PAPER - 13: CORPORATE LAWS AND COMPLIANCE

SUGGESTED ANSWERS

SECTION – A

1.

(i) (A)

(ii) (D)

(iii) (A/B/C/D) Any

(iv) (A)

(v) (C)

(vi) (A)

(vii) (B)

(viii) (B)

(ix) (B)

(x) (C)

SECTION – B

2. (a)

According to section 19 of the Companies Act, 2013 a company shall not hold any shares in its holding company either by itself or through its nominees. Also, holding company shall not allot or transfer its shares to any of its subsidiary companies and any such allotment or transfer of shares of a company to its subsidiary company shall be void.

Following are the exceptions to the above rule-

(a) where the subsidiary company holds such shares as the legal representative of a deceased member of the holding company, or

(b) where the subsidiary company holds such shares as a trustee, or

(c) where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company but in this case, it will not have a right to vote in the meeting of holding company.

In the given case, one of the shareholders of holding company has transferred his shares in the holding company to a trust where the shares will be held by subsidiary company. It means now subsidiary will hold shares in the holding company. But it will hold shares in the capacity of a trustee therefore; we can conclude that in the given situation M can hold shares in S.

2. (b)

As per the Companies (Acceptance of Deposit) Rules, 2014 any amount received from a person who, at the time of the receipt of the amount, was a director of the company or a relative of the director of the Private Company is exempted under the deposit rules. However in such case the director of the company or relative of the director of the private company, as the case may be, from whom money is received, furnishes to the company at the time of giving the money, a declaration in writing to the effect that the amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and the company shall disclose the details of money so accepted in the Board's report.

Hence the company can accept deposit from Mr. K as he is the Director of the company with No limit on the amount of deposit, further he need to give declaration on the same

2. (c)

According to first proviso to section 161(2) of the Companies Act, 2013, no person shall be appointed as an alternate director for an independent director unless he is qualified to be appointed as an independent director under the provisions of this Act.

(i) In the present case, Mr. A who is not qualified to be appointed as an independent director is appointed by the Board of Directors of UK Limited, for an independent director, as an alternate director. Thus, the said appointment is not valid.

(ii) According to section 161(3) of the Companies Act, 2013, the Board may appoint any person as a director nominated by any institution in pursuance of the provisions of any law for the time being in force or of any agreement or by the Central Government or the State Government by virtue of its shareholding in a Government company, subject to the articles of a company

In the present case, on the request of bank providing financial assistance the Board of Directors of ABC Limited decides to appoint on its Board Mr. P, as nominee director. Articles of Association of the company do not confer upon the Board of Directors any such power and further there is no agreement between the company and the bank. Thus, the appointment of Mr. Pas nominee director is not valid as Articles do not confer upon the Board of Directors any such power.

2. (d)

(i) According to Section 177(8) of the Companies Act, 2013, the Board's Report shall, under the provisions of Section 134 (3) which is laid before the general meeting where the financial statements of the company are placed before the members, disclose the composition of the Audit Committee and where the Board has not accepted any recommendations of the Audit Committee, the same shall also be disclosed along with the reasons therefor. Hence, the Board is empowered not to accept the recommendations of the Audit Committee but only under genuine circumstances and supported by legitimate reasons for non-acceptance.

(ii) If the Board does not accept the recommendations of the Audit Committee, it shall disclose the same in its report under section 134 (3) which is placed before the general meeting of the company.

3. (a)

No, BT is ineligible for applying for fresh start process.

Reason: Section 80(2)(c) of the Code provides a Fresh Start Process for individuals under which they will be eligible for a debt waiver of up to INR 35,000. The individual will be eligible for the waiver subject to certain limits prescribed under the Code.

Section 80 of the Insolvency and Bankruptcy Code, 2016 provides that a debtor who is unable to pay his debt and fulfills the conditions as mentioned in sub-section (2) of section 80 shall be entitled to make an application to the Debt Recovery Tribunal (DRT) for a fresh start process for discharge of his qualifying debt. Section 79(19) of the Code defines the meaning of Qualifying Debt. It means amount due, which includes interest or any other sum due in respect of the amounts owed under any contract, by the debtor for a liquidated sum either immediately or at certain future time but does not includes

- an excluded debt,
- a debt to the extent it is secured, and
- any debt which has been incurred three months prior to the date of the application for fresh start process

3. (b)

