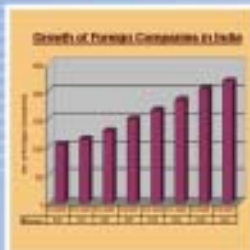
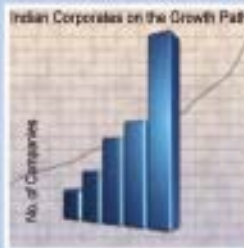


# Annual Report 2007-08



MINISTRY OF CORPORATE AFFAIRS  
GOVERNMENT OF INDIA

# ANNUAL REPORT

2007-08



सत्यमेव जयते

**GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS  
NEW DELHI**



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# CHAPTER – I

## OVERVIEW

### Introduction

**1.1.1** This report covers the period from 1st April, 2007 to 31st December, 2007. The Ministry is concerned with the administration of a wide range of statutes for the regulation of the corporate sector including the Companies Act, 1956 and rules & regulations framed there-under, the Competition Act, 2002, as amended, the Monopolies and Restrictive Trade Practices Act, 1969, the Chartered Accountants Act, 1949, the Cost and Works Accountants Act, 1959, the Company Secretaries Act, 1980 etc. Besides, it exercises supervision over the three professional bodies, namely, Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI) and the Institute of Cost and Works Accountants of India (ICWAI) which are constituted under three separate Acts of the Parliament for proper and orderly growth of professions of Chartered Accountants, Company Secretaries and Cost Accountants respectively in the country. The Ministry also has the responsibility of carrying out the functions of the Central Government relating to the administration of the Partnership Act, 1932, the Companies (Donations to National Funds) Act, 1951 and Societies Registration Act, 1860. Brief description of the various Acts being administered by the Ministry is given in **Chapter V**.

**1.1.2** The Ministry of Company Affairs has been renamed as Ministry of Corporate Affairs vide Notification dated the 9th May, 2007 by the President under clause (3) of Article 77 of the Constitution regarding amendment to the Government of India (Allocation of Business) Rules, 1961.

**1.1.3** Shri.Prem Chand Gupta continues to hold the charge as Cabinet Minister for Ministry of Corporate Affairs.

**1.1.4** Shri.Anurag Goel continues to hold the charge of Secretary, Ministry of Corporate Affairs.

### Comprehensive Revision of the Companies Act, 1956

**1.2** During the period under report, the exercise for a comprehensive revision of the Companies Act, 1956 was continued on the basis of a broad based consultative process following the recommendations of the Expert Committee constituted on 2nd December, 2004 under the Chairmanship of Dr. J.J.Irani, Director, Tata Sons. The Committee submitted its report to the Government on 31st May, 2005. The preparation of new Companies Bill is in its final stages and efforts are being made to introduce the Bill in the Parliament at the earliest.

### Competition Commission of India

**1.3.1** The Competition Act, 2002 was enacted in January, 2003 with the assent of the President of India. The purpose of the Competition Act 2002, as stated in its Preamble, is to establish a Commission:

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

**1.3.2** Some of the provisions of the Act were challenged in Writ Petitions before the Honourable

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Supreme Court of India. Accordingly, the Competition Commission of India, provided for under the Act was not fully constituted, though some advocacy and related functions commenced from 17th October, 2003. Pursuant to the judgement of the Honourable Supreme Court certain amendments to the Act have been carried out, in the form of the Competition (Amendment) Act, 2007. With the passage of Competition (Amendment) Act, 2007 the Commission as well as the Competition Appellate Tribunal envisaged under the Act, as amended, are expected to become operational in the near future.

### **Monopolies and Restrictive Trade Practices Commission & Director General of Investigation & Registration**

**1.4.1** The Monopolies and Restrictive Trade Practices Commission (MRTPC), which is a *quasi-judicial* body, established under Section 5 of the MRTP Act, 1969, discharges functions as per the provisions of the Act. The main function of the MRTP Commission is to enquire into and take appropriate action in respect of unfair trade practices and restrictive trade practices. In regard to monopolistic trade practices, the Commission is empowered under Section 10(b) to enquire into such practices (i) upon a reference made to it by the Central Government or (ii) upon its own knowledge or information and submit its findings to Central Government for further action.

**1.4.2** The Office of the Director General of Investigation & Registration was created in the year 1984 to perform certain statutory functions and duties under the MRTP Act, 1969 for the prohibition of monopolistic, restrictive and unfair trade practices so as to subserve its objective to protect the interests of the consumers in the country. The Act was amended from time to time during the last 38 years and major amendments took place in the years 1984 and 1991. Once the institutional structure comprising the Competition Commission and the Competition Appellate Tribunal is duly constituted, the MRTPC

Act would be repealed and MRTPC wound up within a period of two years thereof, during which it would dispose of the existing cases filed before it and not take on new cases.

