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**STANDING COMMITTEE ON FINANCE  
(2015-16)**

**SIXTEENTH LOK SABHA**

**MINISTRY OF CORPORATE AFFAIRS**

*[Action taken by the Government on the recommendations contained in Thirty Second Report of the Standing Committee on Finance on 'Demands for Grants (2016-17)]*

**THIRTY-SIXTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**August, 2016, Sravana, 1938 (Saka)**

# THIRTY-SIXTH REPORT

STANDING COMMITTEE ON FINANCE  
(2015-2016)

(SIXTEENTH LOK SABHA)

MINISTRY OF CORPORATE AFFAIRS

*[Action taken by the Government on the recommendations contained in Thirty-Second Report of the Standing Committee on Finance on 'Demands for Grants (2016-17)]*

*Presented to Lok Sabha on 10 August 2016*

*Laid in Rajya Sabha on 10 August 2016*



LOK SABHA SECRETARIAT  
NEW DELHI

**August, 2016, Sravana, 1938 (Saka)**

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Recommendations Contained in the Thirty-Second Report  
(Sixteenth Lok Sabha) of the Standing Committee on  
Finance on 'Demands for Grants (2016-17)

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\* Not appended in the cyclostyled copy

**COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2015-16**

**Dr. Veerappa Moily - Chairperson**

**MEMBERS**

**LOK SABHA**

2. Vacant \*\*
3. Shri Venkatesh Babu T.G.
4. Shri Sudip Bandyopadhyay
5. Shri Nishikant Dubey
6. Shri P.C. Gaddigoudar
7. Dr. Gopalakrishnan C.
8. Shri Shyama Charan Gupta
9. Shri Chandrakant B. Khaire
10. Shri Rattan Lal Kataria
11. Shri Bhartruhari Mahtab
12. Shri Prem Das Rai
13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Jyotiraditya M. Scindia
16. Shri Gajendra Singh Sekhawat
17. Shri Gopal Shetty
18. Shri Anil Shirole
19. Shri Shivkumar Udasi
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

**RAJYA SABHA**

22. Shri Naresh Agrawal
23. Shri Naresh Gujral
24. Vacant \*
25. Shri Satish Chandra Misra\*\*\*
26. Dr. Mahendra Prasad
27. Shri T.K. Rangarajan
28. Shri C.M. Ramesh
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

**SECRETARIAT**

- |                                 |   |                     |
|---------------------------------|---|---------------------|
| 1. Smt. Abha Singh Yaduvanshi   | - | Joint Secretary     |
| 2. Shri P.C. Tripathy           | - | Director            |
| 3. Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. Ms. Melody Vungthiansiam     | - | Executive Assistant |

\* Vacancy caused due to retirement of Shri A. Navaneethakrishnan, MP from Rajya Sabha w.e.f. 29.06.2016

\*\* Consequent upon his appointment to the Council of Ministers, Shri S.S. Ahluwalia, MP ceased to be the member of the Committee w.e.f. 05.07.2016

\*\*\* Shri Satish Chandra Misra, MP, Rajya Sabha Nominated w.e.f. 08.07.2016

## INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Thirty-Sixth Report on action taken by Government on the Observations / Recommendations contained in the Thirty-Second Report of the Committee (Sixteenth Lok Sabha) on “Demands for Grants (2016-17)” of the Ministry of Corporate Affairs.

2. The Thirty-Second Report was presented to Lok Sabha / laid on the Table of Rajya Sabha on 28 April, 2016. The Action Taken Notes on the Recommendations were received from the Government *vide* their communication dated 29 June, 2016.

3. The Committee considered and adopted this Report at their sitting held on 04 August, 2016.

4. An analysis of the action taken by the Government on the recommendations contained in the Thirty-Second Report of the Committee is given in the Appendix.

5. For facility of reference, the observations / recommendations of the Committee have been printed in bold in the body of the Report.

**NEW DELHI**

***04 August, 2016***

**13 Sravana, 1938 (Saka)**

**DR. M. VEERAPPA MOILY,**

***Chairperson,***

**Standing Committee on Finance.**

## REPORT

### CHAPTER – I

This Report of the Standing Committee on Finance deals with action taken by Government on the recommendations/observations contained in their 32<sup>nd</sup> Report (Sixteenth Lok Sabha) on Demands for Grants (2016-17) of the Ministry of Corporate Affairs which was presented to Lok Sabha / Laid in Rajya Sabha on 28 April, 2016.

2. The Action Taken Notes have been received from the Government in respect of all the 09 recommendations contained in the Report. These have been analyzed and categorized as follows:

- (i) Recommendations/Observations that have been accepted by the Government:

Recommendation Nos. 1,2,3,4,6,7,8 & 9

(Total 08)

(Chapter- II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

NIL

(Total NIL)

(Chapter- III)

- (iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:

Recommendation No. 5

(Total 01)

(Chapter -IV)

- (iv) Recommendations/Observations in respect of which final replies by the Government are still awaited:

NIL

(Total - NIL)

(Chapter- V)

3. The Committee desire that the replies to the observations/recommendations contained in Chapter-I may be furnished to them expeditiously.

4. The Committee will now deal with and comment upon the action taken by the

Government on some of their recommendations.

### **Recommendation (Serial No.5)**

#### **A. Serious Fraud Investigation Office (SFIO)**

5. The Committee note that Recruitment Rules (RRs) of 28 categories of posts under SFIO have been framed/amended and 25 categories of posts have been notified and 03 are pending for notification with Government. As regards the RRs, the Committee vide their 25<sup>th</sup> Report regarding Action taken by the Government on the recommendations contained in Thirteenth Report on Demands for Grants (2015-16) presented to the House on 03.12.2015 had inter-alia recommended that the said RRs should be finalised not later than one month of presentation of the Report i.e. by 03.01.2016. The Committee are satisfied that the RRs have been approved finally after long delay. The Committee expect that this process will now lead to a permanent specialised cadre for SFIO with positive outcomes for its overall performance. This will enable the SFIO to recruit competent personnel for its investigative and prosecution functions fully dedicated with a feeling of belongingness to the organisation instead of relying on contractual employees or consultants.

As regards disposal of pending cases, the Committee in the afore-mentioned Report had recommended that SFIO should initiate proactive steps to follow up and expedite pending cases under intimation to the Committee; but a perusal of the information provided to the Committee has revealed that out of 474 cases assigned to SFIO from the year 2003-04, investigation in respect of only 225 cases could be completed. The Committee are perturbed about such laxity in the functioning and the dismal rate of disposal of cases by SFIO, an important investigative arm of the Ministry. The Committee would, therefore, once again observe that a lot of seriousness needs to be shown in the performance of the statutory functions by SFIO. They also suggest that there should be extensive use of technology for analysis of data received, computerized forensic lab should be established at SFIO with all systemic gadgets which can be effectively applied during the course of investigation and prosecution for result oriented disposal of cases. The Committee hope that necessary corrective action on this count will be taken by the Ministry and they would be apprised accordingly.

6. In their action taken reply the Ministry of Corporate Affairs have submitted as follows:-

"The Recruitment Rules of 28 categories of posts under Serious Fraud Investigation Office (SFIO) have already been notified. Mode of deputation at entry level for junior posts has been replaced with direct recruitment through Staff Selection Commission (SSC)/Union Public Service Commission (UPSC). Thus, SFIO will have its own cadre over a period of time. Action has also been initiated to fill up the vacant posts. 28 Consultants/Experts in various field have also been appointed for expeditious action in SFIO.