As per Section 3(11) of the IBC, 2016, the term 'debt means a liability in respect of a claim which is due from any person and includes a financial debt and operational debt. A financial debt means a debt along with interest, if any, which is disbursed against the consideration for the time value of money and includes money

borrowed against the payment of interest. The interest, if any, will be included in the financial debt. Interest is not compulsory as per the meaning of Financial Debt Therefore, interest free loan given by RS is a financial debt and RS is a Financial Creditor

The rejection of the application on this ground, is not valid

3. (c)

Right to apply for oppression and mismanagement: As per the provisions of Section 244 of the Companies Act, 2013, in the case of a company having share capital, members eligible to apply for oppression and mismanagement shall be lowest of the following:

100 members, or

1/10th of the total number of members, or

Members holding not less than 1/10th of the issued share capital of the company. The share holding pattern of STD Limited is given as follows:

Rs. 5,00,00,000 equity share capital held by 500 members

The petition alleging oppression and mismanagement has been made by some members as follows

(i) No. of members making the petition - 80

(ii) Amount of share capital held by members making the petition Rs. 10,00,000 The petition shall be valid if it has been made by the lowest of the following:

100 members, or

50 members (beng 1/10th of 500); or

Members holding Rs. 50,00,000 share capital (being 1/10th of Rs. 5,00,00,000)

As it is evident, the petition made by 80 members meets the eligibility criteria specified under section 244 of the Companies Act, 2013 as it exceeds the minimum requirement of 50 members in this case therefore, the petition is maintainable.

The consent to be given by a shareholder is reckoned at the beginning of the proceedings. The withdrawal of consent by any shareholder during the course of proceedings shall not affect the maintainability of the petition [Kajamundhry Electric Corporation Vs. V. Nageswar Rao AIR]

3. (d)

Compensation for loss of office of managing or whole-time director or manager [Section 202 of the Companies Act, 2013]

A company may make payment to a Managing Director (MD) or Whole-time director (WTD) or Manager (but not to any other director) by means of compensation for less of office, or as consideration for retirement from office, or in connection with such loss or retirement Here, in the given instance Mr. R the whole time director was forced to be removed from office as cost saving measure

Yes, he is entitled for compensation.

Calculation of compensation: The compensation shall be calculated on the basis of the average remuneration earned by him during a period of three years immediately preceding the date on which he ceased to hold such office, or where he held the office for less than three years, then for such shorter period The above compensation shall not exceed the remuneration he would have earned if he would have been in office for the remainder of his term or three years, whichever is shorter.

4. (a)

As per section 233 (1), notwithstanding the provisions of section 230 and section 232, a scheme of merger or amalgamation may be entered between,

- 2 or more small companies
- a holding company and its wholly-owned subsidiary company. If 100% of its share capital is held by the holding company, except the shares held by the nominee or nominees to ensure that the number of

members of the subsidiary company is not reduced below the statutory limit as provided in section 187 such other classes or classes of companies as may be prescribed.

The provisions given for fast track merger in the section 233 are in the optional nature and not a compulsion to the company. If a company wants to make an application for merger as per section 232, it can do so. Hence, here the Company Secretary of the STU Limited has erred in the law and his contention is not valid as per law. The company shall have an option to choose between normal process of merger and fast track merger.

4. (b)

Issue of written notice by an adjudicating officer: Rule 3 of the Companies (Adjudication of Penalties) Rules, 2014 read with section 454 of the Companies Act, 2013, states that before adjudging penalty, the adjudicating officer shall issue a written notice in the specified manner-

- to the company and
- to officer of the company who is in default or
- any other person, as the case may be to show cause, within such period as may be specified in the notice (not being less than fifteen days and more than thirty days from the date of service thereon), why the penalty should not be imposed on it or him.

Accordingly, the company and its officers shall be presented before the Adjudicating Authority on or before 30th August 2023 (being not more than 30 days from the date of service of notice thereon).

4. (c)

According to section 380 of the Companies Act, 2013 read with Rule 8 of the Companies (Registration of Foreign Companies) Rules, 2014, following shall be the compliances duly required to be fulfilled by the FRC Limited, a foreign company, for closure of one of its branch of Chennai office

(i) Wrt. Compliance procedure as regards to amendment of Memorandum of Association

According to Section 380 (3) of the Act which provides that where any alteration is made or occurs in the documents delivered to the Registrar under section 380, the foreign company shall, within 30 days of such alteration, deliver to the Registrar for registration, a return containing the particulars of the alteration in the prescribed form. The Companies (Registration of Foreign Companies) Rules, 2014, has prescribed that the return containing the particulars of the alteration shall be filed in form FC-2 along with prescribed fees.