### **MCA21 E-Governance Project**

**1.5.1** The Ministry of Corporate Affairs has implemented MCA21 e-Governance Project. It is one of the Mission Mode Projects of the Government of India under the National e-Governance Plan. The project envisages easy and secure online access to all registry related services provided by the MCA, including registration and filling of documents throughout the country for all the corporates and other stakeholders at any time and in a manner that best suits them. The programme is outcome based and focused on improving the quality of services to various stakeholders concerned with the corporate sector in the country.

**1.5.2** The roll out of the Project commenced from ROC, Coimbatore on February 18, 2006 and progressively accomplished in all twenty ROCs by September 04, 2006. Implemented over a record time of 78 weeks, the project has been recognized as a path-breaking initiative of the Government and was conferred the 'IT Path breaker Award 2006' by the Data Quest. In a survey conducted by Ernst & Young of the CEOs and CFOs of leading companies in the country and aired on the CNBC, 92% of the CFOs recognized this initiative as a revolutionary step by the Government in the right direction. As a citizen centric programme, extensive business process re-engineering has been carried out in simplifying the procedures and refinement in the processes to meet the healthy business eco-system that can satisfy the stakeholder aspirations.

### **Special Measures to Protect Interests of Investors**

**1.6.1** Protection of interest of investors is a commitment of the Government in the National

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Common Minimum Programme (NCMP). Highlights of recent initiatives taken by the Ministry in this regard are:

- Investor complaints to be acknowledged within 48 hours and to be attended to on highest priority. Progress to be monitored closely;
- Investor Protection Cells opened and made functional not only at the level of the Ministry but also in the offices of Regional Directors and Registrar of Companies and Nodal Officers appointed with their names & addresses (with contact numbers) placed on website of the Ministry and also published in all leading newspapers;
- On-line Investors Grievances Redressal System introduced and made functional;
- Field officers directed to encourage Non-Government Organisations (NGOs) at the local level to take up investor protection programmes;
- Effective action is being taken against Vanishing Companies by seeking cooperation from the State Governments also. Prosecutions have been filed under the Companies Act, against 109 companies and their promoters/directors for misstatement in prospectus/fraudulently inducing persons to invest money/false statement made in offer documents etc. FIRs have been filed/Registered against 104/100 vanishing Companies and their Promoters/Directors under the Indian Penal Code. Particulars of these Vanishing Companies along with the names and addresses of their Promoters/Directors have been published in various newspapers to facilitate investors to come forward and lodge their complaints against these companies in order to help the Police Authorities in their investigation and prosecution launched against them.

**1.6.2** As a long term initiative, comprehensive review of the existing Companies Act has been taken-up with a view to bring the law in tune with changing business models and national and global economic scenario.

### **Investor Education and Protection Fund**

**1.7.1** Investor Education and Protection Fund (IEPF) has been established under Section 205C of the Companies Act, 1956 by way of Companies (Amendment) Act, 1999 for promotion of investors' awareness and protection of the interests of investors.

**1.7.2** Under IEPF, various programmes on investor education and awareness have been funded and organized through Voluntary associations or organisations registered under IEPF. Twenty new associations/organizations have been registered under IEPF during the period from 01.04.2007 to 31.12.2007 and thereby the total number of such organizations registered under IEPF is 65.

**1.7.3** During the period from 01.04.2007 to 31.12.2007, the Ministry launched awareness/education campaigns including through Electronic as well as Print Media:-

- i) Advertisements on investor education were issued in national as well as regional language newspapers. Through these advertisements, efforts have been made to make investors aware about 'Websites sponsored under IEPF', 'Investor Awareness Month', 'Slogan-writing' contest, investing in IPOs etc.
- ii) Investor Education message was aired on All India Radio through Prasar Bharati to create awareness on the issues concerning investors and about the IEPF.
- iii) 'September 2007' was observed as Investor Awareness Month and 61 investor awareness programmes were conducted all over the country in collaboration with the Institute of



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Chartered Accountants of India and the Institute of Company Secretaries of India.

- iv) An "Investor Helpline" [www.investorhelpline.in](http://www.investorhelpline.in) project was sponsored under IEPF and launched. The project is managed by Midas Touch Investors Association and is functioning successfully. It provides a mechanism for redressal of grievances and for creating awareness among investors.
- v) A website, namely [www.watchoutinvestors.com](http://www.watchoutinvestors.com) created earlier to help the investors to protect themselves from unscrupulous promoters, companies and entities is functioning successfully. The website is a national registry of economic defaulters and covers information on indictment/convictions of various entities and individuals by various regulatory bodies.
- vi) An independent website of Investor Education and Protection Fund (IEPF) namely, [www.iepf.gov.in](http://www.iepf.gov.in) has been launched. This website provides platform to promote awareness on the issues concerning investors and about IEPF.