SFIO has strived to complete maximum number of investigation cases assigned to it. Out of 495 cases assigned to SFIO since 2003-04, 225 cases have already been completed. It is pertinent to mention that out of the total 495 assigned cases, 185 cases were assigned during the year 2015-16. Year-wise completion of cases has gone up from 22 in 2013-14 to 60 in 2015-16. Year-wise details of cases are as under:-

Year	Cases B/F	Cases assigned	Total workload	Cases Disposed of
2003-04		6	6	1
2004-05	5	20	25	3
2005-06	22	5	27	7
2006-07	20	3	23	18
2007-08	5	17	22	1
2008-09	21	17	38	7
2009-10	31	5	36	12
2010-11	24	6	30	13
2011-12	17	13	30	20
2012-13	10	45	55	22
2013-14	33	83	116	22
2014-15	94	71	165	39
2015-16	126	184	310	60
2016-17	250	20*	270 **	33

(\*) Cases Assigned upto 18.05.2016

(\*\*) Including 12 Quashed/Withdrawn & stayed cases"

**7. The Committee note that the Ministry in their action taken note have submitted that (i) the Recruitment Rules of 28 categories of posts under Serious Fraud Investigation Office (SFIO) have been notified, (ii) Mode of deputation at entry level for junior posts has been replaced with direct recruitment through Staff Selection Commission (SSC)/Union Public Service Commission (UPSC) and (iii) 28 Consultants/Experts in various fields have been appointed for expeditious action in SFIO. The Committee observe that in spite of their recommendation to refrain from employing large number of contractual employees or Consultants, as many as 28 Consultants have been appointed to carry out the functions of SFIO. The Committee desire that investigative functions of SFIO should not be entrusted to Consultants. In this context, the Committee note that while the year-wise completion of investigation cases have gone up from 22 in 2013-14 to 60 in 2015-16, out of the total 495 cases assigned since 2003-04, only 225 cases have**



been completed. Further, it is also not clear as to how many cases have resulted in successful prosecution. The Committee, therefore, reiterate that the Ministry should expedite the finalization of a permanent specialized cadre under SFIO with competent personnel for its investigative and prosecution functions, thereby bringing about a swift and result-oriented disposal of pending cases.

#### **Recommendation (Serial No. 8)**

##### **Competition Commission of India (CCI)**

8. The Committee in their earlier Report had recommended that the Ministry in consultation with Competition Commission of India should come out with a National Competition Policy. The Ministry in their reply submitted that the role, duties and authority of the Competition Regulator i.e. CCI, are specified in the Act. The CCI is empowered to examine anti-competitive conduct not only within India but also on acts taking place outside India, but having effect on competition in India, with the mandate to, inter alia, prohibit and punish anti-competitive agreements, abuse of dominance and regulation of mergers and amalgamations of enterprises. In this regard, the Committee during evidence took up the case of airlines charging exorbitant fares during the recent agitation in Haryana and also from passengers reserving their seats at the eleventh hour. The Committee are surprised that the CCI, which is empowered to examine anti-competitive conduct not only in India but also on acts taking place outside India, watched silently and only now on being pointed CCI has woken up and have informed that the issue of abnormal rise in airfare is currently under consideration of the Commission. The Committee desire that they be apprised of the outcome thereof in the instant case at the earliest. The Committee would also like to be apprised of the efforts of the Ministry in a system which can proactively intervene in cases of cartelisation, price parallelism and abuse of dominance especially when new business models like e-rail, e-commerce and m-commerce will come. They also desire to know the preparation of CCI as a watchdog to intervene where Government of India have/ will allow 100 percent FDI in e-commerce in the interest of consumers. Regarding the pending cases in Competition Commission of India, the Committee note that 680 cases were received by the Commission out of which 562 have been decided, 49 are pending and 69 cases are stated to be under consideration of the Commission. Further, 377 merger filings were received, out of which decision in 353 cases could only be taken. The Committee would like to be apprised of the steps the Commission has taken so far to bring the pending cases to their logical conclusion. The Committee also desire a similar appraisal in case of 24 merger filing cases.

The Committee find that out of 197 sanctioned posts in the commission, only 125 are in position and the recruitment of staff on deputation in respect of 33 posts in CCI is under process. The Committee recommend that the vacant posts in the Commission should be filled up at the earliest and they be apprised accordingly.

9. In their action taken reply the Ministry of Corporate Affairs have submitted as follows:-

1. The Commission took immediate note and action on the issue of airlines charging exorbitant fares during the recent agitation in Haryana.

2. The news reports appearing on 21-23 February 2016 regarding hike in airfares on various routes during recent protests by Jats in Haryana were taken up by the Commission in its special meeting held on 29.02.2016 and decision was taken to call for information from airlines to form a view as to whether such hike in airfares was on account of anti-competitive behavior such as collusion/ cartelization by airlines.

3. The news reports indicated that there had been a hike in airfares between routes such as Chandigarh-Delhi, Amritsar-Mumbai, Amritsar-Delhi, Jaipur-Mumbai, Jaipur Delhi. The reason for such hike in airfares as well as other information has been sought from five airlines on 11.03.2016. While some have filed response, others have sought time to file reply. Reminder letters have been sent to airlines to file reply.

4. It may be mentioned that the Commission has an ongoing case where investigation into the issue of identical/ similar fares of airlines on four routes i.e., Delhi-Bombay-Delhi, Delhi-Bangalore-Delhi, Delhi-Hyderabad-Delhi and Delhi-Pune-Delhi, by five domestic airlines i.e., Jet Airways, Indigo, Spice Jet, Go Air and Air India during the period April 2012 to March 2014 has been directed. The case is presently being investigated by the office of the DG.

5. Apart from the aforesaid, earlier the Commission has examined the issue of cartelization by the domestic airlines in four cases. Though the investigation showed price parallelism by airlines, however, no evidence to establish existence of cartel or concerted practice was found. Therefore, on each occasion the matter had to be closed. Earlier cases at CCI on the similar issue were as follows:

a) **Case no. RTPE 3/2008:** This case was started suo-moto by the MRTPC based on a news report that the airlines under the banner of Federation of Indian Airlines (FIA), had decided to charge a minimum basic fare of Rs 500. Consequent to the repeal of MRTP Act, the case was transferred to CCI on 04.03.2010. In this case, no evidence was found to show that the airlines had agreed to charge a minimum fare from the consumers and that there was nothing on record to indicate that FIA had taken any decision in this regard. The case was closed u/s 26(6) of the Act.

b) **Case No. RTPE 5/2009:** This case was started suo-moto by MRTPC based on news reports that airlines had simultaneously withdrawn the Re.1 and Rs. 99 promotional offers and hiked their fares across board by 25% in February 2009. The matter was transferred to CCI. It was found that there was no evidence to show that there was collusion among the airlines and closed the case u/s 26(6) of the Act.

c) **Suo Moto Case No. 02/2010:** This case was started suo-moto by CCI based on media allegations that the airlines had raised the fares together around Diwali season of 2010. It was found that airfares are higher during the festive season due to higher demand and that due to market dynamics and fair degree of transparency, the fares of all airlines generally move together, but in absence of plus factors such price parallelism on its own did not indicate cartelization. Accordingly, the case had to be closed u/s 26(6) of the Act.

d) **Reference Case no. 01/2011:** The matter was referred to the Commission by Ministry of Corporate Affairs, stating that taking advantage of the strike in Air India during April 2011, different airlines had started charging exorbitant fares. It was observed that like in any peak season, during April and May 2011 load factor on airlines had increased and in line with this trend, the percentage of tickets sold in the higher buckets of all the airlines had also gone up and to this extent there was a pattern in air fares going upwards together during the strike period and in general also during the period of high demand, fares of all airlines tend to move together. However, given the available evidence, it could not be concluded that the airlines had been carrying on any anti-competitive practice in violation of provisions of the Competition Act, 2002.

