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**STANDING COMMITTEE ON FINANCE  
(2012-13)**

**FIFTEENTH LOK SABHA**

**MINISTRY OF CORPORATE AFFAIRS**

**Demands for Grants  
(2013-14)**

**SEVENTY FIRST REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**April, 2013, Vaisakha, 1935 (Saka)**

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**STANDING COMMITTEE ON FINANCE  
(2012-2013)**

**(FIFTEENTH LOK SABHA)**

**MINISTRY OF CORPORATE AFFAIRS**

## **Demands for Grants (2013-14)**

*Presented to Lok Sabha on 22 April, 2013*

*Laid in Rajya Sabha on 22 April, 2013*



**LOK SABHA SECRETARIAT  
NEW DELHI**

**April, 2013, Vaisakha, 1935 (Saka)**

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## **COMPOSITION OF STANDING COMMITTEE ON FINANCE (2012-13)**

**Shri Yashwant Sinha - Chairman**

### **MEMBERS**

#### **LOK SABHA**

2. Shri Suwendu Adhikari
3. Dr. Baliram
4. Shri Sudip Bandyopadhyay\*
5. Shri Udayanraje Bhonsle
6. Shri Nishikant Dubey
7. Shri Gurudas Dasgupta
8. Shri Rahul Gandhi
9. Shri Deepender Singh Hooda
10. Shri Chandrakant Khaire
11. Shri Bhartruhari Mahtab
12. Dr. Chinta Mohan
13. Shri Sanjay Brijkishorlal Nirupam
14. Shri Prem Das Rai
15. Shri S.S. Ramasubbu
16. Dr. Kavuru Sambasiva Rao
17. Shri Adv. A. Sampath
18. Shri Thakur Anurag Singh
19. Dr. M. Thambidurai
20. Shri Shivkumar Udasi
21. Shri Dharmendra Yadav

#### **RAJYA SABHA**

22. Shri Naresh Agrawal
23. Shri Rajeev Chandrasekhar
24. Smt. Renuka Chowdhury
25. Shri Piyush Goyal
26. Shri Satish Chandra Misra
27. Dr. Mahendra Prasad
28. Shri Ravi Shankar Prasad
29. Shri P. Rajeeve
30. Shri Praveen Rashtrapal
31. Dr. Yogendra P. Trivedi

#### **SECRETARIAT**

1. Shri A.K. Singh - Joint Secretary
2. Shri Ramkumar Suryanarayanan - Additional Director
3. Shri Ujjwal Pant - Committee Assistant

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*\*Nominated as Member of the Standing Committee on Finance w.e.f 13<sup>th</sup> December, 2012*

## **INTRODUCTION**

I, the Chairman of the Standing Committee on Finance, having been authorized by the Committee, present this Seventy-First Report (15th Lok Sabha) on the 'Demands for Grants (2013-14)' of the Ministry of Corporate Affairs.

2. The Demands for Grants (2013-14) of the Ministry of Corporate Affairs were laid on the Table of the House on 14 March, 2013.

3. The Committee took oral evidence of the representatives of the Ministry of Corporate Affairs on 2 April, 2013.

4. The Committee considered and adopted this Report at their sitting held on 16 April, 2013. Minutes of the sittings of the Committee are given in appendix to the Report.

5. The Committee wish to express their thanks to the representatives of the Ministry of Corporate Affairs for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the Demands for Grants (2013-14).

**New Delhi;  
16 April, 2013  
26 Chaitra, 1935 (Saka)**

**YASHWANT SINHA,  
Chairman,  
Standing Committee on Finance.**



## **Report**

### **PART I**

#### **I. BUDGETARY ALLOCATION**

The Ministry is concerned, *inter alia*, with the administration of a wide range of statutes for the regulation of the corporate sector including the following Acts:-

- (i) The Companies Act, 1956
- (ii) The Competition Act, 2002
- (iii) The Limited Liability Partnership Act, 2008
- (iv) The Chartered Accountants Act, 1949
- (v) The Cost and Works Accountants Act, 1959
- (vi) The Company Secretaries Act, 1980
- (vii) The Partnership Act, 1932
- (viii) The Societies Registration Act, 1860
- (ix) The Companies (Donations to National Funds) Act, 1951

1.2 The passing of the Companies Bill, 2012 by the Lok Sabha has been a significant achievement of the Ministry of Corporate Affairs during 2012-13. On its enactment, this new Companies law will allow the country to have a modern legislation for promoting growth and regulation of the corporate sector in India. In view of various reformatory and contemporary provisions proposed in the Companies Bill, 2012, together with deleting some existing unwanted and obsolete compliance requirements, companies in the country will be able to comply with the requirements of the proposed Companies Act in a better and more effective manner.

1.3 The Competition (Amendment) Bill 2012 was introduced in the Lok Sabha on 07.12.2012 to further amend the Competition Act, 2002, with a view to fine tuning it and to meet present day needs in the area of competition, in the light of experiences gained in the actual working of the Competition Commission of India (CCI) during the last few years.

1.4 With a view to make the 'culture of Competition' an intrinsic part of governance at each tier of administration: Centre, State or local body, the Government

is considering bringing out a National Competition Policy. During the year, the Ministry sought the opinion of State Governments on the policy. State Governments are broadly in agreement with the proposed policy. The Ministry also invited comments and initiated consultations with various sections of society, such as, Stakeholders, Industry, Law Firms, Researchers, Economists etc. and incorporated their responses suitably in the Policy. The Policy is expected to be finalized shortly.

1.5 The Offices under the Ministry are Regional Directors, Registrar of Companies, Official Liquidators and Serious Frauds Investigation Office.

1.6 The Ministry of Corporate Affairs is also the administrative Ministry for :-

- Company Law Board (CLB)
- Competition Commission of India (CCI)
- Indian Institute of Corporate Affairs (IICA)

1.7 The total Budget Demand of the Ministry for the year 2013-14 amounts to Rs. 255.28 Crore, out of which Rs. 225.36 crore is under the Revenue Expenditure and Rs. 29.92 crore is under Capital Expenditure.

