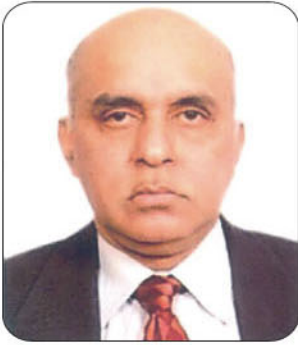




Monthly Newsletter

Volume - 15

July - 2012



From The Secretary's Desk

The dynamism of business sentiments today largely depends upon the assessment of lead economic indicators and the prevailing business perceptions. The Index of Industrial Production (IIP), released on a monthly basis, has an immediate impact on business decisions. In the last few months the IIP has been

continuously reporting severe contraction in capital goods production. However, the Quarterly returns submitted by capital goods and consumer durables majors with the stock exchanges present a different picture than the IIP does. I look forward for a quick resolution and reconciliation of this divergence.

Inflation has dropped to a thirty-two month low of 6.85% in July, 2012. The moderation in July inflation is on account of fall in crude oil prices and vegetables prices, while core inflation is still above 5%. Sustainability of price moderation is important in the context of rising crude prices in global market and anticipated rise in food prices owing to monsoon failure in some parts of India. It could be a very tough call for the Reserve Bank to heed to calls from the private corporate sector for an interest rate cut in the immediate future.

The economic performance of India registered in the past two decades makes us believe that India's growth potential is robust. In 2012, India became the third largest economy in Purchasing Power Parity (PPP) terms, up from ninth rank in 1990. To recapitulate, during the 1990s India's GDP increased by 117% from \$763 billion in 1991 to \$1.73 trillion in 2001. In the subsequent decade GDP grew even faster and reached \$ 4.5 trillion in 2011, registering a rise of 162%. All economic observers invariably project that the long-term growth prospects of india is solid and robust.

Productivity gains and increase in efficiency are the two key factors driving economic growth, and these are reinforced by competition. The Institutions that we set up for promoting Competition have proved to be strong. The Competition Commission of India (CCI), supported by its able investigative agencies, has taken bold decisions, strengthening my belief that we are moving towards a better and more efficient business environment.

In a first, we have established the digital repository of disbursing officers of banks in India on our MCA21 portal. This will help in faster processing of charges. We have also made it mandatory for companies to display on a common website the details of unclaimed and unpaid money of investors lying with the companies.

We, as a nation, have an abiding commitment for inclusive growth. In this context, financial inclusion is a major endeavour to pool the nation's resources for boosting investment in general and empowering the poor in particular. The SEBI has announced a few policy reforms to incentivize the retail investors. I do hope that the business confidence in India would surge again and overcome the current pessimism.

“We, as a nation, have an abiding commitment for inclusive growth. In this context, financial inclusion is a major endeavour to pool the nation's resources for boosting investment in general and empowering the poor in particular.”



The Companies Bill, 2011 : The Companies Bill, 2011 introduced by the Government in Lok Sabha on 14.12.2011, had been referred to the Hon'ble Parliamentary Standing Committee on Finance. The Committee presented its Report to the Hon'ble Speaker on 26.06.2012. The Official Amendments have been circulated to the concerned Ministries and Departments 09.07.2012 for their comments before the same is submitted to Cabinet for its approval. It is expected that after approval by the Cabinet, the Amendment Bill would be moved in Parliament in the Monsoon Session.

Group of Ministers for Competition Law: In the light of experiences gained in the working of the Competition Commission of India, the Ministry moved a proposal in April, 2012 to amend the Competition Act, 2002. The Union Cabinet desired that all pertinent matters including the jurisdiction of sectoral regulators on competition related issues be considered by a Group of Ministers. The Group of Ministers held its first meeting on 27.07.2012.