As in the instance, the FRC Limited has amended its Memorandum of Association on 1st of June 2022 and closed its branch office of Chennai. This altered document is required to be delivered to Registrar by FRC Limited within 30 days i.e. latest by Ist of July 2022

(ii) Wrt compliance procedure as regards to closure of Chennai office and discontinuing submission of documents to the registrar of companies afterwards

If any foreign company ceases to have a place of business in India, it shall forthwith give notice of the fact to the Registrar, and from the date on which such notice is so given, the obligation of the company to deliver any document to the Registrar shall cease, provided it has no other place of business in India. Here, in the given case, FRC Limited still has Bangalore as a place of business in India So. It will continue the submission of documents to the Registrar even after the closure of the Chennai office.

4. (d)

Every appeal under Under section 421 sub-section (1) of the Companies Act, 2013 (i,e appeal to AT against order of Tribunal) shall be filed within a period of 45 days from the date on which a copy of the order of the Tribunal is made available to the person aggrieved and shall be in such form, and accompanied by such fees, as may be prescribed

Provided that the Appellate Tribunal may entertain an appeal after the expiry of the said period of 45 days from the date aforesaid, but within a further period not exceeding 45 days (Condonation of delay), if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within that period. It is to be understand that it is solely at the discretion of the Tribunal whether to provide extension or not by such number of days which shall however not exceed 45 days

In this case order passed is not valid, as the Tribunal has to pass an order within 3 months from date of application and if not possible in 3 months then extension may be possible (if valid reason) for further 90 days, latest by 15th September, 2023.

5. (a)

Price manipulation in the shares of KLM Ltd. can be considered as fraudulent and unfair trade practices relating to the securities market. In this case SEBI may exercise the following powers under section 11(4) of securities and Exchange Board of India Act, 1992

(i) Suspend the trading of any security (in this case the securities of KLM Ltd.) in a recognized stock exchange

(ii) Restrain persons (in this case KLM Ltd.) from accessing the securities market. It can also prohibit any person associated with the securities market (i.e. brokers who have indulged in price manipulation) to buy, sell or deal in the securities market.

SEBI may issue the above orders for reasons to be recorded in writing SEBI shall, either before or after passing such orders give an opportunity of hearing to company and brokers concerned (proviso 2 to Section 11(4)) SEBI may also appoint an adjudicating officer who may levy penalty under section 15 HA after holding an enquiry in the prescribed manner. According to section 15HA if any person indulges in fraudulent and unfair trade practices relating to securities, he shall be leviable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

Prohibition on manipulation and deceptive practices: Further according to section 12A, no person shall directly or indirectly indulge in following (ie) (a) using in manipulative or deceptive device in connection with purchase, sale or securities listed (b) Employ any scheme or device to defraud in connection with dealing in securities which are listed (c) engage in an act which would operate as fraud or deceit upon any person in connection with dealing in securities which are listed. SEBI may impose a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees. (Section 15 HB).

5. (b)

The first proviso to 123 (1) of the Companies Act, 2013 provides that a company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company. Therefore, under the Companies Act, 2013 the amount transferred to reserves out of profits for a financial year has been left at the discretion of the company acting vide its Board of Directors. Therefore the company is free to transfer any part of its profits to reserves as it deems fit.

5. (c)

Restrictions on non-cash transactions Involving Directors: Section 192 of the Companies Act, 2013 provides for restrictions on non-cash transactions involving directors. According to the provision,

(i) No company shall enter into an arrangement by which-

(a) a director of the company or its holding, subsidiary or associate company or a person connected with him acquires or is to acquire assets for consideration other than cash, from the company, or

(b) the company acquires or is to acquire assets for consideration other than cash, from such director or person so connected, unless prior approval for such arrangement is accorded by a resolution of the company in general meeting and if the director or connected person is a director of its holding company,

approval shall also be required to be obtained by passing a resolution in general meeting of the holding company.

(ii) The notice for approval of the resolution by the company or holding company in general meeting shall include the particulars of the arrangement along with the value of the assets involved in such arrangement duly calculated by a registered valuer.

(iii) Any arrangement entered into by a company or its holding company in contravention of the provisions of this section shall be voidable at the instance of the company unless -

(a) the restitution of any money or other consideration which is the subject-matter of the arrangement is no longer possible and the company has been indemnified by any other person for any loss or damage caused to it; or

(b) any rights are acquired bona fide for value and without notice of the contravention of the provisions of this section by any other person.

