5

STANDING COMMITTEE ON FINANCE
(2014-15)

SIXTEENTH LOK SABHA

MINISTRY OF CORPORATE AFFAIRS

FIFTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

December, 2014 / Agrahayana, 1936 (Saka)

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STANDING COMMITTEE ON FINANCE
(2014-2015)

(SIXTEENTH LOK SABHA)

MINISTRY OF CORPORATE AFFAIRS

DEMANDS FOR GRANTS

(2014-15)

Presented to Lok Sabha on 16 December, 2014

Laid in Rajya Sabha on 16 December, 2014

LOK SABHA SECRETARIAT
NEW DELHI

December, 2014/ Agrahayana, 1936 (Saka)

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COMPOSITION OF COMMITTEE ON FINANCE – 2014-15

Dr. M. Veerappa Moily – Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
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 Prataprao Jadhav
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. Vacant*
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Naresh Gujral
24. Shri A. Navaneethakrishnan
25. Vacant**
26. Dr. Mahendra Prasad
27. Shri P. Rajeeve
28. Shri C.M. Ramesh
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

1.	Shri R.K. Jain	-	Joint Secretary
2.	Shri P.C. Koul	-	Director
3.	Shri Ramkumar Suryanarayanan	-	Additional Director

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* Shri Jayant Sinha, MP ceased to be Member of the Committee w.e.f. 09.11.2014 consequent upon his induction to the Union Council of Ministers

** Shri Brajesh Pathak, MP ceased to be the Member of the Committee w.e.f. 25.11.2014 consequent upon his retirement from Rajya Sabha

INTRODUCTION

I, the Chairperson of the Committee on Finance, having been authorised by the Committee, present this Fifth Report (Sixteenth Lok Sabha) on 'Demands for Grants (2014-15)' of the Ministry of Corporate Affairs.

2. Due to impending elections to the Sixteenth Lok Sabha, Parliament had passed Vote on Accounts for the first four months of the Fiscal 2014-15 (April to July, 2014). The Demands for Grants (2014-15) of the Ministry of Corporate Affairs were laid on the Table of the Lok Sabha on 08 August, 2014. The consolidated Demands for Grants were passed by the Lok Sabha on 21 July, 2014 after suspension of Rule 331 G of the Rules of Procedure and Conduct of Business in Lok Sabha. After the Demands were passed, Hon'ble Speaker observed that although the Demands have been passed by the House, they stand referred to the Standing Committees after they are constituted for examination and Report so that their Recommendations are utilized in the preparation of Demands for Grants for the next Fiscal. The Committee took oral evidence of the representatives of the Ministry of Corporate Affairs on 09 October, 2014. 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 (2014-15).

3. The Committee considered and adopted this Report at their Sitting held on 11 December, 2014.

4. For facility of reference, the Observations / Recommendations of the Committee have been printed in bold at the end of the Report.

New Delhi;
12 December, 2014
21 Agrahayana, 1936 (Saka)

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

REPORT

PART – I

CHAPTER- I

IMPLEMENTATION OF THE COMMITTEE'S RECOMMENDATIONS

The Seventy-first Report (Fifteenth Lok Sabha) of Committee on Finance on Demands for Grants (2013-14) of the Ministry of Corporate Affairs was presented to Lok Sabha and laid on the Table of Rajya Sabha on 22 April, 2013. The Report contained 11 Observations/Recommendations.

1.2 On the basis of the Action Taken Replies received from the Ministry of Corporate Affairs in respect of the above Report, the Committee presented their Eighty Second Report (Fifteenth Lok Sabha). The Report was presented to the Lok Sabha and laid on the table of the Rajya Sabha on 9 December, 2013. In this Report, the Committee commented on the Action Taken Replies furnished by the Ministry in respect of Recommendations at Sl. Nos. 4,5,6,10 and 11 in the Original Report.

1.3 The Minister concerned is required to make a Statement under Direction 73-A of Direction by the Speaker, Lok Sabha about the status of the implementation of Recommendations contained in the Original Report of the Committee within six months of the presentation of the Report to the Parliament. Accordingly, the Minister concerned made a statement on the status of implementation of Recommendations contained in the Seventy First Report (Fifteenth Lok Sabha) on 21st February, 2014.

CHAPTER-II

I. INTRODUCTORY

1. The mandate of the Ministry of Corporate Affairs, includes the administration of a wide range of statutes for the regulation of the corporate sector in India including the following Acts:

(i) The Companies Act, 1956 and the Companies Act, 2013

(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

2. The different offices functioning under the Ministry are the Regional Directors, Registrar of Companies, Official Liquidators and Serious Frauds Investigation Office , The Ministry of Corporate Affairs is also the administrative Ministry for the National Company Law Tribunals, Competition Commission of India and the Indian Institute of Corporate Affairs

3. Demand No. 18 pertaining to the Ministry of Corporate Affairs for the year 2014-15 amounts to ₹ 255.25 crore, out of which ₹ 231.51crore is under the Revenue Expenditure and ₹ 23.74 crore is under the Capital Expenditure. The entire allocation is voted.

Statement of Budget Allocation and Expenditure

(₹ in crore)

Year	Budget Estimates			Revised Estimates			Actual Expenditure			(-)Savings (+) Excess		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
2011-12	28.00	210.94	238.94	28.00	210.94	238.94	27.99	199.97	227.96	- 0.01	- 10.97	- 10.98
2012-13	32.00	213.50	245.50	28.00	201.22	229.22	24.43	181.52	205.95	- 7.57	- 31.98	- 39.55
2013-14	34.00	221.28	255.28	21.00	212.36	233.36	20.38	208.83	229.21	- 13.62	- 12.45	- 26.07
2014-15	24.00	231.25	255.25				5.41	106.63	112.04*			

* Expenditure as on 31.08.2014.

4. 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 Directors, fifteen offices of Registrar of Companies (ROCs), nine offices of Registrar of Companies-cum-Official Liquidators (ROC-cum-OLs), fourteen offices of Official Liquidators (OLs), three attached offices viz. Company Law Board, Serious Fraud Investigation Office& Competition Appellate Tribunal, Grants-in-aid-General/Grants-in-aid-Salaries for the Competition Commission of India (CCI) and Indian Institute of Corporate Affairs. New institutional structure consisting of the National Company Law Tribunal (NCLAT), the National Company Law Appellate Tribunal (NCLT), National Financial Reporting Authority (NFRA), the National Financial Reporting Appellate Authority (NFRAA), the Special Courts and the Investor Education & Protection Fund (IEPF) Authority is to be set up during the year 2014-15 in pursuance of the Companies Act, 2013.

5. For the XII Year Plan period, the Planning Commission has allocated ₹ 110.00 crore under Plan Scheme for the Indian Institute of Corporate Affairs (IICA). The details in this regard as under:

(i) For the financial year 2012-13, ₹ 28.00 crore (₹ 20.00 crore for Capital and ₹ 8.00 crore for Revenue Sections) was allocated under this scheme. Out of ₹ 20.00 crore earmarked for Capital Section, ₹ 16.43 crore were released and ₹ 3.57 crore was surrendered as the proposal to construct and furnish the utility building in the IICA Campus at the cost of ₹ 6.30 was not taken up for implementation due to its high maintenance cost in future years. It was decided to reconsider the project only when existing facilities of the institute could be fully utilized and IICA could start generating revenue on its own. The entire revenue allocation of ₹ 8.00 crore was released to IICA which was utilised by them.

(ii) For the financial year 2013-14, ₹ 34.00 crore (₹10.32 crore for Capital and ₹23.38 crore for Revenue Sections) was allocated at Budget stage. Ministry of Finance at Revised Estimates stage reduced this allocation to ₹ 21.00 crore (₹ 2.77 crore for Capital and ₹ 18.23 crore for Revenue Sections). Against the allocation of ₹ 2.77 crore for Capital works, ₹ 2.16 was released to NBCC Ltd. and the balance amount of ₹ 0.61 crore was surrendered. The entire revised allocation of ₹18.23 crore under Revenue Section was released to IICA.