With regard to the system, which can proactively intervene in cases of cartelisation, price parallelism and abuse of dominance etc., the Ministry may respond to the same. It is also stated that based on the general complaints received in the Commission, news reports etc. the Commission is examining the conduct of entities regarding anti-competitive activities and initiates inquiry on suo-moto basis from time to time.

In respect of preparation of CCI as a watch dog to intervene where Government of India have/ will allow 100 percent FDI in e-commerce, it is stated that, the decision to allow 100% FDI in e-commerce is likely to promote Competition by encouraging entry of big global players in the market. Under the Competition Act, CCI is empowered to intervene, if any entity is found to be indulging in anti-competitive conduct in abuse of its dominance or by entering into anti-competitive agreements which are likely to cause appreciable adverse effect on competition. In addition the Commission also regulates Combinations. As part of its mandate, apart from acting on information/ references, the Commission also regularly monitors and keeps a watch on market development to initiate enquiry on suo-moto basis, in case any anti-competitive concerns are observed.

In the recent times, the Commission has dealt with several cases related to online platforms/e-commerce sector. As such the Commission is prepared to handle any issues that may arise in this sector, from the perspective of the Competition Law.

#### **Overall Status of cases as on 30<sup>th</sup> April 2016:**

The Commission, during the years of its existence, has received, 715 cases related to anti- competitive conduct under section 3 and 4 of the Act. Out of which Commission has already decided 578 cases. Thus, in 80% of the cases, final order has been passed by the Commission. Out of the balance 20% cases

amounting to 137 cases, 59 are pending with the DG and 78 are under the consideration of the Commission.

In some of the cases due to complexities of issues involved and large number of parties, it takes time and several hearings are held to decide the case. The investigation by the Commission has been stayed by the orders of the Courts in some of the cases.

When the cases are referred to DG, CCI for investigation, which is also time consuming process, and they lose to stand the test of judicial scrutiny. Even the decision of the Commission for closure of cases is also appealed against. This warrants a detailed examination of issue after affording opportunity of hearing to the parties.

The Commission has received 398 notices pertaining to combination; out of which, 378 cases have been disposed of and remaining 20 are pending at various stages of disposal. The Commission is taking every step to expedite their disposal.

### **Staff Strength**

Against the sanctioned strength of 197 posts for the Commission (CCI) and the office of the Director General (DG, CCI), 124 officers are in position as on 20.05.2016. The vacant posts in CCI pertain to deputation; direct recruitment and promotion quota. The vacant posts in the O/o DG CCI pertain to deputation quota. In order to fill up 33 posts (30 Professionals and 03 Support staff) on deputation basis in CCI, applications were invited vide advertisement dated 07.09.2015. However, due to poor response from eligible applicants only 04 candidates could be selected. Three of them have already joined CCI on deputation and the fourth candidate is yet to join CCI. A fresh vacancy circular for filling up of 26 posts (22 professionals and 04 Support Staff) in CCI on deputation basis has been issued on 29.04.2016. At the same time selection of 09 candidates on direct recruitment basis in CCI has been made as per final results declared on 06.05.2016. Promotions of some officers in CCI are also due for consideration as on 1.1.2017. In respect of the office of the DG CCI a proposal to fill up 23 vacant posts (19 Professionals and 04 Support Staff) is under consideration."

**10. The Committee note that the Competition Commission of India (CCI) is examining the issues of exorbitant airfares and possible cartelization by gathering information from airlines and conducting investigations. Regarding the pending cases, the Committee have been informed that out of the 398 notices received, 378 cases have been disposed of and 20 cases are pending. The Ministry has informed that a proposal to fill up 23 vacant posts in the**

**Commission is under consideration. While noting the action taken by the CCI, the Committee re-emphasize that the Commission, which is empowered to examine anti-competitive conduct and intervene in cases of cartelisation, price parallelism and abuse of dominance, should expedite their investigations in cases of abnormal price hikes and possible cartelisation. They should conclude their findings in a time-bound manner.**

#### **Recommendation (Serial No.9)**

##### **Indian Institute of Corporate Affairs (IICA)**

11. The Committee note that the Indian Institute of Corporate Affairs has been established in 2008 as a Society under the Societies Registration Act to act as a think-tank. To make IICA self sustainable, grants-in-aid to the Institute is being gradually reduced, the budget grant of the Institute has been reduced from Rs.19.00 crore in the financial year 2015-16 to Rs.10.00 crore during the financial year 2016-17. Income generated by the IICA was Rs.4.93 crore and Rs.7.50 crore in the year 2014-15 and 2015-16 respectively, whereas the expenditure of the Institute was to the tune of Rs.17.93 crore and Rs.15.00 crore. At the time of the sanction of IICA Scheme, it was envisaged that the Institute should become self-supporting/self-sustained by 2016-17. However, the Committee, taking into account the current expenditure incurred and income generated by the IICA, express serious doubt whether the Institute will become self-sustaining in the current financial year i.e. 2016-17. Even the Ministry has been candid enough to mention that it is not likely that the Institute will be able to fully support itself out of its own resources by the end of 2016-17 and it may require hand holding support from the government for some more time. The Committee desire to see the withdrawal of this support by the government before long. The Ministry in their post evidence reply have assured the Committee that a number of activities are undertaken by the Institute to fulfil its objectives and they have also shown an upward trend over the years. The Committee hope and trust that the Institute will become self-sustaining in the near future. The Committee urge the Institute to probe alternate avenues of revenue/earning such as corporate consultancy and should publicise their knowledge bank/expertise in the field. The Committee would also expect the IICA to emerge as an institution of excellence in Corporate research and training, especially in the area of corporate governance norms/practices and Corporate Social Responsibility (CSR).

12. In their action taken reply the Ministry of Corporate Affairs have submitted as follows:-

" Indian Institute of Corporate Affairs (IICA) has become a very strong

brand in the market and has been able to take on competition from multinational consultancies. They are receiving large number of enquires for substantial and long term collaboration-cum-consultancies in the areas of Corporate Governance, Corporate Law, Corporate Social Responsibilities and Corporate Finance. The Institute will leverage its strengths, capabilities and market reputation to bag such consultancies and focus on this element over the next three years so as to enable gradually accelerating revenue inflows.

The Institute is moving ahead towards the areas of Corporate Governance (CG) and Corporate Social Responsibilities (CSR).

The training need for corporate entities in the area of Corporate Governance, both in public as well as private sector are being continuously assessed. A set of modules on various subjects under CG have been prepared keeping in mind the latest trends and researches in the field. These modules would serve as the primary knowledge products for the preparation of customized courses for corporates working in various sectors of Indian economy.

In the area of CSR, IICA has established a very strong brand in the market through short-term courses, workshops, seminars etc. All the courses were widely welcomed because it enables them to come to grips with the nuances and amplifications of the new Legislation of CSR. IICA Certified Professional Courses on CSR with a duration of 9 months which was specially designed for young and established aspiring professionals as well as for in-service personnel, is proving to be vastly popular."