5. (d)

According to section 28 of the Competition Act, 2002, the Commission, may, notwithstanding anything contained in any other law for the tune being in force, by order in writing, direct division of an enterprise enjoying dominant position to ensure that such enterprise does not abuse its dominant position. The order may provide for ail or any of the following matters, namely

(1) the transfer or vesting of property, rights, liabilities or obligations,

(2) the adjustment of contracts either by discharge or reduction of any liability or obligation or otherwise,

(3) the creation, allotment, surrender or cancellation of any shares, stocks or securities,

(4) the formation or winding up of an enterprise or the amendment of the memorandum of association or articles of association or any other instruments regulating the business of any enterprise,

(5) the extent to which, and the circumstances in which, provisions of the order affecting an enterprise may be altered by the enterprise and the registration thereof,

(6) any other matter which may be necessary to give effect to the division of the enterprise

(7) The payment of compensation to any person who suffered any loss due to the dominant position of such an enterprise.

6. (a)

In accordance with provisions of the FEMA, 1999 as contained in section 7 read with section 8. an exporter shall make appropriate declaration of the value of the goods being exported and he is also required to repatriate the foreign exchange due to India in respect of such exports to India in the manner within the time as may be prescribed. Under section 8, the exporter is under an obligation to realise and repatriate to India such foreign exchange. However, if there is a delay in the receipt of export, it will not be a violation which shall be punishable. Section 8 applies to a resident who shall take all the reasonable steps, depending upon the individual case.

There are certain categories of export for which declaration need not be made. These are given under the Regulation 4 of the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 According to the regulation, export of goods by way of gift shall be accompanied by a declaration by the exporter that they are not more than five lakh rupees in value Taking into consideration the above, since the value of gift of jewellery to VK's friend in the USA is less than Rs. 5 lac in value, the gift does not need any declaration to be furnished by exporter to the specified authority.

6. (b)

As per the provision of Sec 2(m) of the Prevention of Money Laundering Act, 2002 Offence of cross border implications means

(i) Any conduct by a person at a place outside India which constitutes an offence at that place and which would have constituted an offence specified in Part A, Part B or Part C of the Schedule, had it been committed in India and if such person remits the proceeds of such conduct or part thereof to India, or

(ii) Any offence specified in Part A, Part B or Part C of the Schedule which has been committed in India and the proceeds of crime, or part thereof have been transferred to a place outside India or any attempt has been made to transfer the proceeds of crime, or part thereof from India to a place outside India.

It is evident from point ii of the above definition that an attempt to remit the proceeds will be considered as an offence of cross border implications where the offence is committed in India If the offence is committed outside India then it will be considered as an offence of cross border implications when:-

- Such offence is an offence if it would have been committed in India, AND
- Proceeds or part thereof is remitted to India

The word "attempt to remit" is missing in part i of the definition.

Also where even part of the proceeds is remitted still it would be covered under the above definition. Also the definition of "offense of cross border implications" does not contain any monetary limit Hence, the contention of government is not correct, since the proceeds were not successfully remitted to India and only an attempt was made hence the offense will not be considered as an offense of cross border implications

6. (c)

Principle of Causa Proxima (a Latin phrase), or in simple English words, the Principle of Proximate (i.e. Nearest) Cause, means when a loss is caused by more than one causes, the proximate or the nearest or the closest cause should be taken into consideration to decide the liability of the insurer The principle states that to find out whether the insurer is liable for the loss or not, the proximate (closest) and not the remote (farthest) must be looked into.

For example: A cargo ship's base was punctured due to rats and so sea water entered and cargo was damaged. Here there are two causes for the damage of the cargo ship

(i) The cargo ship getting punctured because of rats, and

(ii) The sea water entering ship through puncture. The risk of sea water is insured but the first cause is not. The nearest cause of damage is sea water which is insured and therefore the insurer must pay the compensation. However, in the case of life insurance, the principle of Causa Proxima does not apply. Whatever may be the reason of death (whether a natural death or an unnatural death) the insurer is liable to pay the amount of insurance.

6. (d)

Section 15 of the SARFAESI Act provides for the manner and effect of takeover of management. When the management of business of a borrower is taken over by an asset reconstruction company it can appoint as many persons as it thinks fit to be the directors, where the borrower is a company, or the administrators of the business of the borrower, in any other case. The secured creditor is required to publish a notice in a newspaper published in English language and in a newspaper published in an Indian language in circulation in the place where the principal office of the borrower is situated.