**STATEMENT OF BUDGET ALLOCATION AND EXPENDITURE OF THE MINISTRY**  
(Rs. in crore)

Year	Budget Estimates			Revised Estimates			Actual Expenditure*		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
2010-11	40.00	209.01	249.01	87.36	198.89	286.25	86.72	183.09	<b>269.81</b>
2011-12	28.00	210.94	238.94	28.00	210.94	238.94	27.99	199.97	<b>227.96</b>
2012-13	32.00	213.50	245.50	28.00	201.22	229.22	20.82	164.41	<b>185.23</b>

\* Actual expenditure for 2012-13 upto 15<sup>th</sup> February, 2013 including authorization of Rs. 6.50 crore to different agent Ministries/Departments

1.8 The grants of the Ministry of Corporate Affairs in Demand No.18 provides for the expenditure on the Secretariat of the Ministry of Corporate Affairs, Office of the Director General of Corporate Affairs, seven offices of Regional Directorates including one newly created Regional Directorate for Northern Eastern Region at Guwahati, fifteen offices of Registrar of Companies (ROCs), nine offices of Registrar of Companies-cum-Official Liquidators (ROC-cum-OLs) and fourteen Official Liquidators (OLs), attached offices of Company Law Board, Serious Fraud Investigation Office, National Company Law Tribunal, Competition Appellate Tribunal, Grants-in-aid-General for the Competition Commission of India (CCI) and Indian Institute of Corporate Affairs.



1.9 The detailed item-wise position giving budgetary estimates, revised estimates, actual expenditure, achievements vis-à-vis targets along with the reasons for not achieving the targets in respect of various schemes of this Ministry during the last three years is as follows:-

1. Salaries:

(Rs. In crore)				
Year	BE	RE	Actual Expenditure *	(-) Savings (+) Excess
2010-11	64.04	64.45	62.60	(-) 1.44
2011-12	68.96	68.96	66.60	(-) 2.36
2012-13	71.52	73.43	67.18	

\*Actual expenditure for 2012-13 upto 15<sup>th</sup> February, 2013.

1.10 The savings of expenditure under Salaries of the Ministry have been on account of non-filling of various categories of vacant posts in the field and attached offices under the administrative control of this Ministry.

2. Office Expenses:

(Rs. In crore)				
Years	BE	RE	Actual Expenditure *	(-) Savings (+) Excess
2010-11	16.50	15.25	13.47	(-) 3.03
2011-12	16.45	17.12	15.69	(-) 0.76
2012-13	16.39	16.48	12.68	

\*Actual expenditure for 2012-13 upto 15<sup>th</sup> February, 2013.

1.11 The savings under Office Expenses have been on account of the Ministry strictly enforcing the austerity measures of the Ministry of Finance and following the prescribed ceilings on expenditure.

3. Rents, Rates & Taxes:

(Rs. In crore)				
Year	BE	RE	Actual Expenditure *	(-) Savings (+) Excess
2010-11	6.34	7.10	6.09	(-) 0.25
2011-12	7.90	7.10	5.98	(-) 1.92
2012-13	6.87	6.69	4.66	

\*Actual expenditure for 2012-13 upto 15<sup>th</sup> February, 2013.

1.12 The savings provided under Rent, Rates & Taxes during 2010-11, 2011-12 and 2012-13 was due to the fact that the some of the field offices of this Ministry which were functioning from rented buildings at various stations like Chandigarh, Jaipur, Bangalore and Chennai have now shifted to the Ministry's own office complexes. The funds provided for National Company Law Tribunal (NCLT)/National Company Law Appellate Tribunal (NCLAT) could not be utilized as these offices could not be made operational during the said years.

4. MCA 21 e-Governance Project:

(Rs. In crore)

Year	BE	RE	Actual Expenditure *	(-) Savings (+) Excess
2010-11	44.83	44.83	41.67	(-) 3.16
2011-12	44.19	46.11	46.10	(+) 1.91
2012-13	45.14	39.73	26.01	

\*Actual expenditure for 2012-13 upto 15<sup>th</sup> February, 2013 including authorisation of Rs. 0.59 crore

1.13 The detailed justification in respect of expenditure incurred during 2010-11 and 2011-12 as well as expenditure in 2012-13 is as follows:-

FY 2010-11

During the FY, an amount of Rs. 44.83 crore was provided in the BE for meeting the expenditure requirements of the MCA21 project. The provision was made on the basis of anticipated expenditure on O&M and clearance of some balance payments due to the operator (i.e. amount withheld on account of non-completion of some deliverables by the operator).

After booking an expenditure of Rs. 41.67 crore, Rs. 3.16 crore was left as surplus during FY 2010-11. The surplus mainly occurred due to the decision of the Empowered Committee to release Rs. 2.09 crore out of Rs. 4.95 crore to operator based on the progress achieved in completing the partially completed and pending items of the identified 43 items for attaining the implementation completion of the project.

## **FY 2011-12**

During the FY, an amount of Rs. 44.19 crore was provided in the BE for meeting the expenditure of MCA21 project. The provision was made on the basis of anticipated outflow of funds and completion of project final certification.

Apart from regular O&M cost which is linked with achievement of milestones specified in the contract, there were 43 items identified, to be delivered/ completed by the operator (TCS) for reaching the state of Project final certification. During the FY, the operator finally able to implement all the identified 43 items successfully. The Empowered Committee constituted for the MCA21 project (consisting of Secretary, Ministry of Corporate Affairs, Secretary, Department of Information Technology, Secretary, Statistics & Program Implementation and Financial Adviser, Corporate Affairs) reviewed the progress and recommended issuance of Final Certification to the project in its 24<sup>th</sup> meeting held on 01.03.2012. On issuance of final certificate, the withheld amount thereof was released.

In addition, with the help of National Informatics Centre (NIC), the Ministry set-up a Government Secure Repository (GSR) at NIC Data Centre in New Delhi at initial set up cost of Rs. 0.78 crore from the project fund. The GSR is essentially a secured backup of all MCA21 data to be used in case access to the current repository is not possible and to maintain its government's sovereignty on data.

Towards meeting the expenditure, an additional amount of Rs. 1.91 crore was arranged through re-appropriation.