Notifications and Circulars on Simplification in Administrative Procedures continues: The Ministry of Corporate Affairs has issued a series of Circulars concerning administration of the Companies Act, 1956 (for further details, visit our website: <http://mca.gov.in>). These broadly relate to —

I. Notifications

A. General Statutory Rules

- a) Fees on Applications and Petitions filed with Company Law Board have been revised [see GSR 547(E) dated 10.07.2012].
- b) The rules for Winding up and Dissolution of Limited Liability Partnerships has been notified [see GSR dated 10.07.2012].
- c) New Form 24AAA has been introduced in the Central Government's General Rules and Forms under the Companies Act [see GSR 548(E) dated 10.07.2012].
- d) Forms 8, 10 and 17 have been amended in the Central Government's General Rules and Forms under the Companies Act [see GSR 577(E) dated 19.07.2012].
- e) Forms 21 and 23 have been amended in the Central Government's General Rules and Forms under the Companies Act [see GSR 588(E) dated 26.07.2012].

B. Statutory Orders

- f) Delegation of powers of the Central Government under Sections 21, 25, Proviso to 31(1), 108(1D) and 572 to Registrar of Companies, with effect from 12.08.2012 [see S.O. 1538(E) dated 10.07.2012].

- g) Delegation of powers of the Central Government under Sections 17, 18, 19, 22, 141, 188, Proviso to 297(1), 394-A, and 400. 21, 25, 31(1), 108(1D) and 572 to Regional Director, with effect from 12.08.2012 [see S.O. 1539(E) dated 10.07.2012].
- h) Certain Sections of the Companies (Amendment) Act, 2012 were brought into force by notifying them. [see S.O. 1540(E) dated 10.07.2012].

II. Circulars

Certain class of companies mandated to file their Balance Sheet and Profit and Loss Accounts in eXtensible Business Reporting Language (XBRL) mode for the financial year commencing on or after 01.04.2011. The companies have been allowed to file their XBRL based financial statements up to 15th November, 2012 without any additional fees. [see General Circular No. 16/2012 dated 06.07.2012].

Multi-state Societies Registration Law : The Ministry has constituted an Expert Group to study the legislative and regulatory architecture of the Societies Registration Act, 1860 governing the functioning of societies in India and also to study the ground situation with respect to the operation of the said Act so as to identify the regulatory gaps and oversight mechanism with a view to formulate a Model Law on the subject. The Expert Group has submitted its report to the Ministry on 05.07.2012 proposing a legislation titled as '*Multi-state Societies Registration Bill, 2012*'. The Report and the proposed Bill have been uploaded on the website of the Ministry of Corporate Affairs (www.mca.gov.in). Comments, views and suggestions on the said Report and the Bill are invited from various Individuals/ Experts/ Institutions/ Organizations.

Role Check for Authorized Signatories: For registration of charges in regards to loans and borrowings made by the companies, several forms requiring the digital signature of professional, banker and company director are to be filled up on the MCA21 portal. However, for want of an authorized repository of banking professionals for digital signatures, bankers' signatures could not be verified. Now, Ministry has created a role check module for bankers. The authorized representative of bank can create and associate digital signatures of their disbursing officers, who are empowered to make entries regarding the charges directly on MCA portal. The facility has already been extended to more than 25 banks and other banks have been requested to use the facility. It may be mentioned that this is first such digital repository of disbursing officers of banks.

Setting up of government secure repository : In order to ensure that all the MCA21 sovereign data is available with government thereby ensuring strategic control, the Ministry, with support of NIC, has procured back up equipment to create government secure repository with usable storage capacity of 100 terabytes. The utility is under commissioning at present.