(iii) ₹ 24.00 crore has been allocated under Plan Scheme for the financial year 2014-15 in which ₹ 22.76 crore has been earmarked for Revenue Section and ₹ 1.24 crore is kept for Capital Section. Under Revenue Section ₹ 5.41 crore has been released to IICA towards 1st Quarter's Grant. Under Capital Section, it is expected that the entire allocation of ₹ 1.24 crore would be utilised in the financial year 2014-15.

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

Salaries:

(₹ in crore)

Year	Budget Estimates	Revised Estimates	Actual Expenditure	(-) Savings (+) Excess
2011-12	68.96	68.96	66.60	(-) 2.36
2012-13	71.52	73.43	73.78	(+) 2.26
2013-14	79.30	79.36	78.76	(-) 0.54
2014-15	87.00		41.49*	

***** Expenditure as on 31.08.2014.

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 during the fiscal years 2011-12 and 2013-14.

However, the excess expenditure was incurred on salaries during the year 2012-13 due to payment of arrears on promotion of the ICLS Officers in the various field offices of the Ministry including outstanding bills of leave encashment, LTC etc.

Office Expenses:

(₹ In crore)

Years	BE	RE	Actual Expenditure	(-) Savings (+) Excess
2011-12	16.45	17.12	15.69	(-) 0.76
2012-13	16.39	16.48	16.75	(+) 0.36
2013-14	12.96	15.44	15.89	(+) 2.93
2014-15	17.10		5.49*	

* Expenditure as on 31.08.2014.

The funds were 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 in the year 2011-12. However, during the year 2012-13 and 2013-14, the funds were re-appropriated under the Object Head "Office Expenses" for meeting the committed liabilities during the said years in the offices i.e. Headquarters, Regional Directorates, Registrar of Companies and Official Liquidators of this Ministry at different location in the country for smooth functioning of the organizations. In addition, the fund was also re-appropriated to the office of the SFIO for meeting the committed liabilities during the year 2012-13 and 2013-14.

Rents, Rates & Taxes:

(₹ in crore)

Year	BE	RE	Actual Expenditure	(-) Savings (+) Excess
2011-12	7.90	7.10	5.98	(-) 1.92
2012-13	6.87	6.69	5.48	(-) 1.39
2013-14	5.46	4.54	3.90	(-) 1.56
2014-15	5.12		1.55*	

* Expenditure as on 31.08.2014.

The savings provided under Rent, Rates & Taxes during 2011-12 to 2013-14 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.

MCA 21 e-Governance Project:

(₹ in crore)

Year	BE	RE	Actual expenditure	(-) Savings (+) Excess
2011-12	44.19	46.11	46.10	(+) 1.91
2012-13	45.14	39.73	26.93	(-) 18.21
2013-14	41.00	36.80	36.78	(-) 4.22
2014-15	39.66		11.24*	

* Expenditure as on 31.08.2014.

7. The detailed justification in respect of expenditure incurred during 2011-12, 2012-13, 2013-14 and 2014-15 is as follows.

FY 2011-12

During the FY, an amount of ₹ 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 was 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 24th 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 ₹ 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 ₹ 1.91 crore was arranged through re-appropriation.

FY 2012-13

During the FY, the actual expenditure booked under the head 'Modernization, computerization and networking' has been ₹ 39.73 crore as against the BE of ₹ 45.14 crore and RE of ₹ 39.73 crore.

During the FY, the project has completed six year period of first cycle operations on 16th 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 17th January 2013.

FY 2013-14

During the FY, the actual expenditure booked under the head 'Modernization, computerization and networking' has been ₹ 36.80 crore as against the BE of ₹ 41.06 crore and RE of ₹ 36.80 crore.

During the FY, the project has started 2nd cycle operation of MCA21 system from 17th January 2013 with new Service Provider i.e. M/s Infosys Ltd. During the year, Ministry has entered into an agreement with National Institute for Smart Government (NISG) for establishing Programme Management Unit (PMU) for MCA21 Project for a period of six and half year w.e.f 1st May, 2013 at a cost of ₹ 17.23 Crore to be paid in 26th Quarterly EQI. MCA21 system has been upgraded as per the requirement of Companies Act, 2013. The Ministry has implemented facility to accept payment by pre-paid card issued by ICICI Bank and online payment of Court fee and Stamp duty through MCA21 System.

FY 2014-15

During the FY, the actual expenditure has been booked under the Head 'Modernization, computerization and networking' is ₹ 11.24 crore as against the BE of ₹ 39.66 crore.

8. During examination of Demands for Grants (2014-15) of the Ministry of Corporate Affairs, it was pointed out to the Ministry that the piecemeal implementation of the Companies Act, 2013 is creating uncertainty and apprehensions in the minds of various stakeholders. As an example, the registration of companies have declined by 50% in the April-August period this year as compared to the same period last year.

Further, in the first year of operation of the new Company Law, industry has been demanding amendments to the various provisions of the Companies Act, 2013.

In response, the Ministry stated that the implementation of Companies Act, 2013 (Act) has not resulted in uncertainty nor apprehension among stakeholders. Over 60% of the provisions of the new law have entered in to force w.e.f. April 1, 2014. The issue regarding setting up of NCLT/NCLAT is presently facing a legal challenge in the Hon'ble Supreme Court. Sections which are not yet notified, relate to Compromises, Arrangements and Amalgamations; Revival and Rehabilitation of Sick Companies, Winding Up, etc. These chapters, will not have any impact on the functioning of companies, as the corresponding provisions of the old Act(s) have not been repealed.

Registration of companies was impacted in the months of April – May due to the introduction of new e-form on the MCA-21 system to meet the requirements of Companies Act, 2013. Temporarily few services were not available during April 2014. Also, professionals took time to get acquainted with the provisions of the Companies Act, 2013. From June 2014 onwards there has been a steady increase in the monthly incorporation of companies. Incorporation during September 2014 is comparable to the long term average of past years.

The provisions relating to constitution of NCLT and NCLAT in Companies Act 2013 have been challenged on the grounds that the these do not conformed with the judgment of the Hon'ble Supreme Court {(2010) 11 SCC 1}. The major grounds highlighted in the challenge are regarding qualifications of Technical Members, composition of Selection Committee and the manner of provision of administrative support to the Tribunals etc.

During 2014-15,the Ministry has issued various Notifications, Circulars and Orders so as to provide greater clarity on the provisions of the Act. These have been placed on the website of the Ministry for information of all stakeholders. Press Release are also issued from time to time. A Statement showing provisions of the Companies Act, 2013 as notified with corresponding provisions under the Companies Act 1956 has also been placed on the Ministry website, so as to facilitate easy understanding and comparison of the earlier law and the new statute.

Further, Industry Chambers such as CII,FICCI,ASSOCHAM and the three Professional Institutes {Institute of Chartered Accountants of India (ICAI), Institute of

Company Secretaries of India (ICSI), Institute of Cost Accountants of India (ICAI)} have held capacity building programs, training and seminars on the Companies Act, 2013 and Rules so as to familiarize their members, corporates and other professionals under the new requirements. Senior officials of the Ministry are invited by these bodies to address Seminars/Conferences on the Companies Act, 2013.

The Ministry has also issued various clarifications and amended some Rules under the Companies Act, 2013 after consultations were held with stakeholders and concerned sectoral regulators, including the Professional Institutes.