## **FY 2012-13**

As on 15<sup>th</sup> February 2013, the actual expenditure booked under the head 'Modernization, computerisation and networking' has been Rs. 26.01 crore as against the BE of Rs. 45.14 crore and RE of Rs. 39.73 crore. The

balance Rs. 13.72 crore out of RE provision will be utilized to meet the remaining expenditure in the project.

During the FY 2012-13, the project has completed six year period of first cycle operations on 16<sup>th</sup> January 2013. The Ministry successfully completed the selection of new operator for the Project through a fair and transparent bid process. The new operator commenced second cycle operation of MCA21 system from 17<sup>th</sup> January 2013.

1.14 During examination of Demands for Grants (2013-14) of the Ministry of Corporate Affairs, the Ministry specified that additional budget support is likely to be required in the following areas :

<b>Sl. No.</b>	<b>Area</b>	<b>Amount</b>
(i)	Filling up of vacant posts in the Ministry and its Field Offices	Rs. 10 Crores
(ii)	CCI	Rs. 26 Crores
(iii)	SFIO	Rs. 30 Crores
(iv)	Additional Posts and activities required after coming into force of Companies Act	Rs. 30 Crores

## **II. REGISTRAR OF COMPANIES (RoCs)**

2.1 The twenty four offices of the Registrar of Companies (including nine offices of RoC-cum-OL are located throughout the country. They perform the Registry functions as envisaged under the Companies Act, 1956 starting with the incorporation of Companies, acceptance of statutory annual filing, event based return/applications etc. and accord approval wherever required. The Registrars are also responsible for compliance of the statutory provisions of the Companies Act for the companies incorporated in their respective jurisdiction. The regulatory functions include scrutiny of the Annual returns, Balance Sheets and other documents filed by the companies under the provisions of the Companies Act, 1956, taking necessary action on the irregularities and non-compliance noticed as

a result of such scrutiny, and initiating legal action against defaulting companies for contravention of provisions of the Companies Act, 1956. In addition to above, the nine ROC-cum-OL offices also perform the duties of Official Liquidator.

2.2 During examination of Demands for Grants (2013-14) it was pointed out that the new Company Law administration as envisaged in the Companies Bill, 2012 is expected to be a disclosure-based regime. Consequentially, field offices of the RoC in the MCA will have to handle corporate filings on a very large scale. Whether RoC offices across the Country are equipped adequately both in terms of technology and manpower to handle and manage such a huge corporate database from which useful data can be mined for preventing corporate frauds/delinquencies.

2.3 The Ministry furnished the following reply:-

“Version-2 of MCA has all the elements in term of functionalities, hardware and soft-ware to enable the regulatory system to undertake the additional ‘disclosure load’. Though the main burden will be on the electronics platform, there will be the requirement of additional manpower not in terms of adding to the over-all strength but to fill up the existing gaps.

The vacancies have been intimated to Staff Selection Commission (SSC) and Union Public Service Commission (UPSC) for recruitment as majority of these vacancies lie in Direct Recruitment Quota. These agencies are pursued for early recruitment in these posts.”

2.4 As on 01.04.2011, 60,258 cases of prosecution were pending. During 2011-12, 6,815 prosecution were launched and pursued in various Courts under the Act. During this period, 17,123 prosecutions were disposed off. As on 31.03.2012, the Number of pending cases stood at 49,950. During the current year (upto 31.12.2012), 4,361 prosecutions were launched and pursued in various Courts under the Act. During this period, 5,196 prosecution cases were disposed off. As on 31.12.2012, the number of pending cases stood at 49,115.

2.5 In order to streamline the functioning of office of RoCs, the Ministry was asked whether the Ministry have hired/engaged professionals to supplement their regular manpower. Further, the Ministry was asked whether there was any

proposal in the Ministry to set up any unit, which specializes in data mining from different sources to detect wrong doings by companies at any early stage. The Ministry inter-alia furnished their reply as under:-

“(a) As regards engagement of hiring professionals (CA/CS) on contract basis, it has been decided not to engage such professionals on contractual basis for scrutiny of the balance sheets and other documents relating to accounts to be filed by these professionals on behalf of companies. It is not considered advisable to have these documents examined by contractual professionals as it may compromise their independence and create conflict of interest, apart from impinging on professionals’ ethics. There are implications as to maintenance of confidentiality and trust of the corporates on the integrity of the regulatory system. It is proposed to resort to such engagements sparingly and only on a case to case basis.

Regarding forensic auditors, the SFIO have engaged 6 persons on regular basis and 4 persons on contractual basis specialized in this field.

(b) The Ministry is considering a proposal to set up a new data mining unit to help in detecting of corporate frauds at the earliest possible stage. There already exists a Market Research & Analysis Unit (MRAU) in the Serious Fraud Investigation Office (SFIO) functional since August, 2009. This unit is now being proposed to be revamped to function like a data mining unit. A Steering Committee has been constituted to suggest measures for revamping MRAU and for drawing up a comprehensive framework for developing a fraud prediction model within MRAU.

The Steering Committee is expected to submit its report by 31st March, 2013. The terms of reference for Committee include: identification of databases; identification of technology tools; manpower requirement; suggested timelines for implementation; financial implications.”

### **III. SERIOUS FRAUD INVESTIGATION OFFICE (SFIO)**

3.1 The Serious Fraud Investigation Office (SFIO) was set up by the Central Government by a resolution dated 02.07.2003. The SFIO is a multi-disciplinary Investigating Agency, wherein experts from the fields of Banking, Capital Market, Company Law, Law, Forensic Audit, Taxation, Information Technology etc. work together to unravel a corporate fraud. SFIO takes recourse to the provisions of Sections 235 to 247 of the Act.

3.2 Since its inception, 133 cases have been referred to SFIO for investigation. As on 01.04.2011, two cases ordered for investigation during previous years were pending with SFIO. During 2011-12, 13 cases and during the current year (up to 31.12.2012), 42 cases were ordered for investigation under Section 235/237 of the Act by the Central Government under separate orders. Out of 133 cases, SFIO has submitted investigation reports in 100 cases till 31.12.2012 [including 20 submitted in 2011-12, and 18 during the current year (up to 31.12.2012)]. Five cases have been either stayed or dismissed by Courts. As on 31.12.2012, 28 cases are under investigation by SFIO.