### **National Foundation for Corporate Governance**

**1.8.1** Ministry of Corporate Affairs has set up National Foundation for Corporate Governance (NFCG) as a not-for-profit Trust to provide a platform to deliberate issues relating to good corporate governance and to sensitize corporate leaders on the importance of good corporate governance practices to facilitate exchange of experiences and ideas between corporate leaders, policy makers, regulators, law enforcing agencies and non-government organizations.

**1.8.2** The NFCG has a three-tier structure for its management, viz, the Governing Council under the Chairmanship of Minister of Corporate Affairs, the Board of Trustees and the Executive Directorate.

**1.8.3** A website of NFCG had been launched to serve as a vehicle for dissemination of policies for better corporate governance. NFCG had framed an Action Plan, which includes development of good corporate governance principles on identified themes i.e. (i) corporate governance norms for Institutional Investors, (ii) corporate governance norms for independent directors, and (iii) corporate governance norms for Audit. Three core groups were constituted in this behalf. Besides, the NFCG sponsored orientation programmes for Directors through Institutes of Excellence, organized seminars and conferences to advocate the need for following good corporate governance practices. Ministry of Corporate Affairs, in association with the Organisation for Economic Cooperation and Development (OECD), had organized an International Conference focusing on the theme "2006 Policy Dialogue on Corporate Governance in India" on 16<sup>th</sup> & 17<sup>th</sup> February 2006. The focus areas in the work plan for the financial year 2007-08 are :-

- (a) Encouraging and conducting research.
- (b) Creating awareness on the importance of good Corporate Governance practices.
- (c) To give financial grants for suitable proposals of National Centres for Corporate Governance and identify & accredit reputed institutes to spread the message of Corporate Governance. To review the performance of accredited institutes.
- (d) Cultivating International Linkages by Exchanging best practices.

**1.8.4** Future Plans of NFCG include taking up the issue of adopting a country strategy on corporate governance, encourage corporate governance cooperation in South Asia particularly relating to SAARC countries, dissemination of corporate governance practices for the small and medium corporate.

## Serious Fraud Investigation Office (SFIO)

**1.9.1** Serious Fraud Investigation Office (SFIO) has been set up by the Government of India in the Ministry of Corporate Affairs by way of a resolution dated 02/07/2003. This office was set up to investigate corporate frauds of serious and complex nature.

**1.9.2** During the current year, 14 cases were entrusted to officers drawn from the SFIO for investigation u/s 235/237 of the Companies Act, 1956. So far, in all, 48 cases have been referred to officers drawn from the SFIO for investigation. The inspectors have already submitted investigation reports in the following 30 cases till 31.12.2007.

S. No.	Name of Company
1.	Daewoo Motors India Ltd.
2.	Vatsa Corporation Ltd.
3.	Bonanza Biotech Ltd.
4.	Design Auto Systems Ltd.
5.	Mardia Chemicals Ltd.
6.	Kolar Biotech Ltd
7.	Soundcraft Industries Ltd
8.	Adam Comsof Ltd.
9.	DSQ Software Ltd
10.	Malvika Steel Ltd

S.No.	Name of Company
11.	Usha India Ltd
12.	Koshika Telecom Ltd
13.	Luminant Investrade Pvt. Ltd.
14.	Goldfish Computers Pvt. Ltd.
15.	Panther Fincap and Management Services Ltd.
16.	Saimangal Investrade Ltd.
17.	Nakshatra Software Pvt. Ltd.
18.	N H Securities Ltd
19.	Pather Investrade Ltd
20.	Classic Credit Ltd
21.	Triumph Securities Pvt. Ltd.
22.	Manmandir Estate Development Pvt Ltd.
23.	Triumph International Finance India Ltd
24.	V N Parekh Securities Pvt Ltd
25.	Panther Industrial Products Ltd.
26.	Classic Shares and Stock Broking Services Ltd
27.	Chitrakoot Computers Pvt. Ltd.
28.	K N P Securities Pvt. Ltd
29.	Morepen Lab. Ltd
30.	Shonk Tech. Ltd

**1.9.3** Till 31.12.2007, 737 cases of prosecution have already been filed in the different Courts against the persons involved in fraudulent activities in the following companies.