9. **Investor Education and Protection Fund (IEPF):**

The yearly allocation for undertaking the activities under IEPF is ₹ 5.00crore. The utilization of the yearly grant during the last three years is given below:-

(₹ in crore)

Year	BE	RE	Actual Expenditure *	(-) Savings (+) Excess
2011-12	5.00	5.00	4.98	(-) 0.02
2012-13	5.00	5.00	4.23	(-) 0.77
2013-14	5.00	4.50	4.38	(-) 0.62
2014-15	3.00		0.62*	

* Expenditure as on 31.08.2014.

10. The Companies Act, 1956 provides for establishment of the Investor Education and Protection Fund (IEPF) under section 205C for promoting investor awareness and protecting their interest. 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. The guidelines have been formulated for organizing investor awareness programmes through Regional Directors. The approved scale of allocation of such programme in Mumbai, Delhi, Kolkata, Chennai, Bangalore and Hyderabad and satellite towns of these cities with minimum 100 participants and programme being organized through PI is ₹ 35,000/-. The allocation for such programme organized through PIs in other capital cities and District Headquarters (other than NE states) with minimum 100 participants is ₹ 25,000/-. The allocation is ₹ 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 ₹ 7,000/- per programme for the programmes conducted through RPs. The Ministry also organized the Big Investors Awareness Programmes "India Corporate and Investor Meet" in Bhuvaneshwar and Mumbai in July, 2013. No. of programmes conducted by the Ministry through Professional Institutes in the last 3 years are as follows:-

Year (s)	No. of Programmes
2011-2012	1900
2012-2013	2074
2013-2014	2897
2014-2015	729

(Upto 25.08.2014)

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.

11. In Companies Act, 2013 provision has been inserted to establish the IEPF Authority. This Authority has been entrusted with the responsibility of refunding the unpaid amounts of dividends to investors in addition to existing activities of IEPF section. IEPF section is in the process of making rules for establishment and working of the IEPF Authority. A demand of budgetary allocation of ₹ 20.00 crore has been projected for refund, awareness and administration of the IEPF Authority.

12. For meeting the expenditure incurred on activities relating to investors' awareness, the Ministry gets a budgetary allocation of ₹ 5.00crore every financial year. However, during the current financial year the amount of ₹ 3.00crore has been allocated for the purpose of investor awareness activities. There are no constraints /difficulties and the Ministry expects 100% utilization of funds during the current financial year.

II. Registrars of Companies (RoCs)

13. Registrars of Companies appointed under Section 609 of the Companies Act, 1956 (now Section 396 of Companies Act, 2013) are vested with the primary duty of registering companies in States and Union Territories and ensuring that such companies comply with statutory requirements under the Act. These offices function as

a registry of records, relating to the companies registered with them that are available for inspection by the public on payment of the prescribed fee. The Central Government exercises administrative control over these offices through the respective Regional Directors.

During examination of Demands for Grants (2014-15) of the Ministry of Corporate Affairs was asked to elucidate upon the manpower scenario in its field offices and attached offices and comment upon capability of the office of Registrar of Companies to deal with the responsibilities cast upon them in the new Company Law. In response the Ministry stated that as on 01 September, 2014 the manpower availability in field offices and offices attached tothis Ministry is as under:-

Grade/Posts	Sanctioned Strength	In Position
Group-A(ICLS)	292	217
Group-A (SFIO)	28	12*
Group-B (Sr. Technical Asstt.)	128	117
Group-B (Company Prosecutor)	30	12**
Group-B (Jr. Technical Asstt.)	231	121
Group-B (SFIO)	102	46*
Consultant in SFIO	-	13

*It includes 2 ICLS officers and 3 STAs posted in SFIO

**Offer of appointment has been issued to 8 candidates recommended by UPSC

As regards filling up vacancies, to the post of STA, JTA, and Company Prosecutor are concerned requisition have been sent to Staff Selection Commission (SSC) and UPSC. The Ministry has also engaged technical Consultants in SFIO to fill up vacancies. Having regard to the difficulties in seeking recruitments through the Regional SSC centralized requisitions have been sent to the Commission and further action is being pursued vigorously.

In addition to the above, Company Law Board (CLB), Competition Commission of India (CCI) and the Competition Appellate Tribunal (CAT) are also under the administrative control of the Ministry of Corporate Affairs. In respect of Company Law Board (CLB), out of 75 sanctioned posts, including Chairman and Members, 41 posts are filled up and 34 are vacant. The CLB will be replaced by the National Company Law Tribunal (NCLT) after it has been set up. For NCLT, cabinet approval has been received for creation of 65 posts. For the National Company Law Appellate Tribunal (NCLAT), 7 posts of Chairman/ Members / Registrar have been sanctioned. In both NCLT and NCLAT, 246 supporting staff posts have also been sanctioned.

When queried about the pendency of cases the Ministry informed that pendency of cases in the offices of Registrar of Companies and Official Liquidators are as under:-

(i) Cases pending in Registrar of Companies

A Statement indicating cases pending in Offices of Registrar of Companies is below:-

Name of ROC	Cases Pending as on 1.4.2013	No. of Companies Involved	Cases launched during 1.4.13 to 31.3.14	No. of Companies Involved	Conviction	Acquittal	Withdrawal	Disposed off Otherwise	Total
AP	635	42	282	15	189	42	0	50	281
Assam	1441	237	77	76	33	0	38	30	101
Bihar	11163	3052	216	140	12	0	1355	5942	7309
Delhi & Haryana	668	226	192	126	136	6	86	71	299
Shimla	16	5	12	2	3	0			3
Goa	281	146	28	16	34	0	12	119	165
Gujarat	1992	1252	178	40	86	0	0	36	122
J&K	589	199	14	14	0	0	10	4	14
Bangalore	550	123	11	4	0	1	2	8	11
Kerala	285	78	585	85	42	1	0	5	48
Mumbai	6093	1080	307	160	2		1	20	29
Pune	748	359	542	264	129	0	0	4	134
M.P/Gwalior	773	111	111	84	0	0	0	0	0
Orissa	1501	557	949	488	174	0	64	0	238
Puducherry	22	4	0	0	0	0	0	0	0
Chandigarh	649	385	79	32	106	2	0	57	165
Rajasthan	243	88	76	22	88	0	2	31	121
Chennai	3661	1665	305	33	104	8	0	0	112
Coimbatore	301	228	16	10	4	2	2	0	8
U.P	1996	963	111	30	0	0	11	1	12
W.B	15863	7183	5140	4213	83	0	1657	103	1843
TOTAL	49500	17983	9231	5854	1225	62	3240	6481	11015

(c) The personnel in the offices of the Registrars of Companies are generally equipped and capable of discharging their statutory responsibilities including in the sphere of IT enabled Company Regulations. However, periodic upgrading of skills and knowledge is a continuing process and a number of programmes including those on the innovative features of the Companies Act 2013 are being organised regularly in the Indian Institute of Corporate Affairs (IICA)."

III. Serious Fraud Investigation Office

14. The Serious Fraud Investigation Office (SFIO) was set up through a Resolution dated 02.07.2003. It is a multi-disciplinary Investigating Agency, wherein experts from diverse sectors like banking, capital markets regulation, corporate information technology etc. work together to unravel corporate frauds. Cases requiring investigation

under the Companies Act consequent on preliminary inquiries or inspections, where there are indications of serious breach of law, are assigned to the SFIO. The ambit of investigation by the organization is not confined to the Companies Act, 2013; SFIO has been given statutory status and is headed by a Director, in the rank of Joint Secretary to the Government of India.

15. When the Ministry was asked as to how many cases of fraud were detected by SFIO, both *suo moto* and on complaints. In response the Ministry stated that as per the provisions of the Companies Act, SFIO investigates into the affairs of a company only when it is referred by the Ministry of Corporate Affairs. Therefore, no case is taken up by SFIO suo moto or on the basis of complaints received by it. The Registrars of Companies are the field offices of the Ministry who conducts technical scrutiny of the financial status of companies**.** Whenever violations are detected, an investigation is ordered. Greater surveillance over suspected corporate frauds is exercised through examination and analysis of media reports. It is expected that specific cases would be alerted to the Ministry for ordering inspection and investigation into suspected fraud by companies. There already exists a mechanism for sharing of information through the Central Economic Intelligence Bureau (CEIB). Further, SFIO regularly interacts with other agencies like SEBI, CBI, Enforcement Directorate, Income Tax Department, RBI, and State Police Authorities for sharing of information. Investigation Reports of SFIO have also been shared with all these agencies on a regular basis.