3.3 As on 01.04.2012, 914 cases of prosecution were launched in different Courts against the persons involved in fraudulent activities. During the current year (up to 31.12.2012), 74 cases of prosecution were launched, taking the total number of prosecutions as on 31.12.2012 to 988 (including 878 offences under the Company Law, and 110 under the Indian Penal Code).

3.4 SFIO inter-alia has the mandate of investigating into cases, which may lead to or contribute towards a clear improvement in system, law or procedures. On being asked as to how many cases were investigated by SFIO, with this mandate in mind and what consequential improvement was brought out in systems, law or procedures after conclusion of such cases, the Ministry furnished the following reply:

“(i) On the basis of experiences gained while investigating cases, SFIO has made some suggestions to the Ministry for making policy changes. For instance, reference was made recently to have a relook at the goodwill accounting standards in the country for better clarity. The issue has since been referred to the Accounting Standard Board.

Similarly, a recommendation was made to explore the possibility of having a central regulatory body for monitoring the activities of multi-level marketing companies. This issue has been taken up at the level of Central Economic Intelligence Bureau and currently under consideration of that body.

To fulfill its role as an oversight body, SFIO has also initiated a proposal for developing a fraud prediction model for early detection and prevention of fraud. Work has already started in this regard and an expert committee is preparing a comprehensive framework that can help to prevent occurrence of fraud. “

3.5 During examination of Demands for Grants (2013-14) it was pointed out that the vacancy position in the SFIO is at a very alarming level, 40% vacancy in at the operational level, 90% at the legal staff level and 79% at the support staff level. The Ministry explained its position as follows:

“Pending creation of permanent cadre in SFIO, all positions are to be filled up on deputation basis. However, all out efforts have been made to fill up the existing vacancies. The proposal for creation of a permanent cadre has duly been approved by the Ministry and sent to DoPT for vetting. Recruitment Rules for 111 posts up to the level of Deputy Directors have been prepared and sent for vetting to DoPT. Another proposal for appointment of 10 legal counsels on contract basis in the pattern of CBI duly approved by the Ministry has been sent with the Ministry of Law. The Law Ministry has also been requested to appoint Legal Officers at SFIO against 4 vacancies of encadred posts for the Law Ministry. It is expected that with efforts going on, in association with DOPT, UPSC, Law, Department of Expenditure, the MCA Administration (SFIO) will be able to get sufficient staff (both regular and contractual) commensurate with its work load.

3.6 The vacancy position in SFIO is also given in the following Table:-

Staff position including Regional Offices as on 5.3.2013.

Sl. No.	Category of posts	Sanctioned	In position	Vacant post	Vacant since
1	Director	1	01	0	-
2	Addl./JD	18	09	09	4 posts vacant since March 2009; 1 post since June, 2010 1 post since Oct, 2011 2 posts since Oct, 2012 1 post since Jan, 2013
3	Deputy Director	08	05	03	2 posts vacant since March, 2009; 1 post vacant since December, 2011
4	Principal Pvt. Secy.	01	01	NIL	-
5	Sr. Asstt. Director	29	15	14	13 posts vacant since March, 2009; 1 post vacant since May, 2012
6	Sr. Prosecutors	05	Nil	05	December, 2009
7	Assistant Directors	30	22	08	06 since March, 2009 1 since Dec-2012 1 since March-2013
8	Prosecutors-II	05	01	04	3 posts vacant since March, 2009; 1 post vacant since July, 2012
9	Office Superintendent	02	Nil	02	March, 2009
10	Private Secretary	09	02	07	6 posts vacant since March, 2009; 1 post vacant since January, 2013
11	Assistants	06	Nil	06	3 posts vacant since March, 2009; 1 post vacant since December, 2009; 1 post vacant since September, 2011; 1 post vacant since October, 2012



12	Personal Assistant	16	01	15	1 post vacant since Nov, 2003; 1 post vacant since Aug, 2007; 2 posts vacant since Sept, 2008 3 posts vacant since March, 2009 1 post vacant since Sept, 2009; 1 post vacant since December, 2009; 3 posts vacant since October, 2010; 1 post vacant since September, 2011; 1 posts vacant since December, 2012. 1 posts vacant since January, 2013.
	<b>Total</b>	<b>130</b>	<b>57</b>	<b>73</b>	

#### IV. COMPETITION COMMISSION OF INDIA (CCI)

4.1 CCI was constituted in March, 2009 for the administration, implementation and enforcement of the Competition Act. The following are the objectives of the Commission:-

- a) To prevent practices having adverse effect on Competition;
- b) To promote and sustain Competition in markets;
- c) To protect the interests of consumers; and
- d) To ensure freedom of trade.

4.2 CCI has power to regulate mergers or combination, and of reverse mergers or combinations, if it is of the opinion that such merger or combination has, or is likely, to have an 'appreciable adverse effect' on competition in India.

4.3 All the provisions of the Competition Act, 2002 have been notified. The latest Notification relates to provisions on Regulation of Combinations requiring prior clearance from CCI. The Competition (Amendment) Act, 2007 has mandated pre-merger clearances from CCI to ascertain whether a 'Combination' has an 'appreciable adverse effect' on competition within India.

4.4 CCI has constituted an Eminent Persons Advisory Group (EPAG) on 08.05.2012. The EPAG will serve as a group of 'wise persons' to give broad inputs and advice on larger issues impacting markets and competition, good international practices, improved advocacy etc. to the Commission. The group has been constituted as to enable CCI to benefit from the advice of eminent persons representing a wide arena from the Corporate Sector, Academics, NGOs, Regulatory Authorities, Reserve Bank of India, CAG etc.

4.5 During the current year (up to 31.12.2012), six officers (including two in Professional stream) were appointed on direct recruitment /deputation basis in CCI. In the office of the Director General, five officers (including two in Professional stream) were appointed on deputation basis. Further, contract appointments were made in respect of 35 persons including 33 Experts in Law, Economics, Financial Analysis and Management.