On the publication of the notice all persons who were directors of the company or administrators of the business, as the case may be, are deemed to have vacated their office. It also has the effect of termination of all contracts entered into by the borrower with such directors or administrators.

Where the management of the business of a borrower, being a company as defined in the Companies Act, 1956, is taken over by the secured creditor, then, notwithstanding anything contained in the said Act or in the memorandum or articles of association of such borrower

(a) It shall not be lawful for the shareholders of such company or any other person to nominate or appoint any person to be director of the company

(b) No resolution passed at any meeting of the shareholders of such company shall be given effect to unless approved by the secured creditor

(c) No proceeding for the winding up of such company or for the appointment of a receiver in respect thereof shall lie in any court, except with the consent of the secured creditor

Where the management of the business of a borrower had been taken over by the secured creditor, the secured creditor shall, on realization of his debt in full, restore the management of the business of the borrower to him.

7. (a)

While routine governance regulations become applicable for public sector companies formed under the Companies Act, 2013 and come under the purview of SEBI regulations the moment they mobilise funds from the public, the typical organisational structure of PSUs makes it difficult for the implementation of corporate governance practices as applicable to other publicly - enterprises. The typical difficulties faced are listed below.

The board of directors will comprise essentially of bureaucrats drawn from various ministries which are interested in the PSU In addition, there may be nominee directors from banks or financial institutions who have loan or equity exposures to the unit. The effect will be to have a board much beyond the required size, rendering decision-making a difficult process.

The chief executive or managing director (or chairman and managing director and other functional directors are likely to be bureaucrats and not necessarily professionals with the required expertise. This can affect the efficient running of the enterprise. Difficult to attract expert professionals as independent directors. The laws and regulations may necessitate a percentage of independent components on the board, but many professionals may not be enthused as there are serious limitations on the impact they can make Due to their very nature, there are difficulties in implementing better governance practices Many public sector corporations are managed and governed according to the whims and fancies of politicians and bureaucrats. Many of them view PSUs as a means to their ends.

A lot of them have turned sick due to overdoses of political interference, even when their areas of operations offered enormous opportunities for advancement and growth. And when the economy was opened up, many of them lacked the competitiveness to fight it out with their counterparts from the private sector

7. (b)

Some of the Governance Issues that crop up in Family Owned Business are discussed below:

Role of the Board of Directors

The Constitution of the Board plays an important role in managing the Family Owned Businesses. The Board is expected to take independent / unbiased decisions and the board members are the 'trustees' of the shareholders, especially the minority group. They should be in a position to provide transparent data and take decisions in the best interest of the shareholders.

When it comes to board membership, most family Controlled businesses reserve this right to members of the family and in a few cases to some well trusted non-family managers. This practice is generally used to keep family control over the direction of its business. Indeed, most decisions are usually taken by the family member directors. Family directors who are also managers in the business would naturally encourage reinvesting profits in the company so as to increase its growth potential. On the contrary, family directors who do not work in the business would rather make the decision of distributing the profits as dividends to family shareholders. These gainsay views can lead to major conflicts in the board and negatively impact its way of functioning.

Role of the CEO

In selecting the CEO of a company, one should want the organisation to be run by the most competent person with professional knowledge and experience.

Being an employee of a firm the CEO has accountability and responsibility to the organisation and its shareholders. He or she should be able to be questioned by an independent authority called the Board or

Chairperson of the company. In a worst case situation if found unsuitable, he/she is asked to relinquish the position.

Practically, it is when the CEO is a family member, this becomes quite difficult and awkward which can create further unsuitable problems for management and as a whole business. This family CEO believes that being owner of majority share owner he has full right for different experiments as well to do according to their force.

Succession Plan

A change of guard or succession is a complex and stressful event for any business and in the case of family businesses it gets extra complicated.

On family business, there is a saying, "the first generation creates, the second inherits and the third destroys" Two words 'succession planning seem so simple and easy to follow and yet it is so difficult because it means coming to terms with the fact that you are not indispensable. Some of business families are engaging reputed consultants to make succession planning.

Internal Control Formation

Weaknesses in Corporate governance structures of family businesses are most evident in internal controls, implementation of effective internal audit and realisation of risk management. Since many family Controlled businesses are managed by the founders or their children, with their close supervisor the control environment is largely customised to their needs and according to their indulgence.

The problem comes when controls do not grow along with the company, as the businesses grow with the passage of time and the situation becomes more complex. This space is a crucial spot of concern for external investors for their decision making and long term survival.