16. On being asked about the manpower position in SFIO, the Ministry informed that Committee that they have been making continuous efforts to overcome the shortage of manpower in SFIO. Some of the initiatives taken by the Ministry/ SFIO are as under:-

a) Induction of experts on contract basis in specialized areas like Cyber Forensic and Data Analysis has already been started through an empanelled agency under NIC to man the Forensic Lab in SFIO. Two Data Analysts are currently working in the Forensic Lab of SFIO on contract basis.

b) To enable faster appointment of Consultants/Experts, it has been proposed to create an approved panel of Chartered Accountants, similar to the practice followed in other departments like Income Tax, CBI etc.

c) Six Consultants (Law) have been appointed on contract basis to overcome the difficulties faced due to shortage of Law Officers inSFIO.

d) Draft Recruitment Rules for various posts have been framed on which approval from DOPT has already been obtained with regard to posts from the level of Assistants up-to Deputy Director. For the remaining posts of Joint/Additional Directors, approval from DoPT is awaited. The approved RRs are being sent to UPSC for its approval along with a request for one time relaxation for filling up the vacant posts based on the new draft RRs.

e) The draft Recruitment Rules provide for exercising an option to the deputationists for permanent absorption. The Rules also provide for direct recruitment only when efforts to fill up the posts by deputation/absorption have not been successful. It is expected that a permanent Cadre of SFIO will be in place indue course.

f) A proposal for enhancing Investigation Allowance to SFIO Officers on par with CBI and other Enforcement Agencies has been submitted to 7th Pay Commission. If this allowance is approved, it would help to obtain deputationists from other agencies to work in SFIO.

g) Advertisements are regularly issued and Heads of various organisations contacted to spare the services of officers on deputation to SFIO.

It may be mentioned that the terms of deputation offered in SFIO are not as attractive as are offered by other premier Investigation Agencies like CBI, IB, Enforcement Directorate, NIA and SEBI. As a result, there is no motivation for officers from various organizations to opt for deputation to SFIO. This issue has now been taken up with the 7th Pay Commission and a strong case has been made out for raising the deputation allowance."

17. During 2013-14, the Ministry referred eighty one cases to SFIO and received investigation reports in twenty one cases; eighty nine cases are under investigation by SFIO as on 31.03.2014. During 2013-14, legal action was taken in 26 cases, taking the total number of proceedings as on 31.03.2014 to 1072. This includes 927 cases under

the Company Law, 113 under Indian Penal Code, 28 cases before Institute of Chartered Accountants of India (ICAI) and 4 before Company Law Board (CLB).

18. During Oral Evidence of the representatives of the Ministry on 9th October, 2014, it was enquired, whether it has built a mechanism, through which they could prevent corporate frauds and how the Early Warning System of the Ministry was working. In a subsequent written submissions it was stated that developing a framework/mechanism for detecting / preventing corporate fraud is an extremely complex task involving induction of sophisticated technological tools and skilled manpower. Globally, Governments of advanced countries have entrusted their investigative agencies to develop such capacities and capabilities. It is in this context that SFIO had started a Pilot Project in detecting an Early Warning System (EWS) to detect suspected frauds.

The Ministry of Corporate Affairs, through the Registrar of Companies (RoCs), who are eyes and ears of the Ministry in the field, exercise surveillance of companies registered in their jurisdiction. They are tasked to conduct technical scrutiny of financial status of companies. Under the directions and suggestions of the Hon'ble Standing Committee on Finance, the Fraud Prediction Model (FPM)/ Early Warning System (EWS) was taken up. It has gone quite some distance but it is not yet complete. In order to strengthen this effort, it has been decided to strengthen SFIO's MRAU for conducting greater surveillance of media reports of suspected frauds. The SFIO is the investigation agency of the Ministry of Corporate Affairs to look into suspected cases of corporate frauds.

The Ministry is in the process of developing an Early Warning System (EWS) aimed at generating alerts for detecting cases of potential fraud and malfeasance. A pilot test was carried out during 2013-14. The results are being analyzed and the system requires to be further fine-tuned. In the meanwhile, SFIO has been tasked with the examination of complaints of investors logged on the MCA 21 Portal for which a dump of complaints received will be shared with SFIO online. This may help in identifying “Red Flags” or Early Warning of potential frauds engaged by companies that can be taken up later for detailed inspection / investigation.

The Ministry has also set up a Forensic Lab in SFIO for revamping its Market

Research and Analysis Unit (MRAU) through induction of appropriate technology and skilled technical manpower. It is proposed to exercise greater surveillance over corporate frauds through examination and analysis of media reports by MRAU and for recommending to the Ministry in specific cases where inspection and investigation can be ordered into a suspected fraud. No case of suspected fraud has been detected as yet using the EWS, which is yet to be fully developed.

IV. Competition Commission of India

19. The Competition Commission of India (CCI) was established on 14.10.2003 under the Competition Act, 2002, with the objective of eliminating practices having an adverse effect on competition, promoting and sustaining competition, protecting the interest of consumers and ensuring freedom of trade in India. Competition Commission of India (CCI) became functional in 2009. As on 30th September, 2014, total pendency of cases before the CCI was 146, out of which, only 64 cases were more than one year old. As for cases pending for over one year with CCI, in some cases, proceedings have been stayed by Judicial Courts. Many cases involve multiple and complicated issues and voluminous documents are received in the CCI for examination.

20. The Competition Appellate Tribunal (CAT) was established on 14.10.2003 under the Competition Act, 2002, with powers to entertain appeals against directions or decisions of CCI, and to adjudicate on claim form compensation that may arise from the findings of the CCI and itself. CAT became functional in 2909. It inherited 1825 cases from the erstwhile MRTP Commission. Out of this, as on 30th September, 2014, only 72 cases remained to be disposed of by CAT. Apart from this, 80 appeals against the orders of the Competition Commission of India are pending with CAT, out of which, only 28 cases are more than one year old.

21. When asked about the manpower position in CCI and CAT the Ministry informed the Committee that besides 1 Chairperson and 6 Members, the sanctioned strength of staff in the CCI is 156, and 41 in the office of the DG, CCI. As some candidates have recently joined in the CCI and in the O/o the DG, CCI on deputation basis, the present manpower position in CCI is 108 and in the O/o the DG, CCI is 21. At present, one post of Chairperson and 5 posts of Members are filled up. Action is already at hand to fill up the one vacant post of Member in CCI.

The present number of vacant posts of staff in CCI, including the O/o the DG, CCI is 68 (48 in CCI and 20 in the O/o the DG, CCI). Five candidates (one on direct recruitment basis and four on deputation basis) are likely to join shortly. Besides, selection to one more post on deputation basis is likely on 13.10.2014. With the joining of these six candidates, the number of vacant posts available in CCI will be 42. The Commission is trying its best to fill up all vacant posts by appropriate methods i.e. either by Direct Recruitment or by Deputation basis, as per the provisions of the existing Recruitment Rules of the posts sanctioned for the Competition Commission of India (CCI) and the office of the DG, CCI by issuing open advertisement and placing it on CCI's website etc. A proposal to amend the Recruitment Rules for various posts in the office of the DG, CCI is already under consideration of the Ministry, with a view to attracting more candidates to apply for vacant deputation posts.

Two vacancies of Members in Competition Appellate Tribunal have arisen as the concerned Members had completed their term of appointment. The process for selection of candidates to fill up both the vacancies in the Appellate Tribunal is currently in progress.