**13. The Committee note that efforts have been made by the IICA in the areas of Corporate Governance and Corporate Social Responsibility. However, the reply of the Ministry is silent as to how these steps have helped the IICA become self-sustainable. Furthermore, while these baby steps may be helping IICA, but there is a long way to go so as to make the institute self-sustainable. The Committee, therefore, reiterate that the Ministry should expedite the process of making IICA self-sufficient through various market-driven projects/activities and facilitate phased withdrawal of budgetary support.**

## **CHAPTER II**

### **RECOMMENDATIONS / OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT**

#### **Recommendation (Serial No. 1)**

##### **Budget Allocation**

The Committee note that the BE (Plan) for the year 2013-14, 2014-15 and 2015-16 in respect of the Ministry of Corporate Affairs was Rs.34.00 crore, Rs.24.00 crore and Rs.24.00 crore respectively which was revised downward to Rs.21.00 crore, Rs.23.00 crore and Rs.20.00 crore at RE stage whereas the actual expenditure was even lower than the RE i.e. Rs.20.38 crore, Rs.17.93 crore and Rs.13.60 crore only. Similarly, the BE (Non-Plan) for the year 2013-14 and 2014-15 was Rs.221.28 and Rs.231.25 crore which was scaled down to Rs.212.36 crore and Rs.228.92 crore and the actual expenditure was again lower than the RE i.e. Rs.208.84 crore and Rs.208.30 crore only. Despite the expenditure being less than the RE for three consecutive years, the Committee are constrained to note that the BE Rs.271.88 crore for the year 2015-16 was enhanced to Rs.411.53 crore and the actual expenditure was Rs.212.42 crore only upto 31/01/2016. The Committee further note that during the financial year 2013-14, 2014-15 and 2015-16, the BE for the plan scheme on IICA was Rs.34.00 crore, Rs.24.00 crore and Rs.19.00 crore, which was reduced to Rs.21.00 crore, Rs.23.00 crore and Rs.15.00 crore at RE stage and amount of Rs.0.61 crore and Rs.5.07 crore during the financial year 2013-14 and 2014-15 were surrendered. Further out of total Plan outlay (RE) of Rs.20.00 crore for the Ministry for the year 2015-16, the actual expenditure is likely to be Rs.19.46 crore and again an amount of Rs.0.54 crore is proposed to be surrendered. As regards savings under Non-plan expenditure, the reasons adduced by the Ministry are non-filing up of vacant posts in the Headquarters and field offices, non-receipt of bills from the construction company and shifting of some of RoC offices housed in rented accommodation to Ministry's own buildings in the respective regions. The Committee thus find that the Ministry could not utilise the allotted funds and the Ministry had to surrender the allotted amount, due to one reason or the other. The Committee while examining the Demands for Grants (2015-16) had commented upon this failure on the part of the Ministry in regard to projection of fund requirement which was quite persistent, just as

their capacity to absorb the allotted funds. The Committee had, therefore, recommended that the Ministry should exercise due diligence in the budget formulation, taking into account objectively their needs, past performance as well as their capabilities to deliver the functions assigned to them. However, even this year the Committee find that the Ministry has not taken any remedial steps and continue to make unrealistic projection of funds. The Committee would, therefore, reiterate that the Ministry should make realistic budgetary estimates which should strictly correspond to their absorptive capacity and administrative preparedness.

### **Reply of the Government**

It has been observed by the Hon'ble Committee that, notwithstanding the actual expenditure being less than Revised Estimates during financial years 2013-14 and 2014-15, during the financial year 2015-16, the Ministry has enhanced the budgetary allocation of ₹271.88 crore to ₹411.53 crore. Similarly, for the financial year 2016-17, the Ministry has made unrealistic projections not matching its needs, past performance and the capability to deliver the functions assigned.

2. With respect to the observations, it is submitted that during financial years 2013-14 and 2014-15, the savings occurred mainly due to non-filling up of posts, non-receipt of bills from contractors, shifting of some Offices housed in rented accommodation to Ministry's own buildings and the service providers not meeting the milestone as per the Service Legal Agreement (SLA). However despite the odds, the Ministry utilized 98.27% of its overall allocation in financial year 2015-16. The detailed position of utilisation of funds is given below:

(₹ in crore)											
BE 2015-16		RE 2015-16		Actual Exp. (upto March, 2016)		% w.r.t. BE			% w.r.t. RE		
Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan	Total	Plan	Non-Plan	Total
24.00	247.88	20.00	391.53	19.55	384.84	81.46	155.25	148.74	97.75	98.29	98.27

3. The actual expenditure on Plan side was 97.75% of the RE and that on Non-Plan side 98.29% of RE. The overall expenditure as on 31.03.2016 was 98.27% of RE. This brings the Ministry to the category of one of the best spending Ministries. The figures of expenditure given in the table substantiate the Ministry's projection for enhancement of the BE of ₹271.88 crore to ₹411.53 crore to meet the anticipated expenditure of the Ministry on the following Major Heads:

(₹ in crore)			
Major Head	Description	Additional amount	Actual expenditure



		over BE 2015-16	
3451	For providing office accommodation to the CCI and to some other Field Offices of the Ministry.	146.25	100%

[Ministry of Corporate Affairs O.M. No.G-20018/25/2016-BGT dated 29.06.2016]

### **Recommendation (Serial No. 2)**

#### **MCA 21 e-Governance Project**

The Committee note that MCA 21 e-Governance Project put in place by the Ministry of Corporate Affairs, is stated to be running successfully for the last eight years and the Ministry has been taking continuous steps for improving the said project. In furtherance of this endeavour, the Ministry has successfully rolled out LLP V2R1 and roll out of MCA 21 V2 R2 version is being taken up next. The Committee has been further informed that the version II of the MCA e-governance is compatible with the provisions of the Companies Act, 2013 and dynamic enough to meet the current as well as future requirements of the market situations/conditions prevailing in the country. The Committee hope and trust that the version 2 of the said project would meet the industry/user expectations and grievances/complaints in this regard would be expeditiously addressed.

### **Reply of the Government**

The Ministry has rolled-out MCA21 V2 R2 System in the month of March, 2016 with a view to provide improved services to stakeholders across the RoCs and will continue the process of further enhancement and improvement in MCA21 V2 system.

[Ministry of Corporate Affairs O.M. No.G-20018/25/2016-BGT dated 29.06.2016  
]

### **Recommendation (Serial No. 3)**

#### **Constitution of Investor Education and Protection (IEPF) Authority**

The Committee note that as per the provisions of the Companies Act, 1956 the investors could claim their dues from the companies before the expiry of seven years. Further, section 125(5) of the Companies Act, 2013 provides for constitution of an Investor Education and Protection Fund (IEPF) Authority for refunding money to investors in respect of unclaimed dividends, matured deposits etc. beyond a period of seven years to claimants. The Companies Act, 2013 has thus cast a bigger responsibility on the Ministry for refund of money to the claimants. The corpus in this fund now amounts to over Rs.1273.66 crore as on 26.02.2016. In order to make IEPF Authority functional, an amount of Rs.30.00 crore during financial year 2016-17 and an additional amount of Rs.7.50 crore for year 2016-17 have also been allotted. The Committee, therefore, strongly recommend that the said authority be established without further loss of time and the process of refund of money to the claimants, whether older than seven years or less than seven years, be made expeditiously and the refund process be made free from glitches. As regards organizing of Investor Awareness Programmes (IAPs) the Committee note that 2897 IAPs were organized in the year 2013-14 which reduced drastically to 1568 in the year 2014-15 and marginally rose to 1804 in the year 2015-16. The reason for sudden fall in organizing IAPs in the year 2014-15 is stated to be corresponding less budgetary support of Rs.3.00 crore for the year 2014-15 as compared to a higher budgetary support of Rs. 4.50 crore for 2013-14. The Committee recommend that lack of budgetary provision should not be allowed to hamper the awareness campaign and programmes and sufficient budgetary provision be made for organizing IAPs in future, as otherwise the very intention of the Companies Act to protect and educate the investors will be defeated. The Committee are happy to note that, at their intervention, the Ministry is separately writing to all the four implementing agencies to provide intimation of holding of IAPs to the local Panchayati Raj Institutions as well as to the MPs and MLAs of the area. The Committee desire that this advice of the Committee be followed scrupulously in letter and spirit.