4.6 On being asked as to how many cases were disposed of by CCI since the last 3 years and whether the Commission has developed some sort in-house market intelligence unit, which gives early warnings about anti-competitive practices taking place in any industry, the Ministry furnished the following reply:-

“The breakup of the total cases received and disposed till February 2013 during the current year and the last three financial years is as under:-

Financial Year	Received	Disposed	Pending
2009-10	82	79	3
2010-11	77	74	3
2011-12	93	70	23
2012-13	86	33	53
Total	338	256	82

The above table includes 9 suo moto and 7 reference cases the disposal of which can also be seen as under:

Reference cases

Financial Year	Received	Disposed	Pending
2009-10	-	-	-
2010-11	1	1	-
2011-12	4	4	-
2012-13	2	-	2
Total	7	5	2

Suo-moto cases

Financial Year	Received	Disposed	Pending
2009-10	-	-	-
2010-11	5	5	-
2011-12	-	-	-
2012-13	4	-	4
Total	9	5	4

The status of all closed cases as on date is as under:

- The Commission has decided 256 cases and in 47 cases (including 2 suo-moto cases and one reference case) action has been taken which include penalty and / or cease & desist.
- In all 30 cases, instances of cartelization were noted (including 6 cases of price/ bid rigging) and in 17 cases abuse of dominance was found.

There is no in-house market intelligence unit within the Commission. However, its Investigation Division keeps tabs on market developments in order to build up and develop suo moto cases which adversely affect competition.”

4.7 During examination of Demands for Grants (2013-14), it was enquired about the steps taken by Competition Commission of India against activities noticed in telecom sector mirroring a cartel. The Ministry furnished the following reply :

“It may be noted that under the scheme of the Competition Act, 2002 ‘the Act’) the Commission may inquire into any alleged contravention of the provisions contained in section 3 or section 4 either on receipt of an information under section 19(1) (a) of the Act or on receipt of a reference from the Central Government / State Government/Statutory Authority under section 19(1)(b) of the Act. The Commission also has the powers to order *suo moto* probe under section 19(1) of the Act.

It may also be pointed out that as per the judgment of the Hon'ble Supreme Court delivered in CCI v. SAIL case, the Commission is expected to record at least some reason even while forming a *prima facie* view for ordering a probe.

As far as the issue of boycott of auction of 2G spectrum by the telecom players is concerned, no information or reference was received by the Commission. Further, no *suo moto* cognizance was taken by the Commission, as from media reports and material available in the public domain, there was nothing to suggest that non-participation in the auction was the outcome of a deliberate anti-competitive and collusive agreement between telecom players”.

## V. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

5.1 The Companies Act, 1956 provides for establishment of the Investor Education and Protection Fund (IEPF) under section 205C of the Companies Act for promoting investor awareness and protecting their interests.

5.2 The yearly allocation for undertaking the activities under IEPF is Rs. 5.00 crore for the last two years. However, the budget provisions under IEPF Head has been reduced to Rs. 1.40 crore as a new object head for “Investor Awareness Programmes under IEPF by Regional Directors (RDs)” has been opened in this Ministry with the budgetary provision of Rs. 3.60 crore. Accordingly, the details of IEPF are mentioned below:-

Year	BE	RE	Actual Expenditure *	(Rs. In crore)
				(-) Savings (+) Excess
2010-11	5.00	5.00	4.35	(-) 0.65
2011-12	5.00	5.00	4.98	(-) 0.02
2012-13	1.40	1.40	0.93	

\*Actual expenditure for 2012-13 upto 15<sup>th</sup> February, 2013 including authorization of Rs. 0.25 crore.

5.3 The Ministry has been organizing Investor Awareness Programmes (IAPs) in association with the three Professional Institutes (PIs) - Institute of Chartered Accountants of India, Institute of Company Secretaries of India and Institute of Cost Accountants of India to improve the quality of such programmes. It was decided to allocate funds to the Regional Directors for their active involvement in organizing these IAPs. The Standing Committee on Finance on Demands for Grants for the financial year 2012-13 has welcomed this move of the Ministry, as this would help in covering maximum number of investors across the country. The guidelines have been formulated for organizing investor awareness programmes through Regional Directors. The approved scale of allocation of such programmes in Mumbai, Delhi, Kolkata, Chennai, Bangalore and Hyderabad and satellite towns of these cities with a minimum of 100 participants and programme being organized through PI is Rs. 35,000/-. The allocation for such programmes organized through PIs in other capital cities and District Headquarters (other than NE states) with minimum 100 participants is Rs.

25,000/- . The allocation is Rs. 5,000/- per programme for the programmes being organized through Resource Persons (RPs) appointed by the PIs. Seeing the difficulties in organizing the IAPs in North-East Region and to bring awareness among the investors of that region, the allocation has been enhanced to `30,000/- for capital cities through PIs and Rs. 7,000/- per programme for the programmes conducted through RPs. It is aimed to organize about 2000 such programmes across the country during 2012-13.

5.4 The Ministry organized the event “India Corporate and Investor Meet” during February 2012 in five cities viz. Kolkata, Chennai, Bangalore, Delhi and Mumbai. Based on suggestion received during the events, the Ministry formulated and issued voluntary guidelines advising that a company having paid up capital of not less than Rs. 10 crore or having more than 100 members, may maintain a functional website containing certain basic information about the company, such as, nature of business, details of Board of Directors, composition of Audit Committee, financial information of certain ratios, shares issued in the last five years, resolution of investors’ grievances, investors complaint mechanism, related parties transactions etc.

5.5 The Ministry is restructuring its complaint module on MCA-21 System with a view to making investor grievance redressal more effective and responsive. In order to avoid any uncovered area and further strengthen the grievance redressal mechanism, the Ministry has integrated its grievance redressal mechanism with that of Department of Administrative Reforms and Public Grievances (through CPGRAMS portal).