The Tribunal has often issued an advertisement in the Employment News for filling up the other vacant posts. As a result some of the posts have been filled up on deputation basis, and on contract basis. Amendments in Recruitment Rules to COMPAT are also under consideration in consultation with the DoP&T/Ministry of Law to provide a wider choice of candidates.

V. Indian institute of Corporate Affairs

22. The Ministry set up the Indian Institute of Corporate Affairs (IICA) to serve as a 'Holistic Think-Tank', and a 'Capacity Building, Service Delivery Institution' to help corporate growth, reforms through synergized knowledge management, partnerships and problem solving in a one-stop-shop mode. The Institute fulfils the training needs of the officers of the Indian Corporate Law Service (ICLS), and other officials working for the Ministry. IICA also helps in the continuous improvement of service delivery mechanisms in diverse areas like MCA21, corporate governance, corporate social responsibility, investor education and protection, etc. IICA is headed by a Director General and Chief Executive Officer.

23. On being asked as to what steps have been taken by IICA to become self-sustaining Institute, generating its own resources, the Ministry submitted that the Indian Institute of Corporate Affairs (IICA) was taken up as a Plan Scheme under the 11th Five Year Plan vide approval dated 1.5.2008 by the Cabinet Secretariat. Total fund of Rs.211 crore was allocated during the 11th Five Year Plan. The Institute become operationalised from 2008-09 and its own campus situated at Manesar, Haryana was inaugurated by the then Prime Minister in April, 2012.

Initially, the emphasis of the Institute was to operationalise its six Schools and six Centers. Presently, five Schools viz. i) ICLS Academy, ii) School of Corporate Law, iii) School of Competition Law, iv) School of Finance, and v) School of Corporate Governance & Public Policy have become functional while the School of Business Environment will be operationalised when other schools are stabilized. IICA has operationalised four Centres viz. i) Business Innovation and IT Services, ii) Centre for Institutional partnership & Corporate Communication, iii) Centre for Responsible Corporate Governance, and iv) Centre for Micro, Small & Medium Enterprises while the remaining two Centres viz. i) Centre for E-Governance will start from early next year; and ii) Centre for Corporate Law & Regulation will be operationalised when other Centres are stabilized. In view of this, there has not been much generation of income by the Institute so far. However, the generation of income by the Institute to become self-sustaining has gained sustained buoyancy over the last few years as can be seen from the table given below :

(₹ in Lakhs)

S. No.	Financial Year	Receipt Generated during the Year	Expenditure during the Year	Percentage of Receipts Vs Expenditure
1.	2011-12	5.19	529.00	0.98%
2.	2012-13	11.28	1031.00	1.09%
3.	2013-14	69.44	1823.00	3.81%
4.	2014-15 (upto 30.09.2014)	72.95	979.00	7.45%

As per the Memorandum of Understanding (MoU) signed by the Institute with Ministry of Corporate Affairs, the Institute will generate an income of ₹ 1.50

crore in the current financial year which is more than 100% increment over the last preceding year.

The Scheme, "Indian Institute of Corporate Affairs" has been continuing since the Eleventh Plan. For the Twelfth Plan an outlay of ₹ 110.00 crore has been approved consisting of ₹ 90.00 crore Revenue and ₹ 20.00 crore Capital component."

Capital Section

(₹ in Crores)

Year	Budget Estimates	Revised Estimates	Expenditure Incurred	Reasons for over/under spending
2012-13	20.00	20.00	16.43 #	The proposal to construct and furnish the utility building in the IICA campus at the cost of ₹ 6.30 was not taken up for implementation due to its high maintenance expenditure in future years. It was decided to reconsider the project only when existing facilities of the institute could be fully utilized and IICA could start generating revenue on its own.
2013-14	10.62	2.77	2.15 @	The NBCC tendered twice for Library Management System at the estimated cost of ₹ 0.43 crore. Only one vendor applied. The single vendor quoted much higher price than the estimated cost. Hence, the proposal could not be taken up.
2014-15	1.24	-	-	Current financial year is going on.

#₹ 3.57 crore was surrendered

@ ₹ 61.00 lakh was surrendered

VI. Corporate Social Responsibility (CSR)

24. The provisions of Section 134 and Schedule VII of the Companies Act, 2013 relating to Corporate Social Responsibility (CSR) have come into force with effect from 01.04.2014 vide notification of the Section and Rules thereunder. Under section 135 of the Companies Act, 2013 every Company having net worth of ₹ 500 Crores or more, turnover of ₹ 1000 Crore or more or a net profit of ₹ 5 Crore or more during any financial year is mandated to constitute a CSR Committee of the Board and formulate CSR Policy. The Board's report should disclose the composition of the CSR Committee as well as the CSR Policy. The Board should ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the 3 immediately preceding financial years, on CSR Activities. The activities to be undertaken are listed in Schedule VII of the Act, which has been amended vide

notification GSR No. 130 (E) dated 27.02.2014 and GSR No. 261 (E) dated 31.03.2014. These amendments have widen the scope of CSR Activities.

25. On being asked as to how seriously have the Ministry and the Indian Institute of Corporate Affairs, been monitoring the implementation of the CSR provisions under the Companies Act, 2013 it was stated that the provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 and Rules made thereunder have come into force only recently, i.e., 01.04.2014. This is the first year of implementation of CSR by companies. Details about funds spent by the companies under CSR, activities undertaken, geographical areas/ location covered etc. would become available to the Ministry of Corporate Affairs only after the mandatory disclosures of CSR expenditure are made by the companies, which would be due after September, 2015.

At present, the Ministry has set up a CSR Cell to deal with issues relating to CSR, and providing clarification to stakeholders. The Ministry and IICA will identify an appropriate mechanism for monitoring the implementation of CSR provisions under the new law.

Prior to the enactment of the new Companies Law, 2013, and after provisions of CSR have entered into force w.e.f. 1st April, 2014, the Ministry and IICA have formulated and organized several Sessions all over the country. At these interactions, clarifications have been provided to stakeholders on CSR related Provisions and Rules. In addition, a General Comprehensive Circular was issued recently providing clarifications for CSR related issues to stakeholders. These Circulars are posted on the Ministry's Website. These initiatives of the Ministry have been generally applauded by stakeholders. In addition, the National Foundation for Corporate Social Responsibility (NFCSR) under the Indian Institute of Corporate Affairs, acts as a facilitator and an enabler in taking the CSR agenda forward by providing knowledge support and by creating a database of the implementing agencies.

26. As regards ensuring proper compliance to the CSR norms or rules, so that the spirit behind the law is sub-served and the built-in mechanism available for this, the Ministry stated that the provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 and Rules made thereunder have come into force

only recently, i.e., 01.04.2014. This is the first year of implementation of CSR by companies. Details about funds spent by the companies under CSR, activities undertaken, geographical areas/ location covered etc. would become available to the Ministry of Corporate Affairs only after the mandatory disclosures of CSR expenditure are made by the companies, which would be due after September, 2015. The Ministry and IICA will identify a mechanism for monitoring CSR spends by Corporates in due course. At present, a CSR Cell has been set up in the Ministry to deal with providing clarifications to stakeholders on CSR related issues.

27. During examination of the Demands for Grants (2014-15) the Ministry was asked whether it intended to give some tax concession on this CSR component. In response the Ministry stated that the 2% of profit to be spent on CSR is to be calculated on the basis of 'profit before tax'. No specific tax exemptions have been extended to CSR expenditure per se. The Finance Act, 2014 also clarifies that expenditure on CSR does not form part of business expenditure.

While no specific tax exemption has been extended to expenditure incurred on CSR, spending on several activities like contributions to Prime Minister's Relief Fund, scientific research, rural development projects, skill development projects, agricultural extension projects, etc., which find place in Schedule VII, already enjoy exemptions under different sections of the Income Tax Act, 1961.

