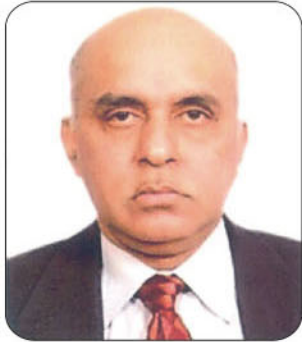




Monthly Newsletter

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From The Secretary's Desk

As per the World Investment Report, 2012, released by UNCTAD on 5th July, 2012, India is the third most preferred FDI destination for transnational companies for the period 2012-2014, next to China and the United States. This is a definite indication that India's long term growth story is intact.

Meanwhile, net FDI inflow has shown a remarkable improvement in the first two months of current fiscal year 2012-13, compared to the trend seen in the fourth quarter of the last fiscal year.

Persistent price rise, slowing industrial growth, high level of fiscal deficit and widening current account deficit continue to put pressure on business sentiments. While growing global uncertainty is a definite deterrent to growth expectations, the prevailing economic scenario within the country is not conducive to boost business optimism.

Statistically speaking, the fall in the annual GDP growth to 6.5 percent during 2011-12 from 8.4 percent in the previous year is a matter of concern, but the fall in the growth rate to a level of 5.3 percent in the last quarter of the previous fiscal year the lowest quarterly growth rate in past nine years has been viewed in certain quarters as an alarm. However, on the brighter side, the recently released Provisional Accounts of the Central Government show improvement in the fiscal numbers for the year 2011-12 vis-à-vis the Revised Estimates.

The Government is engaging with the corporate world to expedite reforms (including FDI and GST) and to work out an economic revival package with a view to arrest the slowdown. Prime Minister has stressed the need to re-draw the India's growth story and has called for the revival of the 'animal spirit' in the country's economy so as to overcome the current pessimism. In this context, Prime Minister has given specific directives with regard to infrastructure sectors such as Power, Roads, Shipping, Civil Aviation and Coal. He has set targets for investments of at least Rs. 2 lakh crore for core sector projects in the current fiscal through the public-private partnership route.

The Ministry of Corporate Affairs is always conscious that reforms in the processes of doing business in India are vital to keep pace with the global trends and the emerging economic scenario. We have recently integrated the e-governance models of the LLPs with that of

the Companies under MCA-21 system. Decentralisation of the LLP Registry is another step forward in this direction. The accountability mechanisms of filing of Annual Returns and Cost Audit Reports are being made user-friendly through XBRL technology, while ensuring that the cost of compliance is also reduced to the minimum.

The situation seems to be improving with the intervention by the Prime Minister, and the country is gaining necessary momentum for a resurgence. I am sure the corporate sector would demonstrate its 'animal spirit' to help pull the economy out of the present pessimistic scenario.

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Senior level Appointments : Shri Amlsh Bandopadhyay, Member (Technical), Shri Dhan Raj, Member (Technical), and Shri Ashok Kumar Tripathi, Member (Judicial), have assumed charge as Members of the Company Law Board (CLB) at its Kolkata Bench, New Delhi Bench and Mumbai Bench respectively, raising the strength of the CLB to eight, including the Hon'ble Chairman.

MCA Compendium of Achievements: A compendium entitled, *"Innovative March to New Horizons of Corporate Growth"*, has been released by Hon'ble Corporate Affairs Minister Dr. M. Veerappa Moily on 11.06.2012 broadly outlining the mandate, activities and achievements of the Ministry of Corporate Affairs.

Progress on Companies Bill, 2011: The Hon'ble Standing Committee on Finance, after examination of the Companies Bill, 2011 have forwarded their Second Report/ recommendations to the Hon'ble Speaker of Lok Sabha on 26.06.2012. The same are being considered in the Ministry for moving official amendments to the Bill as may be found necessary. It is expected that the process of obtaining requisite approvals would be completed before the ensuing monsoon Session of Parliament.

