No. 1/5/2001-CL.V dated 11.04.2012 under Section 210A of the Companies Act, 1956, the Central Government has constituted a twelve-member National Advisory Committee on Accounting Standards (NACAS) under the chairmanship of Shri M.M. Chitale, an eminent Chartered Accountant. The Committee has representatives from the Ministry, three professional institutes (ICAI, ICSI, ICWAI), SEBI, RBI, CAG, IIM, Kolkata, CBDT and the Business Chambers. The NACAS will advise the Central Government on the formulation and laying down of accounting policies and accounting standards for adoption by companies or class of companies. The tenure of NACAS is up to 28.02.2013.

Extension of MCA21 project: As the first 6-year cycle of MCA21 e-Governance Project with the current operator (TCS) is ending on 16.01.2013, Expression of Interest was floated for extending the project beyond 2013. Initially, nine agencies participated and submitted their bids. After detailed examination, eight out of nine bids were shortlisted. The short-listed bidders were issued with Request for Proposal (RFP) on 01.05.2012. The last date for submission of bids is 15.06.2012.

New features in MCA21 System: A new feature viz. 'Pay Later' has been introduced in the MCA21 system. Under this feature, the online payment of fee is permitted to be made within seven days after the requisite e-forms are filled up and uploaded on the system by the corporates or the professionals.

Progress in XBRL mode of Filing : More than 26,000 companies have filed their financial data in eXtensible Business Reporting Language (XBRL) mode so far. Indian Corporate Law Service (ICLS) officers are being trained on the examination of XBRL filings for the purpose of corporate regulation. A revised taxonomy for XBRL filings

during the current year has been prepared by ICAI incorporating the revised Schedule VI of the Companies Act and rationalizing the elements of last year's taxonomy. Comments of various stakeholders have been invited with regard to the revised taxonomy.

XBRL Training Courses for MCA officials: Training Courses on XBRL at Beginners and Advanced levels were designed to train MCA officials working in the field offices in all the six Regional Directorates. The Beginners Course was conducted in the Eastern and South-Eastern Region in April, 2012.

Blue-print for Investors Protection : As a follow-up to the India Corporate and Investors Meet held in the five metro cities in February, 2012, a meeting was conducted on 17.04.2012 under the chairmanship of Union Corporate Affairs Minister Dr. M. Veerappa Moily. The meeting was attended by officers of the Ministry and representatives from the Business Chambers and Professional Institutes. Hon'ble Minister expressed the need to channelize the household savings into investments. In the meeting decisions were taken with regard to : (i) promoting financial literacy among investors through educative material, (ii) standardization of annual reports of companies by devising a twenty-point summary format, (iii) Integration and strengthening of Investor Grievance Redressal Mechanism in the Ministry and the SEBI, and (iv) exploring possibilities of converting other forms of business into the corporate form.

Investor Awareness: During the financial year 2011-12, more than 2000 Investor Awareness Programmes (IAPs) have been conducted. Out of these, about 1800 programmes have been conducted in tier II and tier III cities. Further, five national level programmes were also conducted in five metros, Viz. Kolkata, Chennai, Bangalore, Delhi and Mumbai.

Schedule XIV of the Companies Act, 1956 : The Central Government has issued a General Statutory Rule on 17.04.2012 amending the Schedule XIV of the Companies Act, 1956 dealing with Depreciations. A new entry V has been inserted to provide for amortization on Intangible assets (Toll road) created under Build, Operate and Transfer (BOT) or any other form of Public Private Partnership (PPP) Route. The cost of the intangible asset is to be determined according to the accounting standards and the amortization rate/amount should ensure that the whole cost of the intangible asset is amortized over the concession period.

Amendment to Name Availability Guidelines: A proposed name for a new company is considered undesirable if it is identical with or too nearly resembling with (i) the name of a company/LLP already in existence or already approved by the Registrar, or (ii) a registered

trademark or a trademark which has been applied for by another person. Under the existing system, an applicant, while applying for registering a new company has been given an option to check, using the facilities in MCA21 System, as to whether a proposed name is undesirable. Under this process no back-end checking by the server was required. The Ministry has now issued a General Circular dated 25.04.2012, amending the Name Availability Guidelines, 2011 to provide for an online check by the system for ascertaining similarities of the names so approved with trademarks.