28. As regards the effectiveness of the National Foundation for Corporate Social Responsibility (NFCSR) in ensuring that CSR expenditure are spent as per law and in proper manner it was stated that that IICA has established the National Foundation for Corporate Social Responsibility (NFCSR) in April 2012 as a Division in IICA. The Foundation acts as a facilitator and an enabler in taking forward the CSR agenda by providing knowledge support, and by creating a database for the implementing agencies.

With overall mission to help create a national platform for the corporate sector to work in partnership with the Government, Non-Governmental and Civil Society Organizations and local community organizations, NFCSR has the following main objectives :

(a) To provide a strong, independent, neutral and credible platform to corporate sector, Central and State Government, Local Authorities, Civil Society Organizations etc. engaged in CSR good practices to facilitate exchange of ideas and expenses relating to CSR as the key to sustainable business;

(b) To provide research, training, practice, capacity building, standard setting, advocacy, rating, monitoring, recognition and related support in the field of CSR.

(c) To develop strategies that enhances value for all stakeholders and ensure long term benefits to the shareholders and the society at large;

(d) To collaborate and support, directly or indirectly, initiatives of any individual, group, organization or institution in promoting good practices in CSR;

(e) To prepare, print and publish any papers, periodicals or newspapers, books or leaflets as well as to do research in the area of CSR;

(f) To establish a database of credible civil society organizations with whom government organizations, corporate entities as well as donor organizations can work and collaborate; and

(g) To do exploratory and descriptive research and identify possible ways of developing strategies with a focus on CSR initiatives.

VII. Investor Awareness And Protection

29. A large number of Investor Awareness Programmes have been conducted during 2013-14, in partnership with the three Professional Institutes i.e. Institute of Chartered Accountants of India, Institute of Company Secretaries of India and Institute of Cost Accountants in India to educate investors, including young investors, about various investment options. These programmes cover various cities and towns (including Tier II and Tier III towns) across the country. To extend the outreach of these programmes, it was felt that Regional Directors and field offices should be actively involved. Accordingly, funds have been allocated to all seven Regional Directors, who collaborate with Professional Institutes in organizing these programmes. 1985 investor awareness programmes were organized during 2012-13, and 2900 programmes held during 2013-14.

30. The Ministry has tied up with BSNL for sending bulk cautionary short messages to its subscribers, and with Doordarshan to display crawler/tickermessage on DD News, both in English and Hindi, regarding the dangers of investments/ deposit schemes promoted by ponzi companies.

31. The Ministry launched a sub-site on the main website for companies to file details of unpaid and unclaimed amounts of investors lying with them. Till 31.03.2013, 1406 companies had uploaded their data, reporting that a total amount of ₹ 1,101.35 Crore was lying with them as unclaimed. As on 31.03.2014, 2459 companies reported an amount of ₹ 3454.29 Crore, as unclaimed. This website has enabled investors, especially small investors and investors located in remote areas, to search and obtain information. The unclaimed amounts get transferred to the Investor Education and Protection Fund (IEPF), after the expiry of seven years.

32. Investors/depositors have been empowered to lodge their complaints on-line through the MCA 21 system, using the website of the Ministry viz. www.mca.gov.in under "Investor Services". A system of Nodal Officers has been established at the Regional Level, with a Nodal Officer designated in the Ministry. In order to make the investor grievance redressal mechanism more effective and responsive, the Ministry has restructured its complaint module in the MCA21 Portal.

33. The Companies Act, 2013 provides for constituting an authority for administration of the Fund under sub-section (5) if Section 125. Once constituted, the Authrity will also be responsible for promotion of investor awareness and education, refund of unclaimed amounts, distribution of disgorged amounts, re-imbursement of legal expenses under class action suits etc.

34. To a query about type of entities/organizations/investor associations supported by the Ministry under the investor education and protection programme, and the financial support given to them it was stated that Investor Education and Awareness Programmes are being organized in different parts of the country with the objective of sensitizing investors of the dangers of investment in fraudulent schemes so that they can take informed decisions. These programmes are being conducted mainly through three Professional Institutes (PIs) viz. Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI) and Institute of Cost Accountants of

India (ICoAI). The Institutes are provided financial support for conducting these programmes in the following manner:-

Sl.No.	Location	Financial limit per programme ₹ (upper limit)	Desired number of participants
i.	Mumbai, Delhi, Kolkata, Chennai, Bangalore and Hyderabad and satellite towns of these cities	35,000	100 or more
ii.	All other States capitals and District Headquarters (other than NE States)	25,000	100 or more
iii.	NE States (Capital and District HQ)	30,000	100 or more

For increasing the reach of these programmes, the Professional Institute also organize such programmes through Resource Persons (RPs). For suchprogrammes, the following financial assistance is provided to Professional Institutes:-

Sl.No.	Location	Financial limit per programme ₹ (upper limit)	Desired number of participants
i.	Resource Persons (other than NE States)	5,000	50 or more
ii.	Resource Persons (NE States)	7,000	50 or more

In addition and for the first time in 2013, Investor Awareness Programmes were conducted in rural areas through Common Service Centre (CSC) e-Governance Services India Limited under Department of Electronics and Information Technology (DEITY).100 programmes were conducted from February, 2013 to June, 2013.

The Ministry does not extend financial support to any private entity, organization or investor associations for organizing investor awareness programmes. The total financial support in Financial Year 2013-14 provided to the three Professional Institutes and CSC for the purpose was ₹ 1.62 crore.

35. During 2013-14, the Ministry ran media campaigns for creating greater investor awareness through newspapers, radio, television and the social media (Google). The amount spent on these activities in 2013-14 was ₹ 2.75 crore. The Ministry has hosted a separate website www.iepf.gov.in for reaching out to investors regarding unclaimed amounts lying with companies.

36. The allocation for 2013-14 was under two heads (a) Investor Awareness Programmes conducted through Regional Director (₹ 3.26 crore) and (ii) Investor Education and Protection Fund (₹ 1.24 crore). Both these allocations were fully utilized for conducting investor awareness programmes, running media campaigns on newspapers, radio, television and internet etc. For the current year, the Ministry has proposed to allocate ₹ 3 crore for IEPF activities and it has further requested Ministry of Finance for an additional assistance of ₹ 20 crore for funding the activities of IEPF Authority. This allocation is to be spent on investor awareness programmes, print, audio and audio visual media campaigns etc. At present, ₹ 1.01 crore has been spent. It is proposed to continue these activities in the remaining period of the Financial Year 2014-15. A separate proposal for increasing this budgetary grant to ₹ 5.00 crore has also been submitted to Ministry of Finance for RE 2014-15. As per the Companies Act, 2013, an IEPF Authority is required to be set up. In order to conduct its activities a draft Cabinet Note has been prepared for creating nine posts including one post of CEO for the IEPF Authority. It is for this purpose, the Ministry has proposed an additional allocation of ₹ 20.00 crore for the IEPF Authority. The major change in the provisions of this Act is that unpaid amounts, which are credited to IEPF, can now be refunded to investors even after the expiry of 7 years. Since the provision of refund to investors has been made in the Companies Act, 2013, it is expected that claims will be received by the Authority which will need to be processed in a time bound manner. The allocation of ₹ 20.00 crore if provided by the Ministry of Finance would be utilized for refunds to investors, media campaigns and for conducting investor awareness programmes.