### **Reply of the Government**

In order to constitute the Investor Education and Protection Fund Authority. Notifications, (i) for commencement of Sub-Section (5), (6), & (7) and (ii) for IEPF Authority (Appointment of Chairperson and Members, holding of meetings and

provision for offices and officers) Rule 2016, (iii) for appointment of Chairperson, members and (iv) for appointment of Chief Executive Officer (CEO) of the Authority have been published in the Official Gazette.

2. This Ministry continues with organizing Investors Awareness Programmes (IAPs) to protect and educate the Investors in association with the three Professional Institutes, namely, Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI) and Institute of Cost Accountants of India (ICoAI). Besides, the (IAPs) are also organized in the rural areas through Common Service Centres (CSCs) set up under Department of Electronics and Information Technology.

3. Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI), Institute of Cost Accountants of India (ICoAI) and Common Service Centres (CSC) have already been advised to conduct more programs in rural areas and to associate MPs/MLAs/Local Representatives of public such as village Panchayats of the locality, in the Awareness programmes organized under the aegis of IEPF.

[Ministry of Corporate Affairs O.M. No.G-20018/25/2016-BGT dated 29.06.2016]

#### **Recommendation (Serial No. 4)**

#### **Setting up of National Company Law Tribunal (NCLT)/ National Company Law Appellate Tribunal (NCLAT)**

The Committee note that the Ministry propose to set up National Company Law Tribunal (NCLT) and the National Company Law Appellate Tribunal (NCLAT). The funds allocated to the NCLT and NCLAT for the year 2013-14 and 2014-15 could not be utilised and had to be surrendered, as certain provisions of Companies Act relating to the appointment of Members of NCLT/NCLAT were sub-judice, but was later disposed of by the Supreme Court vide its judgment dated 14.05.2015. Accordingly, the Ministry has issued notification for appointment of 18 Judicial Members, 10 Technical Members of NCLT as well as 02 Technical Members of NCLAT. Further, the process for appointment of Chairperson and Judicial Members of NCLT is also in progress and infrastructure at most of the places is ready or will be readied by April, 2016. The Ministry has thus informed the committee that all the bottlenecks/hurdles

etc. in the formation of NCLT and NCLAT have been cleared. In this regard, the Committee would like to draw the attention of the Ministry towards their 25<sup>th</sup> Report regarding action taken by the Government on the recommendations contained in the 13<sup>th</sup> Report (Demands for Grants 2015-16) presented to the House on 03.12.2015 in which the Committee had recommended for early constitution of NCLT/NCLAT. The Committee, thus while reiterating their earlier recommendation, strongly recommend that the process be brought to its logical conclusion without further loss of time.

### **Reply of the Government**

The constitution of National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT) has been notified on 1<sup>st</sup> June, 2016.

[Ministry of Corporate Affairs O.M. No.G-20018/25/2016-BGT dated 29.06.2016  
]

### **Recommendation (Serial No.6)**

#### **Limited Liability Partnerships (LLPs)**

The Committee observe that more and more private limited and limited liability partnerships(LLPs) are being registered as compared to public limited companies. Such a trend, in the view of the Committee, is not very healthy for the growth of the corporate sector. As many as 52,144 LLPs were registered as on 31-12-2015, of which only 51,315 LLPs were active. In this connection, the Committee vide their 13<sup>th</sup> Report regarding Demands for Grants (2015-16) had observed that there has been a steep increase in the number of private limited companies and LLPs, presumably due to the detailed and cumbersome procedures and rules framed under the Companies Act, 2013 and had urged the Ministry to undertake a study on such a trend. As the Ministry has not pursued this matter, the Committee would once again stress that the Ministry should examine this issue with a view to simplifying and rationalizing the related Rules and Procedures under the Act.

### **Reply of the Government**

It is submitted that this Ministry had formed a Companies Law Committee on 04.06.2015 to make recommendations to the Government on issues arising from the implementation of the Companies Act, 2013. The committee submitted its report on 1<sup>st</sup> February, 2016 and suggested changes in the provisions of the Companies Act, 2013 and rules made thereunder keeping in mind the difficulties and challenges expressed by various

stakeholders. The committee has endeavoured to reconcile their competing interests, being mindful of the need for facilitating “ease of doing business” in India, and incentivizing start-up companies. Based on the recommendations of the committee the Ministry has introduced Companies (Amendment) Bill, 2016 in Lok Sabha on 16.03.2016 suggesting changes/amendments in approximately 76 sections of the Companies Act, 2013 not including consequential changes. The CLC has also suggested changes in the Rules, the process for amending which has also been initiated.

(ii). This Ministry has taken a number of steps for ‘ease of doing business’ especially pertaining to starting a business including prescribing a flat fee for incorporation of a small company and a one person company, reducing processes involved in incorporating a company and reducing the amount of documentation by including declarations as part of the E-forms. New e-form INC-29, which combines the processes of allotment of Director Identification Number (DIN), incorporation and appointment of Directors while dispensing with the name reservation, has been launched. INC-29 and INC-7, which relate to application for incorporation of company other than OPC (One Person Company) have been modified to provide for integration on e-Biz platform to provide a single interface for incorporation, Permanent Account Number (PAN), Employees State Insurance Corporation (ESIC).

(iii). The Ministry has established in January,2016 a ‘Central Registry Centre (CRC)’ for processing of “Name Availability” and “Incorporation of companies” which makes centralized incorporation of companies throughout India at one place. This step is to ease the process of incorporation of companies. The Government Process Re-engineering (GPR) exercise is in pursuance of the Ministry’s objective of providing greater “Ease of Doing Business” to corporates and is expected to result in speedier processing of incorporation related applications, uniformity in application of rules, eradicating discretion. It will also be supplemented by intensive monitoring aimed at processing of said e-Forms in 1 or 2 days. The expected completion date is June-2016, which includes PAN/TAN integration.

2. (a) It may also be noted that historically and in most of the jurisdictions, the number of incorporated Private companies far exceeded the number of Public companies. Public companies are incorporated in cases where the promoters propose to access funds from large number of persons or the market, there is a regulatory requirement or requirement on

part of creditors, etc.

(b) Further, promoters, especially foreign companies, would like to keep 'control' over the affairs of the company tightly within the promoters/ family group, in which case private companies are the preferred vehicles.

(c) With a view to provide a lighter regulatory structure and more flexibility with regard to internal governance structures of the incorporated entity, the LLP (Limited Liability Partnership) was introduced as a business vehicle through the LLP Act, 2008.