5.6 For meeting the expenditure incurred on activities relating to investors’ awareness, the Ministry gets a budgetary allocation of Rs. 5.00 crore every financial year. During the current financial year the amount of Rs. 5.00 crore allocated for the purpose of investor awareness activities have been split into two parts – Rs. 1.40 crore for Investor Awareness Programmes under IEPF by Headquarters and Rs. 3.60 crore for Investor Awareness Programmes under IEPF by Regional Directors. There are no constraints /difficulties and the Ministry expects 100% utilization of funds during the current financial year.

5.7 The Ministry has set up a website for the companies to file details of unpaid and unclaimed amounts of investors, which have not yet been transferred to IEPF (Consolidated Fund of India). This website is enabling the investors to search and locate the relevant information of such amounts.

5.8 The Ministry has been organizing the investor awareness programmes through Professional Institutes regularly. It was, however felt that Regional Directorates (RDs) should be actively involved in these programmes and hence it was decided to allocate funds to RDs to involve them more in this activity.

(Rs. In crore)				
Year	BE	RE	Actual Expenditure *	(-) Savings (+) Excess
2012-13	3.60	3.60	0.22	

\*Actual expenditure for 2012-13 upto 15<sup>th</sup> February, 2013.

5.9 The budget provision of Rs. 3.60 crore has been sanctioned for the newly opened Object Head for “Investors Awareness Programmes under IEPF by Regional Directors (RDs)” for the FY 2012-13. Out of this, Rs. 3.00 crore has already been released @ Rs. 0.50 crore to each of the Regional Directorate by the Ministry. However, Rs. 0.22 crore has been utilised by the RDs upto 15<sup>th</sup> February, 2013.

5.10 The Ministry of Corporate Affairs was enquired during examination of Demand for Grants (2013-14) why has the quantum of funds allocated to IEPF not been increased by the Ministry in recent years. Whether this has hampered creating investors education and awareness and protection of investors especially small investors.

5.11 The Ministry furnished the following reply:

“The Ministry had earlier been incurring an expenditure of over Rs. 1.50 crore for maintaining three websites. It has now been decided to discontinue maintaining these websites, resulting in an annual saving of Rs. 1.50 crore. The amount thus saved is now available for organizing additional Investor Awareness Programmes (IAPs). It has also been decided to organize IAPs in small towns using Resource Persons, where the cost of organizing a programme is quite low (i.e. `5,000/-). During 2011-12, about 2000 IAPs were organized of which 1800 were organized in tier II and tier III cities. During 2012-13 (till

February, 2013), about 1600 IAPs have been organized. The Ministry, however, hopes to make out a case of increased allocation for the IEPF so that promotional activities could be stepped up. Shortly, the Ministry intends to utilize radio, television, SMS alerts etc. for creating awareness amongst investors. Depending on the scale and requirement for using these mediums, the Ministry would request Ministry of Finance for additional fund allocation.”

## **VI. CORPORATE GOVERNANCE**

6.1 With a view to promoting good corporate governance practices in the Indian Corporate sector, the Ministry through National Foundation of Corporate Governance (NFCG), as provided a platform to harmonize various initiatives on Corporate Governance, at the national level, and interact with similar organizations across the world. The activities conducted under the aegis of NFCG include seminars and conferences on subjects related to corporate governance, research activities on corporate governance practices in Indian companies etc. During the current year (upto 31.12.2012), NFCG has conducted 14 seminars/conferences/workshops and completed 3 research studies on the subject.

6.2 The Ministry constituted a Committee to formulate a Policy Document on Corporate Governance, under the Chairmanship of Shri Adi Godrej on 07.03.2012. A comprehensive Corporate Governance Policy for India was needed to meet the emerging challenges of strong internal audit, better risk management, and extensive disclosures, as these have over a period of time become important aspects of corporate governance. In addition, focus on Value Statements, Corporate Social Responsibility and Sustainability would help companies address the challenges of the future.

6.3 The Committee has since submitted its Report to the Central Government suggesting 17 Guiding Principles, instead of a formal policy. It is proposed to obtain comments/suggestions of the public on these principles, so as to frame policy guidelines on corporate governance.

6.4 On being asked as to what measures have been taken by the Ministry to identify and address the grey areas and issues concerning the functioning of

professional institutes working under the ambit of Ministry of Corporate Affairs, the Ministry furnished the following reply :-

“In the winter session of Parliament, 2011, the Acts relating to the three Professional Institutes viz. the Chartered Accountants Act, 1949, The Company Secretaries Act, 1980 and the Cost and Work Accountants Act, 1959 have been amended to allow the practitioners of the relevant Professional Institutes to form multi disciplinary LLPs. In addition, the name of the Institute of Cost and Works Accountant of India has also been changed to the Institute of Cost Accountants of India. These amendments have come into force with effect from February 1, 2012. Subsequent to the change in the name of the Institute of Cost Accountants of India, necessary changes in the relevant Rules have been carried out in consultation with Legislative Department, Ministry of Law & Justice and notified in the Official Gazette vide notification dated 24<sup>th</sup> September 2012.

Further there are some provisions in the Companies Bill, 2012 such as those relating to rotation of Auditors and establishment of National Financial Reporting Authority which will cover areas relating to Audit, Accounting, Quality Review Mechanism, Disciplinary Mechanism etc”.



**PART II**  
**RECOMMENDATIONS/OBSERVATIONS**

**I. BUDGETARY ALLOCATION**

1. The Committee note that budget estimates of the Ministry under the non-plan head for the year 2012-13, 2011-12, 2010-11 was Rs. 213.50 crore, Rs. 210.94 crore and Rs. 209.01 crore respectively. At the RE stage, the expenditure has been scaled down to Rs. 201.22 crore in 2012-13. In 2011-12, RE was kept unchanged at Rs. 210.94 crore. However, RE for 2010-11 was reduced to Rs. 198.89 crore. Actual expenditure for 2010-11, 2011-12 and 2012-13 (upto 15 February, 2013) was even lower at Rs. 183.09 crore, Rs. 199.97 crore and Rs. 164.41 crore respectively. The Committee observe that there has been a trend of the Ministry reducing the BE figures at the RE stage with the actual expenditure figures being even lower. The Committee expect the Ministry to make more realistic projection of funds at the BE stage so that underutilization of funds is not reported at the year end.