XBRL filings for 2011-12 : The select class of companies for filing financial statements using XBRL remains same for 2011-12 as per criteria of previous year 2010-11. The following companies are required to file their financial statements for FY 2011-12 using XBRL : (i) all companies listed with any Stock Exchange(s) in India and their Indian subsidiaries; or (ii) all companies having paid up capital of Rupees five crore and above; or, (iii) all companies having turnover of Rupees one hundred crore and above. All companies who were required to file their financial statements for FY 2010-11 using XBRL shall also file their financial statements for FY 2011-12, using XBRL. All such companies are allowed to file their financial statements in XBRL mode without any additional fee/ penalty up to 15.11.2012 or within 30 days from the date of their AGM, whichever is later. However, banking companies, insurance companies, power companies and Non-Banking Financial Companies (NBFCs) are exempted from XBRL filing till further orders.

Progress in XBRL Taxonomy and Business Rules: During the month of July, comments/suggestions, etc. were invited from Directors and other stakeholders for finalization of the taxonomy for XBRL filings of financial statements by companies. Taxonomy and Business rules for financial statements as well as Cost audit reports were examined in detail.

Cost Audit Reports in XBRL : The Ministry had vide its circular dated 10.05.2012 [as amended on 29.06.2012], made it mandatory for all cost auditors and the concerned companies to file their Cost Audit Reports and Compliance Reports for the year 2011-12 onwards only in the XBRL mode. This directive applies to the overdue reports relating to any previous year(s) also. These Reports may be filed in XBRL mode up to 31.12.2012, without any penalty.

Fees on certain E-forms : Ministry of Corporate Affairs has decided to impose a certain amount of fee on the following forms : Form 1 (IEPF Rule), Forms 23B, 24A, 36, 61, 62 and 65. The rates of fees are as prescribed in the Schedule X to the Act, or Companies (Fee on Application) Rules, 1999, as the case may be. The fee is payable with effect from 22.07.2012. Prior to it no fee was levied for these forms.

Investor Education and Protection : 113 Investor Awareness Programmes were conducted in the month of July 2012 through Professional Institutes in different parts of the country.

Website for unpaid and unclaimed deposits : A new website has been set up, where the companies can file details of unpaid and unclaimed amounts of investors for last seven years and not yet transferred to the Investor Education and Protection Fund. Till July, 2012, as many as 1910 companies have uploaded their data. The last date for filing such information for financial year 2010-11 has been extended to 31.08.2012. This website will be very useful to inform the investors about such amounts lying unclaimed with the companies.

Conversion from cash-based to accrual-fund based accounting process : The Professional Development Committee of the Institute of Chartered Accountants of India (ICAI) conducted a five-day training programme on conversion from cash-based to accrual-fund based accounting process during June 4 – 8, 2012. The officials of the Banaras Hindu University participated in the programme.

Research Studies of ICAI : The Committee on Cooperatives and Non-Profit Organisations Sectos of ICAI has taken up studies on (i) Taxation of Cooperatives and NPOs; (ii) Harmonising of Accounting Practices for Cooperatives and NPOs; and (iii) NRM Cooperative as a local institution of governance. It may be mentioned that Cooperatives and NPOs have different issues peculiar to their mode of functioning and the ICAI has taken steps to educate the Chartered Accountants for conceptual clarity.

Adjudication by Competition Commission of India :

(A) **Multi System Operators Group :** The Fast Way Group, with more than 85% of the total subscribers in Punjab and Chandigarh, denied M/s Kansan News Private Limited, the Informant the opportunity for transmission of its channel on its network and thereby has effectively denied it access to the market. The Commission has issued 'cease and desist' orders in addition to imposing a penalty on the Group entities, at the rate of 6% of their average turnover for the last three preceding financial years. The penalty amount of Rs. 8,04,01,141 (Rs. Eight crores four lakhs one thousand one hundred forty one only) is to be paid within ninety days.

(B) **Cement Cartel :** In a proceeding arising out of transfer from the erstwhile Monopolies and Restrictive Trade Practices Commission, the Competition Commission of India in its Order dated 30.07.2012 found the eleven

cement manufacturers and Cement Manufacturers Association (CMA) as having an anti-competitive agreements including cartels. Other than the companies, which had been penalised earlier on 20.06.2012 for the same contravention for the same period, M/s Shree Cement Limited was also found in violation of the Competition law. A 'cease and desist' order has been issued to it along with the imposition of and a penalty amounting to Rs. 397.51 crores.