S.No.	Name of Company	Total cases filed	Financial years in which complaint was filed
1.	Daewoo Motors India Ltd.	23	2005-06
2.	Design Auto Systems Ltd.	13	2005-06
3.	Bonanza Biotech Ltd	17	2005-06
4.	Vatsa Corporation Ltd.	114	2005-06
5.	Mardia Chemicals Ltd.	23	2005-06
6.	Soundcraft Industries Ltd.	44	2006-07
7.	Kolar Biotech Ltd.	28	2006-07

S.No.	Name of Company	Total cases filed	Financial years in which complaint was filed
8.	Adam Comsof Ltd	25	2006-07
9.	DSQ Software Ltd.	25	2006-07
10.	Usha India Ltd	35	2007-08
11.	Malvika Steels Ltd	27	2007-08
12.	Koshika Telecom Ltd	50	2006-07
13.	Chitrakoot Computers	15	2007-08
14.	Classic Credit Ltd	17	2007-08
15.	Classic Shares & Stock Broking Services Ltd	36	2007-08
16.	Goldifsh Computer P Ltd	29	2007-08
17.	KNP Securities Pvt Ltd	15	2007-08
18.	Luminant Investrade P Ltd	17	2007-08
19.	Manmandir Estate Dev.	02	2007-08
20.	N H Securities Ltd	26	2007-08
21.	Panther Fincap and Management Services Ltd	24	2007-08
22.	Panther Industrial Products Ltd.	24	2007-08
23.	Panther Investrade Ltd	14	2007-08
24.	Saimangal Investrade Ltd	18	2007-08
25.	Triumph International Finance India Ltd	12	2007-08
26.	V N Parekh Securities Pvt Ltd	13	2007-08
27.	Triumph Securities P Ltd	22	2007-08
28.	Nakshatra Software Pvt Ltd.	17	2007-08
29.	Morepen Laboratories Ltd.	12	2007-08
	<b>Total</b>	<b>737</b>	

## Accounting Standards

**1.10.1** The paradigm shift in the economic environment in India during last few years has led to increased attention being devoted to accounting standards as a means towards ensuring potent and transparent financial reporting by corporates. Further, increase in the volume of capital raised cross-border

has also generated considerable interest in common internationally accepted accounting principles. Initiatives taken by International Organisation Securities Commission (IOSCO) towards propagating International Accounting Standards (IASs)/ International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards

Board (IASB), as a uniform language of business to protect the interests of international investors have brought into focus the need for development of Accounting Standards.

**1.10.2** In India, Accounting Standards (ASs) are notified by the Central Government in exercise of powers under section 211(3C) of the Companies Act, 1956. The Central Government notifies ASs after obtaining the recommendations of the National Advisory Committee on Accounting Standards (NACAS) constituted under section 210 A of the Companies Act, 1956.

**1.10.3** With effect from December 7, 2006, 28 Accounting Standards, i.e., AS 1 to 7 and AS 9 to 29, have been notified by the Central Government under the Companies Act, 1956 on the recommendation of National Advisory Committee on Accounting Standards (NACAS).

**1.10.4** Prior to this, from 1977, the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India used to issue Standards of Accounting for Members of the profession of Chartered Accountancy to follow.

**1.10.5** The Accounting Standards are notified by the Government keeping in view international developments wherein International Accounting Standards/ International Financial Reporting Standards (IASs/IFRSs) are issued by the International Accounting Standards Board (IASB). The approach adopted is that of convergence with international norms laid down by IASs/IFRSs

### **National Advisory Committee on Accounting Standards**

**1.10.6** In 1999, the provisions (section 210A) for setting up a National Advisory Committee on Accounting Standards (NACAS) were inserted in the Companies Act, 1956 through Companies (Amendment) Act, 1999. NACAS was set up to advise the Central Government on the formulation

and laying down of accounting policies and accounting standards for adoption by companies or class of companies under the Companies Act, 1956. This body is presently chaired by Shri Y.H.Malegam, renowned Chartered Accountant. The other members of this Committee are representatives from: (a) Central Government (in the Ministry of Corporate Affairs); (b) Central Board of Direct Taxes (CBDT); (c) Comptroller and Auditor General of India (C&AG); (d) Reserve Bank of India (RBI); (e) Securities and Exchange Board of India (SEBI); (f) Institute of Chartered Accountants of India (ICAI); (g) Institute of Cost and Works Accountants of India (ICWAI); (h) Institute of Company Secretaries of India (ICSI); (i) Chambers of Commerce (Two representatives); and (j) A person with background in accountancy, finance or business management from a recognized academic Institution.

**1.10.7** The NACAS examines recommendations made by ICAI regarding accounting standards in the light of the international practices and their relevance in Indian context before making recommendations to the Central Government for prescribing them under the Companies Act, 1956.