2. The Committee note that during examination of Demands for Grants, the Ministry sought more budgetary support to meet their requirements. In this regard, the Committee observe that as on date, there are about 13 lakh companies registered with the Ministry of Corporate Affairs, out of which 93% are private limited companies and

7% are public limited companies. During 2011-12, about 1 lakh companies, limited by shares were registered with the Ministry under the Companies Act. It has been more than 10 years since the Ministry has not revised Schedule X to the Companies Act, 1956 which deals with the fees paid to the Registrar of Companies for registration of a company. The Committee are of the opinion that it is time the Ministry increases the registration fees for companies depending upon their size, turnover etc. Similarly, the Ministry may begin levying annual renewal charges on the companies registered with it. Accordingly, user charges for various services availed from the RoC may also be suitably enhanced. Such self-generation of resources will enable the Ministry to contribute to the Consolidated Fund of India. Levying such charges will also induce non serious companies to either comply or voluntarily deregister themselves from the Ministry and thereby reduce the workload on the field offices of the Ministry.

## **II. REGISTRAR OF COMPANIES (RoCs)**

3. The Committee note that the existing corporate law administrative set up is already handling tremendous amount of workload. In the last year itself, about two crore filings took place through the MCA 21 system and about 1.55 lakh applications were disposed off. The Ministry have reported that 49,115 prosecution cases

are pending as on 31.12.2012. The Committee are of the view that this load is only going to increase with the enactment of the Companies Bill, 2012. The new disclosure based regime as envisaged in the Bill will put further pressure on the existing infrastructure and manpower requirements of the field offices of the Ministry.

4. The Ministry have informed the Committee that its IT platform (version-2 of MCA 21), which was rolled out from January 2013 has the capacity to take the additional load but the issue of shortage of manpower in the field offices of Ministry has still not been addressed by the Ministry. The Committee observe that the shortage of skilled manpower is seriously affecting the functioning of the Ministry in general and its field offices in particular.

5. The Committee find that inspite of being in such a tight spot, the Ministry have been reluctant to hire/engage skilled workforce on contractual terms on the plea that it would create conflict of interest and undermine professional ethics. The Ministry instead, seeks to fill up its regular vacancies and is pursuing UPSC and SSC in this regard. The Committee would urge the Ministry to come out of its slumber and take immediate action to address this serious shortage of skilled manpower. The Committee desire that while taking steps to fill its regular vacancies, the Ministry should explore new ways and means for supplementing its regular manpower. The Ministry may replicate proposals like the one

approved for Serious Fraud Investigation Office, with regard to appointment of legal counsels on contract basis. The Committee are of the view that since there is no dearth of skilled/qualified manpower in this country, the Ministry should take the initiative to gainfully employ them.

### **III. SERIOUS FRAUD INVESTIGATION OFFICE (SFIO)**

6. The Committee note that Serious Fraud Investigation Office (SFIO) has been proposed to be given statutory status under the Companies Bill, 2012. However, the Committee find to their surprise that the Ministry has not shown the requisite seriousness towards the functioning of the SFIO, which has been in existence for almost ten years. It is presently operating at a pathetic vacancy level of 40% at the operational level, 90% at the legal staff level and 79% at the support staff level. The primary mode of appointment in SFIO is deputation basis, but the Ministry has made no efforts to make deputation terms attractive at SFIO. Recruitment Rules have also not been finalized even now. The Committee would therefore, urge the Ministry to take immediate steps to address the shortage of manpower so that SFIO is well-equipped for the enhanced role it is expected to play after the passage of the Companies Bill, 2012.

7. While discharging its primary role of being an investigating agency, the Committee would expect the SFIO to build a system to detect and prevent corporate frauds. The Committee hope that SFIO would evolve as a model investigating agency, where investigation and prosecution are completed in a time bound manner and where high-end technology along with multi-disciplinary highly skilled manpower work in tandem to unravel frauds in the corporate sector.

#### IV. COMPETITION COMMISSION OF INDIA (CCI)

8. The Committee note that number of cases pending with the CCI has been showing a rising trend from 3 in 2010-11 to 53 in 2012-13 year. The Committee would expect the CCI to take urgent steps to dispose off the cases and reduce the pendency. The Committee also urge CCI to be proactive to instances of price rigging, abuse of dominance and cartelization, frequently noticed in the public domain, as such anti-competitive activities have a serious impact on the consumers and the economy at large. The Committee also desire that the CCI should pursue dynamic induction policies by way of multiple openings like direct recruitment, deputation and contractual appointments, so that it has sufficient skilled manpower at its disposal.

## **V. INVESTOR EDUCATION PROTECTION FUND (IEPF)**

9. The Committee are of the opinion that investor education is key to investor protection. The Committee feel that Investor Education/ Protection Policy of the Ministry should keep pace with the fast changing economic scenario. The Committee welcome the move of the Ministry for increased allocation to IEPF in pursuance of the recommendation of the Standing Committee on Finance as this had remained stagnant for last 5 years, so that promotional activities could be stepped up. The Committee would like the Ministry to experiment with new medium like radio, television, internet, SMS alerts, etc. for creating awareness amongst investors. The Ministry may also support organizations/institutions, which are doing really good work in creating investors education and awareness amongst the shareholders, especially small shareholders, who are scattered all over the country.

## **VI. NATIONAL CORPORATE GOVERNANCE POLICY**

10. The Committee note that the Adi Godrej Committee on Corporate Governance had submitted its report in 2012, which is under examination of the Ministry. The Committee desire that the Ministry should consider the report at the earliest, and accordingly formulate a National Corporate Governance Policy including issues relating to

corporate delinquency in line with the new company statute. The Committee may be apprised of the action taken in this regard within one month.

11. The Committee in its 55<sup>th</sup> Report had desired that the Ministry may review the role, function and scope of the two related profession of Chartered Accountants and Cost Accountants and bring necessary amendment, if required in the respective statutes so that ambiguities and grey areas are duly addressed. The Committee observe that the Ministry has not taken any specific measures so far to streamline the functioning of the professional institutes. The Committee note that the Ministry has not taken any steps to ensure that both development and regulation of the professions of Chartered Accountants/ Cost Accountants/Company Secretaries are not handled by the professional institutes themselves. The Committee urge the Ministry to bring necessary amendments in the respective statutes of the professional institutes so that these area of concern are addressed at the earliest.