(d) It can be concluded that the choice of the type of business vehicle is dictated to large extent by the promoters' needs.

[Ministry of Corporate Affairs O.M. No.G-20018/25/2016-BGT dated 29.06.2016]

### **Recommendation (Serial No.7)**

#### **Early Warning System (EWS)**

The Committee note that the Ministry of Corporate Affairs had constituted a steering Committee about four years ago for developing an early warning system (EWS) and SFIO was entrusted with the task of setting up a dedicated data mining cell with adequate administrative set up and appropriate tools for generating EWS. Accordingly, a comprehensive framework for developing EWS was submitted and IT infrastructure etc. was also stated to have been set up. However, in the pilot run itself, the project hit the roadblock and according to the Ministry, the issues are likely to be addressed during implementation of version 2 of MCA 21 project. At present, another steering Committee has been constituted by the Ministry of Corporate Affairs for overseeing the implementation of EWS project. The Ministry have now again been drawing up new terms of reference. The Committee thus find that after lapse of four years and even after constitution of two steering Committees on the subject, the Ministry has failed to develop a fool proof Early Warning System (EWS). The Committee are constrained to note that due to trial and error approach of SFIO in formulating modules/systems for prediction detection and prevention of frauds. They would like to be apprised of the outcome of the efforts of the Ministry in implementation of the mechanism to detect fraud at an early date through Market Research Analysis Unit (MRAU). The Committee, while deprecating the laxity on the part of the Ministry,

recommend that a coherent and efficacious fraud prediction/prevention framework be developed within a period of one month and the Committee be apprised about the progress in the matter.

### **Reply of the Government**

*A conceptual framework Early Warning System (EWS) has been firmed up. The project would involve:*

- (a) Creation of a technical platform for ingestion of data from various sources including MCA 21 Filings, Complaints received from diverse sources, Bank Fraud cases reported by banks as per RBI's master circular, social media and other media inputs etc.*
- (b) Development of data mining tools to convert unstructured data into structured format.*
- (c) Development of business rules to be applied to the database created for generation of alerts.*

2. The consultancy agency has been finalised and would implement the project with a multi-disciplinary team consisting of *Data Analyst, Financial Analyst, Software Developer, Statistical experts etc. The project would be implemented in a modular fashion with some modules going live at the earliest while development of other modules to be completed in a phased manner within the next financial year.*

3. Meanwhile, SFIO envisaged an alternative mechanism in the short run for an early warning system through a complaint management system for generating alerts on the basis of complaints received from public, information received from banks on fraud and information available in the public domain about fraudulent activities by companies. As per this proposal, MRAU has been analyzing the complaints and information in the print and electronic media. Till date, SFIO has submitted to the Ministry five reports involving 194 companies. Based on the inputs in the reports, the Ministry has ordered investigation in respect of two reports involving 16 companies.

[Ministry of Corporate Affairs O.M. No.G-20018/25/2016-BGT dated 29.06.2016]

### **Recommendation (Serial No. 8)**

**Competition Commission of India (CCI)**

The Committee in their earlier Report had recommended that the Ministry in consultation with Competition Commission of India should come out with a National Competition Policy. The Ministry in their reply submitted that the role, duties and authority of the Competition Regulator i.e. CCI, are specified in the Act. The CCI is empowered to examine anti-competitive conduct not only within India but also on acts taking place outside India, but having effect on competition in India, with the mandate to, inter alia, prohibit and punish anti-competitive agreements, abuse of dominance and regulation of mergers and amalgamations of enterprises. In this regard, the Committee during evidence took up the case of airlines charging exorbitant fares during the recent agitation in Haryana and also from passengers reserving their seats at the eleventh hour. The Committee are surprised that the CCI, which is empowered to examine anti-competitive conduct not only in India but also on acts taking place outside India, watched silently and only now on being pointed CCI has woken up and have informed that the issue of abnormal rise in airfare is currently under consideration of the Commission. The Committee desire that they be apprised of the outcome thereof in the instant case at the earliest. The Committee would also like to be apprised of the efforts of the Ministry in a system which can proactively intervene in cases of cartelisation, price parallelism and abuse of dominance especially when new business models like e-rail, e-commerce and m-commerce will come. They also desire to know the preparation of CCI as a watchdog to intervene where Government of India have/ will allow 100 percent FDI in e-commerce in the interest of consumers. Regarding the pending cases in Competition Commission of India, the Committee note that 680 cases were received by the Commission out of which 562 have been decided, 49 are pending and 69 cases are stated to be under consideration of the Commission. Further, 377 merger filings were received, out of which decision in 353 cases could only be taken. The Committee would like to be apprised of the steps the Commission has taken so far to bring the pending cases to their logical conclusion. The Committee also desire a similar appraisal in case of 24 merger filing cases.

The Committee find that out of 197 sanctioned posts in the commission, only 125 are in position and the recruitment of staff on deputation in respect of 33 posts in CCI is under process. The Committee recommend that the vacant posts in the Commission should be filled up at the earliest and they be apprised accordingly.

#### **Reply of the Government**



The Commission took immediate note and action on the issue of airlines charging exorbitant fares during the recent agitation in Haryana.

2. The news reports appearing on 21-23 February 2016 regarding hike in airfares on various routes during recent protests by Jats in Haryana were taken up by the Commission in its special meeting held on 29.02.2016 and decision was taken to call for information from airlines to form a view as to whether such hike in airfares was on account of anti-competitive behavior such as collusion/ cartelization by airlines.

3. The news reports indicated that there had been a hike in airfares between routes such as Chandigarh-Delhi, Amritsar-Mumbai, Amritsar-Delhi, Jaipur-Mumbai, Jaipur Delhi. The reason for such hike in airfares as well as other information has been sought from five airlines on 11.03.2016. While some have filed response, others have sought time to file reply. Reminder letters have been sent to airlines to file reply.

4. It may be mentioned that the Commission has an ongoing case where investigation into the issue of identical/ similar fares of airlines on four routes i.e., Delhi-Bombay-Delhi, Delhi-Bangalore-Delhi, Delhi-Hyderabad-Delhi and Delhi-Pune-Delhi, by five domestic airlines i.e., Jet Airways, Indigo, Spice Jet, Go Air and Air India during the period April 2012 to March 2014 has been directed. The case is presently being investigated by the office of the DG.

5. Apart from the aforesaid, earlier the Commission has examined the issue of cartelization by the domestic airlines in four cases. Though the investigation showed price parallelism by airlines, however, no evidence to establish existence of cartel or concerted practice was found. Therefore, on each occasion the matter had to be closed. Earlier cases at CCI on the similar issue were as follows:

e) **Case no. RTPE 3/2008:** This case was started suo-moto by the MRTPC based on a news report that the airlines under the banner of Federation of Indian Airlines (FIA), had decided to charge a minimum basic fare of Rs 500. Consequent to the repeal of MRTP Act, the case was transferred to CCI on 04.03.2010. In this case, no evidence was found to show that the airlines had agreed to charge a minimum fare from the consumers and that there was nothing on record to indicate that FIA had taken any decision in this regard. The case was closed u/s 26(6) of the Act.

f) **Case No. RTPE 5/2009:** This case was started suo-moto by MRTPC based on news reports that airlines had simultaneously withdrawn the Re.1 and Rs. 99 promotional offers and hiked their fares across board by 25% in February 2009. The matter was transferred to CCI. It was found that there was no evidence to show that there was collusion among the airlines and closed the case u/s 26(6) of the Act.

g) **Suo Moto Case No. 02/2010:** This case was started suo-moto by CCI based on media allegations that the airlines had raised the fares together around Diwali season of 2010. It was found that airfares are higher during the festive season due to higher demand and that due to market dynamics and fair degree of transparency, the fares of all airlines generally move together, but in absence of plus factors such price parallelism on its own did not indicate cartelization. Accordingly, the case had to be closed u/s 26(6) of the Act.

h) **Reference Case no. 01/2011:** The matter was referred to the Commission by Ministry of Corporate Affairs, stating that taking advantage of the strike in Air India during April 2011, different airlines had started charging exorbitant fares. It was observed that like in any peak season, during April and May 2011 load factor on airlines had increased and in line with this trend, the percentage of tickets sold in the higher buckets of all the airlines had also gone up and to this extent there was a pattern in air fares going upwards together during the strike period and in general also during the period of high demand, fares of all airlines tend to move together. However, given the available evidence, it could not be concluded that the airlines had been carrying on any anti-competitive practice in violation of provisions of the Competition Act, 2002.