7. (c)

The following steps should be taken for proper evaluation of CSR projects which would be taken up / funded by a company.

(i) Scrutiny of documents of the implementing agency/ beneficiary
(ii) Inspection, on satisfaction with documents.
(iii) Need analysis: nature of beneficiaries.
(iv) Feasibility of the project.
(v) Track record of the implementing agency.
(vi) Financials: capital/ revenue expenses?
(vii) Parallel financing by govt.?
(viii) Joint financing: collaborative project?

Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Corporate Social Responsibility can be explained as:

- Corporate - means organised and fairly big business houses.
- Social - means everything dealing with the people
- Responsibility - means accountability between the two.

The term corporate citizenship implies the behaviour which would maximise a company's positive impact and minimise the negative impact on its social and physical environment.

8. (a)

Corporate Insolvency Resolution Process

Part II of Insolvency and Bankruptcy Code, 2016 [Sections 4 to 77] deal with Insolvency Resolution and liquidation of corporate persons. This part is divided into seven chapters pertaining to:

(i) Corporate Insolvency resolution Process [Section 4-32]
(ii) Liquidation Process [Section 33-54)
(iii) Fast Track Corporate Insolvency Resolution Process [Section 55-58)
(iv) Voluntary Liquidation of Corporate Persons [Section 59)
(v) Adjudicating Authority for Corporate Persons (Section 60-67)
(vi) Offences and Penalties [Section 68-77)

8. (b)

Section 2 (ac) of Securities Contracts Regulation Act, 1956 [as amended by Finance Act, 2015] explains Derivatives as follows:

"Derivative" includes:

(1) a security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security.
(2) a contact which derives its value from the prices, or index of prices, of underlying securities
(3) commodity derivatives, and
(4) such other instruments as may be declared by the Central Government to be derivatives.

8. (c)

Procedure for Investigation of Combinations

As per the Combination Regulations, the Commission shall form its prima facie opinion as to whether the combination is likely to cause or has caused appreciable adverse effect on competition within the relevant market in India within 30 days from the receipt of the notice. If the Commission is prima facie of the opinion that a combination has caused or is likely to cause adverse effect on competition in Indian markets, it shall issue a notice to show cause to the parties as to why investigation in respect of such combination should not be conducted. On receipt of the response, if the Commission is of the prima facie opinion that the combination has or is likely to have appreciable adverse effect on competition, the Commission shall deal with the notice as per the provisions of the Act.

8. (d)

Government to Business (G2B) Initiatives

G2B initiatives encompass all activities of government which impinge upon business organisations. These include registrations under different statutes, licences under different laws and exchange of information between government and business. The objective of bringing these activities under e-Governance is to provide a congenial legal environment to business, expedite various processes and provide relevant information to business. Some of the important initiatives are furnished below:

(a) E-Procurement Project for Government purchase - It is an initiative for procurement of material through e-tender process by avoiding human interface i.e., supplier and buyer interaction during the pre-bidding and post-bidding stages. It is an initiative to establish transparency in procurement process, shortening of procurement cycle, availing of competitive price, enhancing confidence of suppliers and establishing flexible and economical bidding process for suppliers.

(b) MCA 21-This project aims at providing easy and secure online access to all registry related services provided by the Union Ministry of Corporate Affairs (MCA) to corporates and other stakeholders at any time and in a manner that best suits them.

MCA made it mandatory for some companies having fulfilled the stipulated criteria to file their Balance Sheet and Profit and Loss account statements in XBRL (Extensible Business Reporting Language). With the development of taxonomies for Banks, Insurance, Non-Banking Finance Companies and Power sector, the companies operating in these sectors would also be filing their financial reports in XBRL.

8. (e)

Report of the Committee (Kumar Manglam Birla) on Corporate Governance

SEBI, appointed Kumar Manglam Birla - as chairman to give a comprehensive view of the issues related to insider trading to protect the rights of various stakeholders. The heart of the committee's report is the set of recommendations which distinguishes the responsibilities and obligations of the board and the management in instituting the systems for good corporate governance and emphasizes the rights of shareholders in demanding corporate governance. Many of the recommendations are mandatory. These recommendations are expected to be enforced on the listed companies for initial and continuing disclosures in a phased manner within specified dates, through the listing agreement. The companies will also be required to disclose separately in their annual reports, a report on corporate governance delineating the steps they have taken to comply with the recommendations of the committee. These will enable shareholders to know, where the companies, in which they have invested, stand with respect to specific initiatives taken to ensure robust corporate governance.