### **Present status of Accounting Standards in India**

**1.10.8** So far, 29 Indian Accounting Standards on the following subjects have been issued:

AS 1	Disclosure of Accounting Policies
AS 2	Valuation of Inventories
AS 3	Cash Flow Statements
AS 4	Contingencies and Events Occurring after the Balance Sheet Date
AS 5	Net Profit/Loss for the Period, Prior Period Items and Changes in Accounting Policies
AS 6	Depreciation Accounting
AS 7	Construction Contracts

AS 8	Accounting for Research and Development (Withdrawn pursuant to AS 26 becoming mandatory)
AS 9	Revenue Recognition
AS 10	Accounting for Fixed Assets
AS 11	The Effects of Changes in Foreign Exchange Rates
AS 12	Accounting for Government Grants
AS 13	Accounting for Investments
AS 14	Accounting for Amalgamations
AS 15	Employee Benefits
AS 16	Borrowing Costs
AS 17	Segment Reporting
AS 18	Related Party Disclosures
AS 19	Leases
AS 20	Earnings Per Share
AS 21	Consolidated Financial Statements
AS 22	Accounting for Taxes on Income
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements
AS 24	Discontinuing Operations
AS 25	Interim Financial Reporting
AS 26	Intangible Assets
AS 27	Financial Reporting of Interests in Joint Ventures
AS 28	Impairment of Assets
AS 29	Provisions, Contingent Liabilities and Contingent Assets

### Limited Liability Partnership Bill

**1.11** The Limited Liability Partnership (LLP) Bill was introduced in the Rajya Sabha on 15.12.2006. It was referred to the Parliamentary Standing Committee on Finance for examination. The report of the Standing Committee was laid on the Table of the Rajya Sabha on 27.11.2007. Recommendations of the Committee are being examined and further action is being taken for introduction and passage of the Bill in the ensuing session of the Parliament.

### Notifications/Circulars/Press Notes

#### 1.12.1 Notifications issued in respect of companies licensed under section 25 of the Companies Act, 1956 –

(i) Pursuant to implementation of MCA-21 (e-Governance programme), Role check in respect of all companies (except section 25 companies) has been implanted w.e.f. 01<sup>st</sup> July 2007. At the time of uploading the e-form on MCA portal, Role Check verifies whether the Digital Signature (DSC) affixed on the e-form belongs to the Director, Manager or Secretary as given in the Form DIN 3 or form 32 filed by the company and whether the DSC is registered on the MCA portal. The e-form will not be uploaded if the Role Check validation fails. In order to bring transparency in the Particulars of Directors and changes among them and to stop unauthorized filing of documents in respect of section 25 companies, exemption granted from filing a return on Form 32 with the Registrar under section 303(2) of the Companies Act, 1956 in connection with appointment and/or change among Directors, Managing Directors, Managers or Secretaries has been withdrawn and made effective with effect from 31-12-2007.

(ii) The Central Government vide Notification SO 3879 dated 22-12-1962 had

prescribed a fee of Rupees fifty only for the registration of a company licensed under section 25 of the Act. Over a period of time, cost of the service provided by this Ministry has increased manifold. In view of this, the said notification has been rescinded with effect from 31-12-2007.

**1.12.2** Pursuant to the provisions of the Micro, Small and Medium Enterprises Development Act, 2006, the Ministry has amended Scheduled-VI of the

Companies Act, 1956 vide GSR-719(E) dated 16.11.2007 to enable the companies registered under the Act to disclose various items in the financial statement relating to Micro, Small and Medium Enterprises.

**1.12.3** Consequent to the introduction of MCA-21, e-Governance project, the Registry related services are available to the stakeholders on a 24x7x365 time-frame. In order to give effect to the programme and speedy disposal of the request relating to formation of company, the Ministry has amended Rule 4A of the Companies (Central Government's) General Rules Forms, 1956 vide GSR-720 (E) dated 16.11.2007.

**1.12.4** The Companies (issue of Indian Depository Receipts) Rules, 2004 (IDR Rules) in the year, 2004 which allowed an issue of Indian Depository Receipts (IDRs) by foreign companies has been amended vide Notification No. GSR-480 (E) dated 11.7.2007. The salient features are as under:-

- (i) Networth and market capitalization ceiling have been made as the eligibility conditions for IDR issues instead of earlier networth and turnover based ceiling
- (ii) A new eligibility condition requiring the issuer to have a continuous trading record of history on a stock exchange in its parent country for at least three immediately preceding years has been introduced.

- (iii) Conditions in respect of profitability of the issuer have been modified. The new condition provides that issuer should have a track record of distributable profits in issue of section 205 of the Companies Act, 1956 for at least three out of immediately preceding five years.
- (iv) The earlier requirement of declaration of a minimum rate of dividend for last five years and a minimum 2:1 debt equity ratio have been omitted.
- (v) The procedure in respect of approval by SEBI on IDR Applications has been restructured and made time bound.
- (vi) The condition in respect of limit upto which IDRs may be offered by an Issuer has been modified and made more realistic.
- (vii) The requirement in respect of continuous disclosure has been modified.
- (viii) The information in respect of listing, trading record or history of the issuing Company on all the stock exchanges, whether situated in its present country or elsewhere would also be required to be disclosed by the issuer in its Offer document.