6. With regard to the system, which can proactively intervene in cases of cartelisation, price parallelism and abuse of dominance etc., the Ministry may respond to the same. It is also stated that based on the general complaints received in the Commission, news reports etc. the Commission is examining the conduct of entities regarding anti-competitive activities and initiates inquiry on suo-moto basis from time to time.

7. In respect of preparation of CCI as a watch dog to intervene where Government of India have/ will allow 100 percent FDI in e-commerce, it is stated that, the decision

to allow 100% FDI in e-commerce is likely to promote Competition by encouraging entry of big global players in the market. Under the Competition Act, CCI is empowered to intervene, if any entity is found to be indulging in anti-competitive conduct in abuse of its dominance or by entering into anti-competitive agreements which are likely to cause appreciable adverse effect on competition. In addition the Commission also regulates Combinations. As part of its mandate, apart from acting on information/ references, the Commission also regularly monitors and keeps a watch on market development to initiate enquiry on suo-moto basis, in case any anti-competitive concerns are observed.

8. In the recent times, the Commission has dealt with several cases related to online platforms/e-commerce sector. As such the Commission is prepared to handle any issues that may arise in this sector, from the perspective of the Competition Law.

**Overall Status of cases as on 30<sup>th</sup> April 2016:**

9. The Commission, during the years of its existence, has received, 715 cases related to anti- competitive conduct under section 3 and 4 of the Act. Out of which Commission has already decided 578 cases. Thus, in 80% of the cases, final order has been passed by the Commission. Out of the balance 20% cases amounting to 137 cases, 59 are pending with the DG and 78 are under the consideration of the Commission.

10 In some of the cases due to complexities of issues involved and large number of parties, it takes time and several hearings are held to decide the case. The investigation by the Commission has been stayed by the orders of the Courts in some of the cases.

11. When the cases are referred to DG, CCI for investigation, which is also time consuming process, and they lose to stand the test of judicial scrutiny. Even the decision of the Commission for closure of cases is also appealed against. This warrants a detailed examination of issue after affording opportunity of hearing to the parties.

12. The Commission has received 398 notices pertaining to combination; out of which, 378 cases have been disposed of and remaining 20 are pending at various stages of disposal. The Commission is taking every step to expedite their disposal.

### **Staff Strength**

13. Against the sanctioned strength of 197 posts for the Commission (CCI) and the office of the Director General (DG, CCI), 124 officers are in position as on 20.05.2016. The vacant posts in CCI pertain to deputation; direct recruitment and promotion quota. The vacant posts in the O/o DG CCI pertain to deputation quota. In order to fill up 33 posts (30 Professionals and 03 Support staff) on deputation basis in CCI, applications were invited vide advertisement dated 07.09.2015. However, due to poor response from eligible applicants only 04 candidates could be selected. Three of them have already joined CCI on deputation and the fourth candidate is yet to join CCI. A fresh vacancy circular for filling up of 26 posts (22 professionals and 04 Support Staff) in CCI on deputation basis has been issued on 29.04.2016. At the same time selection of 09 candidates on direct recruitment basis in CCI has been made as per final results declared on 06.05.2016. Promotions of some officers in CCI are also due for consideration as on 1.1.2017. In respect of the office of the DG CCI a proposal to fill up 23 vacant posts (19 Professionals and 04 Support Staff) is under consideration.

[Ministry of Corporate Affairs O.M. No.G-20018/25/2016-BGT dated 29.06.2016  
]

### **Comments of the Committee**

(Please see Para No. 10 of Chapter I)

### **Recommendation (Serial No.9)**

#### **Indian Institute of Corporate Affairs (IICA)**

The Committee note that the Indian Institute of Corporate Affairs has been established in 2008 as a Society under the Societies Registration Act to act as a think-tank. To make IICA self sustainable, grants-in-aid to the Institute is being gradually reduced, the budget grant of the Institute has been reduced from Rs.19.00 crore in the financial year 2015-16 to Rs.10.00 crore during the financial year 2016-17. Income generated by the IICA was Rs.4.93 crore and Rs.7.50 crore in the year 2014-15 and 2015-16 respectively, whereas the expenditure of the Institute was to the tune of Rs.17.93 crore and Rs.15.00 crore. At the time of the sanction of IICA Scheme, it was envisaged that the Institute should become self-supporting/self-sustained by 2016-17. However, the Committee, taking into account the current expenditure incurred and income generated by the IICA, express serious doubt whether the Institute will become

self-sustaining in the current financial year i.e. 2016-17. Even the Ministry has been candid enough to mention that it is not likely that the Institute will be able to fully support itself out of its own resources by the end of 2016-17 and it may require hand holding support from the government for some more time. The Committee desire to see the withdrawal of this support by the government before long. The Ministry in their post evidence reply have assured the Committee that a number of activities are undertaken by the Institute to fulfil its objectives and they have also shown an upward trend over the years. The Committee hope and trust that the Institute will become self-sustaining in the near future. The Committee urge the Institute to probe alternate avenues of revenue/earning such as corporate consultancy and should publicise their knowledge bank/expertise in the field. The Committee would also expect the IICA to emerge as an institution of excellence in Corporate research and training, especially in the area of corporate governance norms/practices and Corporate Social Responsibility (CSR).

### **Reply of the Government**

Indian Institute of Corporate Affairs (IICA) has become a very strong brand in the market and has been able to take on competition from multinational consultancies. They are receiving large number of enquires for substantial and long term collaboration-cum-consultancies in the areas of Corporate Governance, Corporate Law, Corporate Social Responsibilities and Corporate Finance. The Institute will leverage its strengths, capabilities and market reputation to bag such consultancies and focus on this element over the next three years so as to enable gradually accelerating revenue inflows.

2. The Institute is moving ahead towards the areas of Corporate Governance (CG) and Corporate Social Responsibilities (CSR).
3. The training need for corporate entities in the area of Corporate Governance, both in public as well as private sector are being continuously assessed. A set of modules on various subjects under CG have been prepared keeping in mind the latest trends and researches in the field. These modules would serve as the primary knowledge products for the preparation of customized courses for corporates working in various sectors of Indian economy.
4. In the area of CSR, IICA has established a very strong brand in the market through short-term courses, workshops, seminars etc. All the courses were widely

welcomed because it enables them to come to grips with the nuances and amplifications of the new Legislation of CSR. IICA Certified Professional Courses on CSR with a duration of 9 months which was specially designed for young and established aspiring professionals as well as for in-service personnel, is proving to be vastly popular.