Events at Competition Commission of India :

- (I) The first meeting of Eminent Persons Advisory Group (EPAG) of CCI was held on 23.07.2012 at New Delhi. The meeting was inaugurated by Dr M. Veerappa Moily, Hon'ble Minister for Corporate Affairs. Eminent personalities including Shri V.N. Kaul, former CAG, Dr Rakesh Mohan, former Dy. Governor, RBI, Dr Bakul H Dholakia, former Director, IIM-Ahmadabad, Dr S.L. Rao, former Chairman, CERC, Prof. N.L. Mitra former Vice-Chancellor, NLSIU, Bangalore and Ms Rohini Nilekani, NGO Activists participated in the meeting. The EPAG discussed ways to deepen the process of competition in various sectors of the economy. On this occasion, Dr Moily, Hon'ble Minister for Corporate Affairs also released first edition of CCI's Quarterly Newsletter "Fair Play", which is designed as an advocacy initiative with latest news, important orders and noteworthy developments in Competition Commission of India
- (II) UNCTAD's Intergovernmental Group of Experts (IGE) on Competition Law and Policy is a specialized intergovernmental forum based on consensus building and voluntary cooperation for developing countries' competition authorities and government agencies. Shri Ashok Chawla, Chairperson, CCI participated in the 12th session of IGE during July 9-13, 2012 at Geneva, Switzerland. Shri Chawla has also been elected unanimously the Chair of the 12th Session of Inter-governmental Group of Experts (GE) on Competition Law and Policy, UNCTAD for the next year.
- (III) Shri R. Prasad, Member, CCI delivered Keynote Address on "Cross Media Ownership" in the Routable Conference organised by ASSOCHAM on 27.07.2012 at New Delhi.
- (IV) Shri R.N. Sahay, Adviser, CCI participated in Conference on "Operationlising Roadmap for Competition Reform in Bangladesh" organised by Bangladesh Competition Commission on 02.07.2012 at Dhaka, Bangladesh.

(V) Ms. Jyoti Jindgar, Additional Director General participated in the first workshop on "Regional ICN Unilateral Conduct" during July 24-25, 2012 at Singapore.

(VI) A workshop on "Economic and Financial Analysis for Merger Review" was organised by CCI in collaboration with US - FTC during July 16-19, 2012 at New Delhi.

Events at Indian Institute of Corporate Affairs :

- (I) Launch workshop for the European Union-funded Project titled "Scaling up Sustainable Development of MSME Clusters in India" was held on 06.07.2012. Apart from IICA, FMC, GIZ, GRI, SIDBI and UNIDO are the other partners.
- (ii) As part of the endeavour to promote Responsible Business and CSR, AIMA in partnership with IICA organized the 5th Business Responsibility Summit of business leaders, civil society activists and academics. The summit was held on July 6-7, 2012 at Welcom Hotel Sheraton, New Delhi. The Theme of the Summit was 'Enabling Responsible Business for a Sustainable Future: Challenges and Opportunities'.
- (iii) In the context of implementation of the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business issued by the Ministry, a debate on "Enabling Business Action for Sustainable Future: Will India Lead or Lag?" was held on 12.07.2012 July 6-7, 2012 at Hyatt Regency, New Delhi. The Panel Discussion was organized by MINT as part of *Clarity Through Debate* series in partnership with Indian Institute of Corporate Affairs and German Development Cooperation (GIZ).

International Cooperation : A delegation of six senior officers of the Republic of Kenya met senior officers of the Ministry of Corporate Affairs on 18.07.2012 in New Delhi. The current system of Corporate Governance and new initiatives taken by the Ministry of Corporate Affairs were discussed.