RECOMMENDATIONS/OBSERVATIONS

Budgetary Allocation

37. The scrutiny of Demands for Grants of the Ministry of Corporate Affairs reveals chronic underutilization of allotted funds in the Non Plan Outlay over the last few years. The provision of ₹ 210.94 crore at the BE stage (2011-12) remained stagnant at the RE stage but the actual expenditure was ₹ 199.97 crore only. The provision of ₹ 213.50 crore at the BE stage in the year 2012-13 was reduced to ₹ 201.22 crore at the RE stage, while the actual expenditure was to the tune of ₹ 181.52 crore only. Though, the provision of ₹ 221.28 crore at the BE stage in the year 2013-14 was reduced to ₹ 212.36 crore at the RE stage, the actual expenditure turned out to be ₹ 208.83 crore, which was even less than the RE. While the amounts underspent during successive years may appear to be small they are to compared in the context of the total allocation of the Ministry. It is surprising that such persistent and substantial under utilization has been occurring in Non-Plan Outlay, which indicates a basic flaw in the process of budget estimation itself in the Ministry.

38. Under Plan Outlay, the under-utilisation is still worse. The underspending in the meagre Plan funds of the Ministry are of a high magnitude. In the Fiscal 2012-13 out of an allocation of ₹ 32 crore (BE) the sum actually spent was only₹ 24.43 leaving almost 25% allocation unspent. During the next Fiscal i.e. 2013-14 out of an allocation of ₹ 34.00 crore (BE) the actual expenditure was a mere ₹ 21.00 crore leaving ₹ 13.62 crore i.e. almost 40% amount unspent. In the ongoing Fiscal also out of a highly reduced allocation (BE) of ₹ 24 crore the Ministry has been able to spend a paltry amount of ₹ 5.41 crore upto 31 August, 2014 raising apprehension about another round of under utilization. The Committee would therefore expect the Ministry to spruce up their internal mechanism, so that such vide mis-matches or divergence between the BE, RE and the Actual Expenditure do not recur, whether under Plan or Non-Plan head. Needless to emphasize, the Ministry require to seriously review immediately their internal budget-formulation exercise and processes related thereto. It is high time the Ministry of Corporate

Affairs puts its house in order in regard to budget formulation per se, so that recurrent under-utilization of funds is avoided once and for all.

Registrars of Companies (RoC)

39. The Committee note that the cases pending in Registrar of Companies are generally high, with greater pendency being noticed in the States of Bihar and West Bengal. It is also pertinent to mention here that as on 1 April, 2013 the number of Cases pending was 49500. Between 1 April, 2013 and 1 April, 2014 16015 Cases were disposed off/withdrawn. However, during the same period 9231 new cases were also added. Thus there is negligible liquidation of pendency and at this speed the number of pending cases is going to increase at a galloping pace. The Committee are of the opinion that although judicial process takes its own time, nothing prevents the concerned RoC in following up the cases with the judiciary for faster disposal thereof. The Committee are further of the view that under the new disclosure based regime, there would be additional filing pressure in the offices of the RoCs, thereby increasing the compliance-related regulatory action. The Committee recommend that in order to handle this increased work-load, the Ministry should upgrade the capacity of the offices of RoCs by filling up the vacant posts on a priority basis, especially at the Junior Technical Assistant/Senior Technical Assistant level and equipping the office with good IT infrastructure. The Committee desire that the Ministry, on its part, should take steps to develop such systems in RoC offices that promote uniformity and consistency in disposal of applications across different RoCs. Furthermore, there should be periodic review meetings at the apex level to ensure that RoCs function at a far more proactive level. The Committee expect tangible result of such monitoring be conveyed to them within three months of presentation of this Report to the Parliament.

Serious Fraud Investigation Office (SFIO)

40. The Committee observe that SFIO is a multidisciplinary organization working under the Ministry of Corporate Affairs with a mandate to probe serious financial frauds. The Committee note that though SFIO has been given a statutory status under the new Company law regime, the Ministry have failed to equip SFIO

with requisite manpower. The Committee are constrained to note that even after ten years of existence, SFIO is still in the process of conducting pilot studies, be it for Early Warning System/ Fraud Prediction Module or for setting up of cutting edge forensic lab. The Early Warning System has also not generated any investigation so far. The Committee are of the view that it is high time the Ministry come out of their tokenism towards such an important office whose capacity to efficiently unravel modern day corporate frauds remains to be adequately built up. In this regard, the Commiitee find that the allocation of funds made thus far to SFIO has not been translated into fruitful outcomes by way of investigation and prosecution of cases. As the SFIO can take up cases only on reference by the Ministry, the onus lies on the Ministry to keep the SFIO adequately engaged and equipped to investigate cases expeditiously and deliver outcomes with promptitude. If there are delays in finalizing cases, resulting in time-bar during prosecution, the Ministry should hold the concerned officers accountable for the same and fix responsibility thereof.

41. The Committee note that for the past few years manpower position in the Ministry in general and SFIO in particular has not been satisfactory. It is very alarming that SFIO at present is functioning at below 50% of its sanctioned strength, both at Group 'A' and Group 'B' levels, which presents a very grim picture about its functioning as such. The Committee recommend that the Ministry should finalise the inordinately delayed Recruitment Rules of SFIO within three month, so that there is a permanent cadre of officials in SFIO without any further delay. They also desire that a copy of the Recruitment Rules be furnished to them within three months of presentation of this Report to the Parliament.

Competition Commission of India (CCI)

42. The Committee note that in order to be an effective regulator, Competition Commission of India has to be vigilant and active. It should strengthen its market surveillance mechanism so as to identify any market distortionary activities and *suo moto* initiate action against the concerned parties. The Committee are of the view that CCI being a relatively new regulator, the Ministry should ensure that it is not handicapped on account of skilled manpower in disposing of cases of anti-

competitive behaviour, abuse of dominant position and combination of firms, etc. Since Competition Law is still in developing stage in India, the Committee recommend that the Commission, while developing capacities of its own officials, should also create a panel of experts and professionally qualified persons with specialisation in Competition Law, who could be engaged from time to time to supplement the official machinery. The Committee further recommend that CCI while disposing of cases relating to price rigging, abuse of dominance and cartelization may adopt consumer-welfare approach, since consumers are more often than not, at the receiving end of any anti-competitive practice.

<u>Indian Institute of Corporate Affairs (IICA)</u>

43. The Committee note that the IICA is intended to act as think tank for research studies and policy advice to the Government in the field of Corporate and Competition Law, Compliance Management, Corporate Governance, etc.. The Institute has been designed to provide a platform for dialogue, interaction and partnership between Government, corporates, professionals, academicians and other stakeholders of the modern-day business environment. The Committee observe that the lack of experienced faculty at various levels is making it difficult for the Institute to justify its role as a think-tank of the Government. The Committee also observe that financial sustainability of the Institute requires measures to cut costs and raise internal revenue. The Committee recommend the Ministry/Institute to chart out a proper human resource policy, so that all the schools and centres of the Institute are fully functional and the Institute is able to justify the mandate, for which it has been set up. The Committee further recommend that apart from providing research and training support to the parent Ministry and other ministries on corporate law issues, the Institute should develop a robust revenue generation model, while becoming self sustaining by meeting the needs of corporate sector and by developing competence in conduct of independent high quality research. The Committee should be apprised of the action plan of the Ministry/Institute to carry out the suggested roadmap for IICA.

<u>Corporate Social Responsibility (CSR)</u>

44. The Committee note that while corporates having good corporate governance track record have been undertaking some good work under the CSR head, CSR initiatives of the majority of Companies will mature over a period of time. The Committee are of the opinion that if Government initiatives under the Pradhan Mantri Aadarsh Gram Yojana, Swachchta Abhiyan, etc. can be tuned up with the development work under the CSR initiatives of the corporate sector, it would bring a paradigm shift in the development landscape of the country. The Committee recommend that at such an nascent stage of implementation of such an important provision, the CSR cell at the Ministry should play a pro-active role and facilitate the corporates in implementing CSR provisions by providing clarifications and guidance on technical issues and also developing a monitoring mechanism of CSR initiatives of the companies. Further, the Committee recommend that the National Foundation for Corporate Social Responsibility working under the aegis of IICA should play a more active role in identifying specific proposals, which can be taken up by the corporate under the CSR head.