[Ministry of Corporate Affairs O.M. No.G-20018/25/2016-BGT dated 29.06.2016  
]

**Comments of the Committee**  
(Please see Para No. 13 of Chapter I)

### **CHAPTER - III**

**RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT  
DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES**

**NIL**

## **CHAPTER - IV**

### **RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

#### **Recommendation (Serial No.5)**

##### **Serious Fraud Investigation Office (SFIO)**

The Committee note that Recruitment Rules (RRs) of 28 categories of posts under SFIO have been framed/amended and 25 categories of posts have been notified and 03 are pending for notification with Government. As regards the RRs, the Committee vide their 25<sup>th</sup> Report regarding Action taken by the Government on the recommendations contained in Thirteenth Report on Demands for Grants (2015-16) presented to the House on 03.12.2015 had inter-alia recommended that the said RRs should be finalised not later than one month of presentation of the Report i.e. by 03.01.2016. The Committee are satisfied that the RRs have been approved finally after long delay. The Committee expect that this process will now lead to a permanent specialised cadre for SFIO with positive outcomes for its overall performance. This will enable the SFIO to recruit competent personnel for its investigative and prosecution functions fully dedicated with a feeling of belongingness to the organisation instead of relying on contractual employees or consultants.

As regards disposal of pending cases, the Committee in the afore-mentioned Report had recommended that SFIO should initiate proactive steps to follow up and expedite pending cases under intimation to the Committee; but a perusal of the information provided to the Committee has revealed that out of 474 cases assigned to SFIO from the year 2003-04, investigation in respect of only 225 cases could be completed. The Committee are perturbed about such laxity in the functioning and the dismal rate of disposal of cases by SFIO, an important investigative arm of the Ministry. The Committee would, therefore, once again observe that a lot of seriousness needs to be shown in the performance of the statutory functions by SFIO. They also suggest that there should be extensive use of technology for analysis of data received, computerized forensic lab should be established at SFIO with all systemic gadgets which can be effectively applied during the course of investigation and prosecution for result oriented disposal of cases. The Committee hope that necessary corrective action



on this count will be taken by the Ministry and they would be apprised accordingly.

### **Reply of the Government**

The Recruitment Rules of 28 categories of posts under Serious Fraud Investigation Office (SFIO) have already been notified. Mode of deputation at entry level for junior posts has been replaced with direct recruitment through Staff Selection Commission (SSC)/Union Public Service Commission (UPSC). Thus, SFIO will have its own cadre over a period of time. Action has also been initiated to fill up the vacant posts. 28 Consultants/Experts in various field have also been appointed for expeditious action in SFIO.

2. SFIO has strived to complete maximum number of investigation cases assigned to it. Out of 495 cases assigned to SFIO since 2003-04, 225 cases have already been completed. It is pertinent to mention that out of the total 495 assigned cases, 185 cases were assigned during the year 2015-16. Year-wise completion of cases has gone up from 22 in 2013-14 to 60 in 2015-16. Year-wise details of cases are as under:-

<b>Year</b>	<b>Cases B/F</b>	<b>Cases assigned</b>	<b>Total workload</b>	<b>Cases Disposed of</b>
2003-04		6	6	1
2004-05	5	20	25	3
2005-06	22	5	27	7
2006-07	20	3	23	18
2007-08	5	17	22	1
2008-09	21	17	38	7
2009-10	31	5	36	12
2010-11	24	6	30	13
2011-12	17	13	30	20
2012-13	10	45	55	22
2013-14	33	83	116	22
2014-15	94	71	165	39
2015-16	126	184	310	60
2016-17	250	20*	270 **	33

(\*) Cases Assigned upto 18.05.2016

(\*\*) Including 12 Quashed/Withdrawn & stayed cases

[Ministry of Corporate Affairs O.M. No.G-20018/25/2016-BGT dated 29.06.2016]

**Comments of the Committee**  
(Please see Para No. 7 of Chapter I)

## **CHAPTER - V**

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL  
REPLIES BY THE GOVERNMENT ARE STILL AWAITED

**NIL**

**NEW DELHI**  
**04 August, 2016**  
**13 Sravana, 1938 (Saka)**

**DR. M. VEERAPPA MOILY,**  
**Chairperson,**  
**Standing Committee on Finance**

**Minutes of the Twentieth sitting of the Standing Committee on Finance**  
**The Committee sat on Thursday, the 04 August, 2016 from 1500 hrs. to 1700 hrs.**  
**in Committee Room 'B', Parliament House Annexe, New Delhi.**

**PRESENT**

**Dr. M. Veerappa Moily - Chairperson**

**LOK SABHA**

2. Shri Venkatesh Babu T.G.
3. Dr. Gopalakrishnan C.
4. Shri Nishikant Dubey
5. Shri P.C. Gaddigoudar
6. Shri Shyama Charan Gupta
7. Shri Rattan Lal Kataria
8. Shri Prem Das Rai
9. Shri Rayapati Sambasiva Rao
10. Prof. Saugata Roy
11. Shri Gajendra Singh Sekhawat
12. Shri Gopal Shetty
13. Shri Anil Shirole
14. Dr. Kiritbhai Solanki
15. Dr. Kirit Somaiya
16. Shri Shivkumar Udasi

**RAJYA SABHA**

17. Shri Naresh Gujral
18. Dr. Mahendra Prasad
19. Shri C.M. Ramesh
20. Shri Ajay Sancheti
21. Shri Digvijaya Singh
22. Dr. Manmohan Singh

**SECRETARIAT**

- |    |                              |   |                     |
|----|------------------------------|---|---------------------|
| 1. | Smt. Abha Singh Yaduvanshi   | - | Joint Secretary     |
| 2. | Shri P.C. Tripathy           | - | Director            |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |

**WITNESSES**

	XX	XX	XX	XX	XX	XX
2.	XX	XX	XX	XX	XX	XX.

(The witnesses then withdrew)

A verbatim record of the proceedings has been kept

3. Thereafter, the Committee took up the following draft reports for consideration and adoption:

- (i) Draft Report on the subject "State of Rural / Agricultural Banking and Crop Insurance".
- (ii) Draft Report on Action Taken by the Government on the Recommendations contained in the Twenty First Report (16<sup>th</sup> Lok Sabha) on "Efficacy of Regulation of Collective Investment Schemes (CIS), Chit Funds, etc."
- (iii) Draft Report on Action Taken by Government on the Recommendations contained in the Thirty-Second Report on Demands For Grants (2016-17) of the Ministry of Corporate Affairs.

After some deliberations, the Committee adopted the above draft Reports with modification and authorised the Chairperson to finalise them and present these Reports to Parliament.

The Committee then adjourned.

## APPENDIX

(Vide Para 4 of the Introduction)

### ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTY SECOND REPORT OF THE STANDING COMMITTEE ON FINANCE (SIXTEENTH LOK SABHA) ON DEMANDS FOR GRANTS (2016-17) OF THE MINISTRY OF CORPORATE AFFAIRS

		Total	% of total
(i)	Total number of Recommendations	09	
(ii)	Recommendations/Observations which have been accepted by the Government (vide Recommendation at Sl. Nos. 1,2,3,4,6,7,8 & 9)	08	88.89%
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies	Nil	0.00
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (vide Recommendation at Sl. No. 5)	01	11.11%
(v)	Recommendations/Observations in respect of which final reply of the Government are still awaited	Nil	0.00