**1.12.5** The following Notifications/Circulars/Press Notes have been issued by the Ministry of Corporate Affairs during the period April, 2007 to December, 2007: -

## A. Notifications

Sl.No.	Notification No.	Date	Subject
1.	GSR-272 (E)	5.4.2007	Notification regarding restriction on appointment of Sole Selling agents for certain category of goods under section 294AA of the Companies Act, 1956.
2.	S.O.-636 (E)	24.4.2007	Amendment to the Notification No. S.O.-339(E) dated 20.3.2007 in respect of Constitution of National Advisory Committee on Accounting Standards (NACAS).

Sl.No.	Notification No.	Date	Subject
3.	GSR-399 (E)	30.5.2007	Notification of the Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2007.
4.	GSR-448 (E)	28.6.2007	Constitution of Quality Review Board under the Chartered Accountants Act, 1949.
5.	GSR-480 (E)	11.7.2007	Review and Amendment of Companies ( Issue of Indian Depository Receipts) Rules,2004.
6.	GSR-489 (E)	13.7.2007	Constitution of Tribunal under the Company Secretaries (Election Tribunal) Rules,2006.
7.	GSR-490 (E)	13.7.2007	Constitution of Quality Review Board under the Company Secretaries Act, 1980.
8.	GSR-500 (E)	24.7.2007	Notification of the Companies (Central Government's) General Rules and Forms (Second Amendment) Rules, 2007.
9.	S.O.-1291(E)	30.7.2007	Appointment of the Registrar of Companies, Tamil Nadu as the Registrar of Companies of Union Territory of Andman and Nicobar Islands.
10.	S.O-1583 (E)	20.9.2007	Declaration of two more companies as Public Financial Institution under section 4A of the Companies Act, 1956.
11.	GSR-611 (E)	20.9.2007	Declaration of Forty two more companies as Nidhi Companies under Section 620A of the Companies, Act, 1956.
12.	S.O.-1693(E)	3.10.2007	Notification of the Constitution of Quality Review Board under the Cost & Works Accountants Act,1959.
13.	S.O.-1745(E)	12.10.2007	Amendment to the Notification No. S.O.-339(E) dated 9.3.2007.
14.	S.O.-1746(E)	12.10.2007	Notification of Section-1 of the Competition (Amendment) Act, 2007
15.	S.O.-1747(E)	12.10.2007	Notification of various section of the Competition Amendment Act, 2007
16.	GSR-719 (E)	16.11.2007	Pursuant to the provisions of the Micro Small and Medium Enterprises Development Act, 2006, Schedule-VI of the Companies Act 1956 amended.
17.	GSR-720 (E)	16.11.2007	Rule 4A of the Companies (Central Government's) General Rules e-Form, 1956 amended.
18.	S.O-2007 (E)	29.11.2007	Declaration of a company as public Financial Institutions under section 4A of the Companies Act, 1956.

Sl.No.	Notification No.	Date	Subject
19.	S.O.-2104(E)	5.12.2007	Constitution of Tribunal under the Cost and Works Accountants ( Election Tribunal ) Rules, 2006
20.	S.O.-2167(E)	20.12.2007	Notification of the Sub-section (2) of section 1 of the Competition (Amendment) Act, 2007.
21.	S.O.-2218(E)	28.12.2007	Rescinding No. S.O.-3879 (E) dated 22.12.1962 in respect of Companies Licensed under Section 25 of the Companies Act, 1956.
22.	S.O.-2219(E)	28.12.2007	Amendment to Notification No. S.O.-1578 (E) dated 1.7.1961 in respect of Companies Licensed under Section 25 of the Companies Act, 1956.

### B. General Circulars

Sl.No.	Circular No.	Date	Subject
1.	05/2007	11.4.2007	Notification regarding restriction on appointment of Sole Selling agents for certain category of goods under section 294AA of the Companies Act, 1956.
2.	06/2007	1.6.2007	Amendment to the Notification No. S.O.-339(E) dated 0.3.2007 in respect of Constitution of National Advisory Committee on Accounting Standards (NACAS).
3.	07/2007	6.6.2007	Notification of the Companies (Central Government's) General Rules and Forms (Amendment) Rules, 2007.
4.	08/2007	3.7.2007	Constitution of Quality Review Board under the Chartered Accountants Act, 1949.
5.	09/2007	19.7.2007	Review and Amendment of Companies (Issue of Indian Depository Receipts) Rules, 2004.
6.	10/2007	24.7.2007	Constitution of Tribunal under the Company Secretaries (Election Tribunal) Rules, 2006.
			Constitution of Quality Review Board under the Company Secretaries Act, 1980.
7.	11/2007	3.8.2007	Notification of the Companies (Central Government's) General Rules and Forms (Second Amendment) Rules, 2007.
			Appointment of the Registrar of Companies, Tamil Nadu as the Registrar of Companies of Union Territory of Andman and Nicobar Island.