Integration of LLP with MCA-21: The e-Governance systems for companies under MCA21 system and Limited Liability Partnerships (LLP) under the National Informatics Centre (NIC) have been integrated into a single e-Governance system. The MCA-21 system will handle both companies and LLPs, with effect from 11.06.2012. The Ministry of Corporate Affairs has placed the New Guidelines for the Stake holders on its newly launched LLP Portal. Now all forms etc. will have to be submitted as per MCA21 requirements. Payments relating to services for companies and LLPs can be made through the NEFT, Credit Cards and Net banking from six designated banks. The users are requested to follow the user's guide and Instruction Kit hosted on the MCA21 portal before filing LLP forms in order to avoid any inconvenience. In case of any problem in filing the LLP forms, the users may take assistance of MCA-21 helpdesk.

Decentralisation of LLP Registry : The Registry services for Limited Liability Partnership (LLP) has been decentralised amongst twenty Registrars across the country with effect from 11.06.2012. Hitherto, the Registrar of LLPs was centrally located in New Delhi. The decentralisation is expected to promote the incorporation of new business entities in the form of LLPs.

Verify Payment feature in MCA-21: Double encryption of messages between MCA21 system and the State Bank of India has been achieved. This will improve security of payment transactions. Also, a "Verify Payment" feature has been added between two banks (*State Bank of India and Indian Bank*) and MCA21 through a back-end server-to-server integration. The payments made by users can be verified by them at the level of the bank itself.

Implementation of XBRL: The electronic dictionary of accounting terms used for eXtensible Business Reporting Language (XBRL) filings is technically known as "Taxonomy". The revised Commercial and Industrial taxonomy for XBRL, in line with the revised Schedule – VI of the Companies Act and Accounting standards has been developed. It has been placed on the website of the Ministry inviting comments of stakeholders thereon.

Filing of Cost Audit Report and Compliance Reports in XBRL mode : The Ministry has informed the Institute of Cost Accountants of India that in pursuance of General Circular No. 8/2012 dated 10.05.2012, filing of Cost Audit Report (Form – I) and Compliance Reports (Form – A) would be made in eXtensible Business Reporting Language (XBRL) mode after 31.07.2012.

Simplification and Rationalisation of Procedures under Companies Act and LLP Act: The Ministry is in the constant process of improvement of services and simplification for regulatory requirements under the statutory provisions. In the month of June, 2012, the following steps were taken in that direction :

1. Notifications :

- (a) The Limited Liability Partnership Rules, 2009 was amended vide Notification No. G.S.R.(E) 430 under F.No. 1/1/2011-CL-V dated 05.06.2012. The amended rules come into force with effect from 11.06.2012. Incorporation of LLPs by professionals (Chartered Accountants, Company Secretaries and Cost and Works Accountants) would be subject to approvals by the three concerned professional Institutes. LLPs with names/activities such as 'Bank', 'Insurance', 'Venture Capital' or 'Mutual Fund', would need to take prior approval of the concerned Regulatory Authority before incorporation, or at the time of change of name etc. Certain clarificatory amendments have been issued on 21.06.2012.
- (b) Vide a Notification under F.No.1/1/2011-CL-V dated 05.06.2012, the Companies Director Identification Number (Second Amendment) Rules, 2012 has been issued. After this amendment, the prospective Directors would have to disclose their Residency status specifically.

2. Circulars :

- (a) Certain general clarifications regarding the extent of applicability of Cost Accounting Records and Cost Audit Rules issued at various points of time have been issued vide General Circular No. 12/2012 dated 04.06.2012.
- (b) Circular No. 13/2012 dated 06.06.2012 was issued for granting extension of time for filing the Annual returns by Limited Liability Partnership (LLPs). This was done in order to alleviate the difficulties arising out of the process of decentralisation of the LLP registry. The same has been clarified vide General Circular No. 15/2012 dated 29.06.2012, that the time limit for filing of Form 11 has been extended up to 31.07.2012.
- (c) By Circular No. 14/2012 dated 21.06.2012, the Ministry has imposed certain fees for filing Form Nos. 1, 23B, 24A, 36, 61, 62 and 65 with effect from 22.07.2012. At present no fee is imposed for filing of these e-forms with the Registrar of Companies, Regional Directors or with the Headquarters of the Ministry of Corporate Affairs.