Annual Business Responsibility Report: In order to enable reporting on the National Voluntary Guidelines on the "Social, Environmental and Economic Responsibilities of the Business", the Disclosure Framework Committee has formulated a draft electronic Report compatible with the MCA-21 System. The framework comprises five sections and has been submitted the same to the Ministry of Corporate Affairs on 18.04.2012. It also takes into account the provisions of Section 135 of the Companies Bill 2011.

International Cooperation :

- A) On 23.04.2012, a delegation from the State of Delaware, United States of America, led by Mr. Justice Randy Holland, Delaware Supreme Court and Mr. Jeffrey Bullock, Secretary of State, Delaware met Dr. M. Veerappa Moily, Hon'ble Corporate Affairs Minister. The visiting dignitaries held discussions with the Hon'ble Minister about the legal system in India with particular reference to corporate law and corporate governance.
- B) Shri Avinash Kumar Srivastava, Joint Secretary, MCA attended a training course on e-governance, titled "Estonian e-governance and ICT Policy" during April 8-14, 2012 as part of a study visit to Estonia. The study tour was organized by the Department of Information Technology for officers of the Government of India.
- C) Shri Sanjay Shorey, Joint Director, MCA attended the 22nd Meeting of the Corporate Governance Committee of the OECD during April 18-20, 2012 at Paris.

Adjudication by Competition Commission of India :

- A) The Competition Commission of India (CCI) acting on a complaint filed by Kapoor Glass has imposed a penalty of Rs.5.66 crores on Schott Glass India Private Limited (Schott India) for violating the provisions of the Competition Act. The Commission in its order has held that Schott India has abused its dominant position in the industry by imposing unfair and dissimilar discounts which has resulted in an

adverse impact on the converters in the downstream market.

- B) The CCI has found certain Explosive Suppliers who supply explosives to Coal India Limited in violation of the provisions of the Competition Act. The Commission has imposed penalty @3% on average of 3 years turnover on ten Explosive Suppliers aggregating to about Rs.58.83 crore and also passed orders for "cease and desist" from manipulating process of bidding in any manner.
- C) The CCI has found three parties namely, M/s PES Installation Private Limited, M/s MDD Medical Systems Private Limited & M/s Medical Products Services in contravention of provisions of the Competition Act for their collusive acts in supply of medical equipments to Sports Injury Centre (SIC), Safdarjung Hospital, New Delhi. Taking into account the anti-competitive acts of these parties including bid rigging, the Commission imposed penalty @ 5% on the average turnover of 3 years aggregating to about Rs. 3.01 crore on them.

Competition Commission of India Meetings, Seminars and Lectures:

- A) A workshop on "Public Procurement & Competition Law" was organised in collaboration with Standing Committee of Public Enterprises (SCOPE) at Bangalore on 26.04.2012 for the officers of Public Sector Undertakings. Fifty senior officers of the Central PSUs participated in the workshop.
- B) Shri Ashok Chawla, Chairperson and Shri Ajay Kumar Chauhan, DG, CCI participated in International Competition Network (ICN) Annual Conference at Rio de Janeiro, Brazil during April 17-20, 2012.
- C) Shri Ashok Chawla, Chairperson, CCI delivered inaugural address at the Annual Conference on "Competition and Regulation – Contemporary and Comparative Perspectives" at National Law School of India University on 30.04.2012 at Bangalore.
- D) Dr. Geeta Gouri, Member, delivered a keynote address in the Seminar on "Merger and Acquisition", organised by Bangalore Chamber of Industry and Commerce on 20.04.2012 at Bangalore.
- E) A new informative hand book entitled "Understanding Competition Law" has been brought out and published for wider circulation amongst senior school students to create awareness on various aspects of Competition Act.
- F) Dr. Varadharajan Sridhar, Research Fellow, Sasken Communication Ltd. made special presentation on the theme of "Two sided Markets and implications for Competition in the Smart phone and broadband wireless Environment" at CCI on 27.04.2012.