Sl.No.	Notification No.	Date	Subject
8.	12/2007	26.9.2007	Declaration of two more companies as Public Financial Institution under section 4A of the Companies Act, 1956.
			Declaration of Forty two more companies as Nidhi Companies under Section 620A of the Companies, Act, 1956.
9.	13/2007	27.9.2007	Order of the Company Law Board under Section 141 of the Companies Act, 1956 regarding extension of time for filing documents by companies and levy of additional fee.
10.	14/2007	24.10.2007	Notification of the Constitution of Quality Review Board under the Cost & Works Accountants Act, 1959.
			Amendment to the Notification No. S.O.-339(E) dated 9.3.2007.
			Notification of Section-1 of the Competition (Amendment) Act, 2007
			Notification of various section of the Competition Amendment Act, 2007
11	15/2007	30.11.2007	Pursuant to the provisions of the Micro Small and Medium Enterprises Development Act, 2006, Schedule-VI of the Companies Act 1956 amended .
			Rule 4A of the Companies (Central Government's) General Rules e-Form, 1956 amended.
12.	16/2007	27.12.2007	Declaration of a company as public Financial Institutions under section 4A of the Companies Act, 1956.
			Constitution of Tribunal under the Cost and Works Accountants ( Election Tribunal ) Rules, 2006
13.	17/2007	31.12.2007	Notification of the Sub-section (2) of section 1 of the Competition (Amendment) Act, 2007

### C. Press Notes

1	02/2007	17.7.2007	Review and amendment to companies (Issue of Indian Depository Receipts) Rules, 2004.
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### Ministry's Web Site

1.13.1 Ministry's web site (<http://www.mca.gov.in>) has been operational in place of the earlier web site ([www.dca.nic.in](http://www.dca.nic.in)). It contains useful information on

organisation of the Ministry, publications, circulars, notifications, citizen's charter, annual report, monthly corporate growth, parliament questions and replies and reports submitted by various committees set up

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by the Ministry. The new website also provides all the e-services under the MCA-21 project discussed in para 1.5.1.

**1.13.2** Pursuing its endeavor to promote dissemination of corporate information available with the offices of ROCs, search facilities have been made available in respect of the following:

- (i) Company directory
- (ii) Names approved for registration
- (iii) ROC fee computation
- (iv) ROC forms

### **Citizen's Charter of the Ministry**

**1.14** The Citizen's Charter of the Ministry of Corporate Affairs is available on Ministry's website. The commitments, expectations and standards stated in the Charter are given below:

## **CITIZEN'S CHARTER**

### **"OUR COMMITMENT**

**WE SHALL CARRY OUT OUR TASKS WITH**  
integrity and judiciousness  
courtesy and understanding,  
objectivity and transparency  
promptness and efficiency

## **OUR EXPECTATIONS**

We expect the corporate sector to be prompt and reasonable in fulfilling their duties and legal obligations and be true and honest in furnishing information to us.

## **OUR STANDARDS**

### **WE SHALL**

- Acknowledge applications, returns and all communications within 7 days of their receipt.
- Resolve expeditiously complaints regarding delay in issue of allotment letters & share/debenture certificates, refund of application money, delay in transfer of shares & non payment of dividends/interest on shares/debentures/fixed deposits etc. in close co-ordination with agencies.
- Ensure that all applications submitted to the Ministry of Corporate Affairs, Regional Directors and Registrar of Companies, are processed within the time frame.
- Be courteous, prompt, effective & provide time bound services.

All services shall be provided without charge or demanding any money other than remuneration prescribed by law."

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## CHAPTER - II

# ORGANISATIONAL SET UP AND FUNCTIONS

### Organisational Set-up

**2.1.1** The Ministry has a three-tier organisational set-up, namely, the Secretariat at New Delhi, the Regional Directorates at Mumbai, Kolkata, Chennai and Noida and the office of Registrar of Companies in States and Union Territories, and Official Liquidators attached to the High Courts functioning in the country. The organisation at the Headquarters also includes two Directors of Inspection and Investigation with a complement of staff, an Economic Adviser for Research and Statistics and other officials providing expertise on legal, accounting, economic and statistical matters. The list of names and telephone numbers of the Minister's office and officials of the Ministry is given at **Annexure-I** .