International Cooperation :

- (I) Shri Sudhir Mital, Special Secretary, MCA participated in the OECD Competition Committee Meeting at Paris during June 11-14, 2012. The Competition Commission of India would benefit from the experience gained, in establishing its credentials in the comity of nations.
- (II) Shri Santosh Kumar, Registrar of Limited Liability Partnerships attended the 15th Annual European Corporate Registers Forum Conference held during June 17-19, 2012 at Ohrid, Republic of Macedonia.

Rules Notified on Unpaid and Unclaimed Amounts lying with Companies :

The Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, has been notified. These rules mandate every company to file e-Form 5INV containing the information of unclaimed and unpaid amounts within a period of 90 days from the date of holding of Annual General Meeting and every year thereafter till completion of the seven years' period. A List containing detailed investor wise details is to be filed separately (in an excel spread-sheet). The eForm, the excel template and detailed steps are provided in the IEPF application link on the portal www.iepf.gov.in. For financial year ended on 31.03.2011, the e-Form should be filed latest by 31.07.2012.

National Competition Policy : After detailed deliberations, the Draft National Competition Policy has been finalised. The Policy would be submitted to the Union Cabinet for its approval. The Cabinet Committee

on Competition is envisaged to function as the highest policy making body in this respect. The Cabinet Committee would provide necessary directions and guidelines to various Ministries and Departments of Government of India on steps to be taken to engender the 'Competition Culture'.

Adjudication by Competition Commission of India :

- (I) The guidelines imposed by Chemist & Druggist Association, Goa (CDAG) that lay down the margins for wholesalers and retailers has been termed as anti competitive and against the interests of the consumers, of access to quality medicines at cheaper prices, by the Competition Commission of India. The guidelines had prescribed a cap on the amount of the discount a wholesaler can give to the retailer and prohibited the retailer from giving any discounts to the consumers. CCI has directed CDAG to remove the clauses in the Circulars, MoU and Guidelines and file an undertaking to this effect within 60 days from the date of receipt of the order. A monetary penalty of Rs. 2 Lakhs @10% on the average of the receipts for financial years 2008-09 and 2009-10 was imposed on the CDAG.
- (II) The Competition Commission of India held that Cement Manufacturers such as ACC, Ambuja Cements Limited, Ultratech Cements, Grasim Cements (now merged with Ultratech Cements), JK Cements, India Cements, Madras Cements, Century Cements, Binani Cements, Lafarge India and Jaypee Cements had entered into cartels, a form of anti-competitive agreement. It was held by the Commission, after considering investigation reports of the Director General acting on information filed by Builders Association of India. The Commission has considered the parallel and coordinated behaviour of cement companies on price, dispatch and supplies in the market. The Commission has found that the cement companies have not utilised the available capacity. This has caused reduction in supplies and rise in prices in times of higher demand.

In its Order dated 20.06.2012, CCI directed them to 'cease and desist' from forming cartels and imposed a penalty of Rs. 6,306.59 Crores on the eleven cement manufacturers. Additionally, the Cement Manufacturer's Association (the CMA) has been fined 10% of its total receipts for the past two years for its role as the platform from which the cartel activity took place.

Workshops and Seminars at the Competition Commission of India :

- (1) As part of advocacy a "Round Table" workshop on competition issues was organised at New Delhi on 21.06.2012. Twenty senior nodal officers of various Ministries/ departments participated in the workshop.