New Delhi;  
16 April, 2013  
26 Chaitra,1935 (Saka)

**YASHWANT SINHA,**  
Chairman,  
Standing Committee on Finance.

**MINUTES OF THE TWELFTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2012-13)**

The Committee sat on Tuesday, the 2<sup>nd</sup> April, 2013 from 1130 hrs to 1450 hrs.

**PRESENT**

**Shri Yashwant Sinha** – **Chairman**

**MEMBERS**

**LOK SABHA**

2. Dr. Baliram
3. Shri Nishikant Dubey
4. Shri Gurudas Dasgupta
5. Shri Deepender Singh Hooda
6. Shri Chandrakant Khaire
7. Shri Bhartruhari Mahtab
8. Shri Sanjay Brijkishorlal Nirupam
9. Shri S.S. Ramasubbu
10. Dr. Kavuru Sambasiva Rao
11. Shri Adv. A. Sampath
12. Shri Thakur Anurag Singh
13. Dr. M. Thambidurai
14. Shri Shivkumar Udasi

**RAJYA SABHA**

15. Shri Naresh Agrawal
16. Smt. Renuka Chowdhury
17. Shri Satish Chandra Misra
18. Dr. Mahendra Prasad
19. Shri Ravi Shankar Prasad
20. Shri P. Rajeeve
21. Shri Praveen Rashtrapal

**SECRETARIAT**

- |    |                              |   |                     |
|----|------------------------------|---|---------------------|
| 1. | Shri A.K. Singh              | – | Joint Secretary     |
| 2. | Shri Ramkumar Suryanarayanan | – | Additional Director |
| 3. | Shri Sanjay Sethi            | – | Deputy Secretary    |
| 4. | Shri Kulmohan Singh Arora    | – | Under Secretary     |

**Part I**

**(1130 hrs. to 1340 hrs.)**

**WITNESSES**

2.	XX	XX	XX	XX
	XX	XX	XX	XX

The witnesses then withdrew.



**Part II**  
**(1340 hrs. to 1450 hrs.)**

**WITNESSES**

**Ministry of Corporate Affairs**

1. Shri Naved Masood, Secretary
2. Shri M.J. Joseph, Additional Secretary
3. Shri Suresh Pal, Joint Secretary
4. Ms. Renuka Kumar, Joint Secretary
5. Shri Manoj Kumar, Joint Secretary
6. Shri Amardeep Singh Bhatia, Joint Secretary
7. Ms. Vineeta Barwa, Chief Controller of Accounts
8. Ms. Sibani Swain, Economic Adviser
9. Shri U.C. Nahta, DII

**Attached / Subordinate Offices**

1. Shri Bhaskar Chatterjee, DG& CEO, Indian Institute of Corporate Affairs (IICA)
2. Shri P.K. Malhotra, Secretary, Company Law Board (CLB)
3. Ms. Smita Jhingran, Secretary, Competition Commission of India (CCI)
4. Shri Nilimesh Baruah, Director, Serious Fraud Investigation Office (SFIO)

3. The Committee thereafter took oral evidence of the representatives of Ministry of Corporate Affairs in connection with the examination of Demands for Grants (2013-14). The major issues discussed included functioning of Serious Fraud Investigation Office (SFIO) including number of cases pending/punishment given, filling up of vacancies; cartelization in spectrum allocation and the role of Competition Commission of India (CCI); Corporate Governance; Budgetary constraints of the Ministry and areas where additional budgetary support is required and generation of resources by Ministry by charging registration/renewal fees from the companies, etc. The Chairman then directed the representatives of the Ministry of Corporate Affairs to furnish replies to the points raised by the Members during the discussion within a week.

A verbatim record of the proceedings was kept.

The witnesses then withdrew.

The Committee then adjourned

## **MINUTES OF THE FOURTEENTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2012-13)**

The Committee sat on Tuesday, the 16<sup>th</sup> April, 2013 from 1500 hrs to 1705 hrs.

### **PRESENT**

**Shri Yashwant Sinha – Chairman**

### **MEMBERS**

#### **LOK SABHA**

2. Shri Nishikant Dubey
3. Shri Gurudas Dasgupta
4. Shri Chandrakant Khaire
5. Shri Bhartruhari Mahtab
6. Dr. Chinta Mohan
7. Dr. Kavuru Sambasiva Rao
8. Shri Adv. A. Sampath
9. Dr. M. Thambidurai

#### **RAJYA SABHA**

10. Shri Naresh Agrawal
11. Smt. Renuka Chowdhury
12. Shri Piyush Goyal
13. Shri Satish Chandra Misra
14. Dr. Mahendra Prasad
15. Shri P. Rajeeve
16. Shri Praveen Rashtrapal

#### **SECRETARIAT**

1. Shri A.K. Singh – Joint Secretary
2. Shri Ramkumar Suryanarayanan – Additional Director
3. Shri Sanjay Sethi – Deputy Secretary
4. Shri Kulmohan Singh Arora – Under Secretary

2. The Committee took up following draft Reports for consideration and adoption : -

- (i) Draft Report on Demands for Grants (2013-14) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);
- (ii) Draft Report on Demands for Grants (2013-14) of the Ministry of Finance (Department of Revenue);

- (iii) Draft Report on Demands for Grants (2013-14) of the Ministry of Planning;
- (iv) Draft Report on Demands for Grants (2013-14) of the Ministry of Statistics and Programme Implementation; and
- (v) Draft Report on Demands for Grants (2013-14) of the Ministry of Corporate Affairs.

3. The Committee adopted the draft reports at Sl. Nos. (i), (ii), (iii) and (v) with minor modifications and at Sl. No. (iv) without modification. The Committee authorised the Chairman to finalise the Reports in the light of the modifications suggested and present these Reports to Parliament.

The Committee then adjourned.