<u>Investor Awareness And Protection</u>

45. The Committee welcome the new initiatives taken by the Ministry for creating investor awareness like display of crawler messages on news channel of Doordarshan, sending SMS through BSNL network, broadcast of investor awareness jingles on news channels and radio channels, utilizing the facility of Google Ad-Word, etc. The Committee note that under the new Company Law administration, an authority is proposed to be set up for administration of the investor education and protection fund, undertaking investor awareness and education, refund of unclaimed amounts, distribution of disgorged amounts, re-imbursement of legal expenses under class action suits, etc. The Committee recommend that the Ministry should expedite the constitution of such an Authority so that there is one umbrella organization responsible for addressing investor grievances in a focussed and time bound manner. The Committee also recommend that apart from notifying the rules at the earliest which shall operationalize the Authority, the Ministry should also prescribe detailed guidelines for the Authority to distribute unpaid and unclaimed dividends lying

with the Ministry, so that small investors, and particularly those located in remote areas are able to get their unclaimed amounts without any hassles. They also desire the Ministry to forcefully pursue the matter of allocation of ₹ 20 crore for the Authority with the Ministry of Finance.

Legislative Developments

46. The Committee observe that the piecemeal implementation of the new Companies Act has created some uncertainty for the industry. In this regard, the Committee are surprised to note that bulk of the Rules, that make the new statute effective, were made public in the last week of March 2014 and companies were expected to comply with them from 1 April, 2014. This only raised the anxiety levels of the various stakeholders who were required to operationalize the new rules immediately. The Committee recommend that major areas of concern in the new law, such as those relating to related party transactions, capital raising, director's liabilities, etc. are addressed by the Ministry on priority basis, so that the New Company Law is able to fulfill its objective of facilitating economic growth with responsible regulation.

New Delhi;
12 December, 2014
21 Agrahayana, 1936 (Saka)

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

Minutes of the Fourth Sitting of the Committee on Finance

The Committee sat on Thursday, the 9th October, 2014 from 1100 hrs. to 1230 hrs. in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Shri Sudip Bandyopadhyay
3. Shri Nishikant Dubey
4. Shri P.C. Gaddigoudar
5. Shri Shyama Charan Gupta
6. Shri Rattan Lal Kataria
7. Shri Bhartruhari Mahtab
8. Shri Rayapati Sambasiva Rao
9. Prof. Saugata Roy
10. Shri Jyotiraditya M. Scindia
11. Shri Gajendra Singh Sekhawat
12. Shri Jayant Sinha

RAJYA SABHA

13. Shri Naresh Gujral
14. Shri A. Navaneethakrishnan
15. Shri Brajesh Pathak
16. Dr. Mahendra Prasad
17. Shri P. Rajeeve
18. Shri C.M. Ramesh
19. Shri Digvijaya Singh
20. Dr. Manmohan Singh

SECRETARIAT

1.	Shri P.C. Koul	-	Director
2.	Shri R.K. Suryanarayanan	-	Additional Director
3	Shri M.L.K. Raja	-	Deputy Secretary

WITNESSES

Ministry of Corporate Affairs

1. Shri Naved Masood, Secretary
2. Shri M.J. Joseph, Additional Secretary

3. Shri Suresh Pal, Joint Secretary
4. Shri Manoj Kumar, Joint Secretary
5. Shri Amardeep Singh Bhatia, Joint Secretary
6. Shri Ajai Das Mehrotra, Joint Secretary
7. Ms. Sujata Prasad, Joint Secretary and Financial Advisor

Indian Institute of Corporate Affairs (IICA)

Shri Bhaskar Chatterjee, DG & CEO

Competition Commission of India (CCI)

Ms. Smita Jhingran, Secretary

Serious Fraud Investigation Office (SFIO)

Shri Nilimesh Baruah, Director

Company Law Board (CLB)

Shri P.K. Malhotra, Secretary

2. At the outset the Chairperson welcomed the Members and witnesses to the Sitting. The Committee, thereafter, took oral evidence of the representatives of the Ministry of Corporate Affairs in connection with the examination of Demands for Grants (2014-15). Apart from the specific queries on physical and financial performance of the Ministry in the context of Fiscal 2013-14 and on the Demands for Grants of 2014-15 the major issues discussed during the Sitting related to status of the implementation of the Companies Act,2013, steps taken for creating investor awareness and protection thereof, manpower crisis in Serious Fraud Investigation Office, steps taken by the Ministry to prevent corporate frauds, monitoring of Corporate Social Responsibility initiatives taken by the industry, review of performance of the Indian Institute of Corporate Affairs and Competition Commission of India, role of Registrar of Companies in ensuring good corporate governance, streamlining the liquidation procedure of the companies, income generation by the Ministry & deployment of funds thereof, etc. The Ministry of Corporate Affairs were asked to furnish written replies to all the points raised by Members within two weeks.

(The witnesses then withdrew)

A verbatim record of proceedings has been kept.

The Committee then adjourned.

Minutes of the Thirteenth Sitting of the Committee on Finance
The Committee sat on Thursday, the 11th December, 2014 from 1500 hrs. to 1630 hrs. in Committee Room 'D', Ground Floor, Parliament House Annexe, New Delhi.

PRESENT

Dr. M. Veerappa Moily – Chairperson

MEMBERS

LOK SABHA

2. Shri Venkatesh Babu T.G.
3. Shri P.C. Gaddigoudar
4. Shri Shyama Charan Gupta
5. Shri Rattan Lal Kataria
6. Shri Bhartruhari Mahtab
7. Shri Gopal Shetty
8. Shri Anil Shirole
9. Dr. Kirit Somaiya

RAJYA SABHA

10. Dr. Mahendra Prasad
11. Shri C.M. Ramesh
12. Shri Ajay Sancheti
13. Dr. Manmohan Singh

SECRETARIAT

1. Shri R.K. Jain	-	Joint Secretary
2. Shri P.C. Koul	-	Director
3. Shri R.K. Suryanarayanan	-	Additional Director
4. Shri Kulmohan Singh Arora	-	Deputy Secretary

WITNESSES

X X X X X X

2. X X X X X X

3. X X X X X X

(The Witnesses then withdrew.)

(The Committee then adjourned for Tea)

(At around 1605 hours the Sitting resumed with the Chairperson in Chair)

4. Thereafter the Committee took up following draft Reports for consideration and adoption: -

(i) Draft Report on Demands for Grants (2014-15) of the Ministry of Finance (Departments of Economic Affairs, Expenditure, Financial Services and Disinvestment);

(ii) Draft Report on Demands for Grants (2014-15) of the Ministry of Finance (Department of Revenue);

(iii) Draft Report on Demands for Grants (2014-15) of the Ministry of Planning;

(iv) Draft Report on Demands for Grants (2014-15) of the Ministry of Corporate Affairs;

(v) Draft Report on Demands for Grants (2014-15) of the Ministry of Statistics and Programme Implementation; and

(vi) Memorandum No. 2 regarding draft Report on Action Taken by the Government on the Observations/Recommendations contained in the Seventy-ninth Report (Fifteenth Lok Sabha) on the Subject 'Policy on New Licences in the Banking Sector'.

5. After some deliberations, the Committee adopted the draft Reports at Sl. Nos. (i), (ii), (iv), (v) and (vi) above without any modification and authorised the Chairperson to finalise them in the light of factual verification from concerned Ministries/Departments.

6. As regards the draft Report at Sl. No. (iii) above some Members pointed out to the Chairperson that due to paucity of time they could not go through it while some others wanted it to be further discussed. The consideration of draft Report at Sl. No. (iii) was accordingly deferred to the next Sitting of the Committee scheduled to be held on 18th instant.

The Committee then adjourned.

A verbatim Record of the proceedings has been kept.