- (2) In pursuance of partnership initiative with research institutions, meeting with representative of National Law University (NLU) Delhi and National University of Juridical Sciences (NUJS), Kolkata were organised at New Delhi on 12.06.2012.
- (3) Dr Geeta Gouri, Member, CCI delivered a lecture on “Promoting Competition : the Competition Commission of India” organised by National Institute of Public Finance and Policy for the participants of the Refresher Course for University and College Teachers of South Asia Region on 01.06.2012.
- (4) Shri R.N. Sahay, Adviser, delivered a lecture on “Competition Law & Business” at Bihar Industries Association on 09.06.2012 at Patna, Bihar.
- (5) Shri P.K. Purwar, Adviser co-chaired the Merger Working Group of ICN during June 11-14, 2012 at Paris, France.
- (6) As a part of Training for Faculty Members of Training Institutions on consumer protection and consumer welfare, Shri Rajinder Kumar, Deputy Director (Advocacy), delivered a lecture on “Competition and the Consumer” at Indian Institute of Public Administration, New Delhi on 05.06.2012.
- (7) Shri Kuldeep Kumar, Deputy Director and Shri Manoj Tiwari, Asstt. D.G. participated in the workshop “Vertical Restraints” organised by OECD Korea Policy Centre at Seoul, Korea during June 27-29, 2012.
- (8) A Pan-India advertisement campaign has been launched to highlight the role and function of CCI.

Investor Awareness Programmes: Investor Awareness Programmes are being conducted in partnership with the three Professional Institutes, namely, ICSI, ICAI and ICWAI. A detailed workplan for 2012-13 has been drawn up in this regard. In the month of June, 2012, a total of 133 programmes were conducted in various cities and towns.

Major Events at IICA:

- (1) An One-day Seminar on “Corporate Sustainability Practices and Inclusive Growth” was jointly organized by the Indian Chemical Council and Indian Institute of Corporate Affairs on 01.06.2012. Various issues relating to Corporate Social Responsibility (CSR), with a special focus on implementation were discussed in the Seminar. The objectives of the day long workshop were to understand the challenges in the implementation of the “National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business”, building sound disclosure practices, selection, identification and strengthening of stakeholder engagement, Affirmative Action, inclusive growth and also best practices of the ICC award winning companies.

- (2) A Brainstorming Meeting to Formulate Capacity Building Programmes for Senior Management Functionaries of Banking Sector and Related Regulators was held on 05.06.2012 at IICA, IMT Manesar. Among the notable participants were Dr. M. Veerappa Moily, Hon'ble Union Corporate Affairs Minister, Shri Manoj Kumar, Joint Secretary, MCA, Shri J.N. Shah, President, ICAI and Dr. Bhaskar Chatterjee, DG & CEO, IICA and CMDs of several leading banks. The main objective of this meeting was to formulate capacity building programmes for senior management functionaries of the banking sector and related regulators. Dr. M. Veerappa Moily remarked that the banking sector serves as an engine of prosperity, and called for strategies to ensure sustainability within the banks, and to address reputational risk factors.
- (3) The Indian Institute of Corporate Affairs and the Institute of Chartered Accountants of India signed a Memorandum of Understanding on 05.06.2012, in the presence of the Hon'ble Cabinet Minister of Corporate Affairs regarding use of IICA campus as the hub of training programmes of ICAI.



- (4) The Third National CSR Conclave on 'Corporate Social Responsibility: A Private Sector Perspective' was held on 08.06.2012 at Mumbai. Dr. M. Veerappa Moily, Hon'ble Corporate Affairs Minister, Shri Arun Maira, Member, Planning Commission, Dr. Bhaskar Chatterjee, Director General & CEO, IICA and Dr. Rana Kapoor, Founder, Managing Director and CEO, YES Bank Ltd. were among the notable participants. Deliberations at this Conclave focused on the role of private sector in incorporating the 'triple bottom line' approach in businesses. The National Voluntary Guidelines (NVGs) on the Social, Environmental & Economic Responsibilities of Businesses served as the