**2.1.2** The four Regional Directors, who are in-charge of the respective regions, comprising a number of States and Union Territories, inter-alia, administratively supervise the working of the Offices of Registrar of Companies and the Official Liquidators working in their regions. They also maintain liaison with the respective State Governments and the Central Government in matters relating to the administration of the Companies Act, 1956. Certain powers of the Central Government under the Companies Act, 1956 have been delegated to the Regional Directors to be exercised by them within their respective regions. They have also been declared as Heads of the Department and have accordingly been entrusted with appropriate administrative and financial powers. An Inspection Unit is also attached to the office of every Regional Director for carrying out inspection of the books of

accounts of companies under section 209A of the Companies Act.

**2.1.3** Registrar of Companies appointed under Section 609 of the Companies Act, covering various States and Union Territories, are vested with the primary duty of registering companies floated in the respective States and the Union Territories and ensuring that such companies comply with the statutory requirements under the Act. Their offices function as registry of records relating to the companies registered with them.

**2.1.4** The list of Regional Directors and Registrar of Companies, along with their addresses, is given at **Annexure-II**. The organisational chart of the Ministry is given in **Annexure –III**, and the major functionaries in **Annexure IV**.

**2.1.5** The Official Liquidators are officers appointed by the Central Government under Section 448 of the Companies Act and are attached to various High Courts. The Official Liquidators are under the administrative charge of the respective Regional Directors who supervise their functioning on behalf of the Central Government. In winding up of the affairs of the companies, however, Official Liquidators act under the directions of the High Courts.

### Company Law Board

**2.2** The Central Government constituted an independent Company Law Board vide Notification No. 364 dated the 31st May, 1991. The Board is a quasi-judicial body which exercises some of the judicial and quasi-judicial powers which were earlier being exercised by the High Court or the Central

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Government. The Board is not subject to the control of the Central Government and has the powers to regulate its own procedures and act in its own discretion. The Board has its Principal Bench at New Delhi, an Additional Principal Bench for southern States at Chennai and four Regional Benches at Delhi, Mumbai, Kolkata and Chennai.

### **The Monopolies and Restrictive Trade Practices Commission**

**2.3** The Monopolies and Restrictive Trade Practices Commission (MRTPC), which is a quasi-judicial body, is an attached statutory office of the Ministry. The MRTP Commission established under Section 5 of the Monopolies and Restrictive Trade Practices Act, 1969, discharges functions as per the provisions of the Act. The main function of the MRTP Commission is to enquire into and take appropriate action in respect of unfair trade practices and restrictive trade practices. In regard to monopolistic trade practices, the Commission is empowered under Section 10(b) to enquire into such practices (i) upon a reference made to it by the Central Government or (ii) upon its own knowledge or information and submit its findings to Central Government for further action.

### **Director General of Investigation and Registration**

**2.4.1** The Office of the Director General of Investigation & Registration was created in the year 1984 to perform certain statutory functions and duties under the MRTP Act, 1969 for the prohibition of monopolistic, restrictive and unfair trade practices so as to subserve its objective to protect the interests of the consumers in the country. The Act was amended from time to time during the last 38 years and major amendments took place in the years 1984 and 1991. The Government of India has now enacted the "The Competition Act, 2002" to replace the existing MRTP Act, 1969. The new Act has been amended by the "The Competition (Amendment) Act, 2007" in line with the directions of the Supreme Court of India given in

its judgement dated 20.1.2007. However, the said Act is yet to be notified. Till date the provisions of the MRTP Act, 1969 are, thus, in vogue and this office continues to discharge its statutory functions and duties as prescribed under the Act.

### **2.4.2 Functions of the Director General of Investigation & Registration :-**

#### **Investigation :**

- (a) To conduct preliminary investigation under Section 11 and 36C of the Act and submit Preliminary Investigation Reports for consideration of the M.R.T.P. Commission.
- (b) To conduct suo-moto preliminary investigations into restrictive, monopolistic and unfair trade practices and file applications before the Commission under 10(a)(iii), 10(b) and 36B(c), where deemed fit, on the basis of such investigations;
- (c) To study, investigate and report or furnish as per directions of the Commission, information in respect of any trade practice(s) as may constitute or contribute to monopolistic, restrictive or unfair trade practices.

#### **Registration :**

- (a) To receive agreements under Section 35 relating to restrictive trade practices falling under Section 33(1) of the Act;
- (b) To keep a Register of Agreements in the prescribed form and enter therein particulars of Agreements subject to registration [Section 36(1)];
- (c) To maintain a Special Section of the Register for entering therein particulars as per the directions of the MRTP Commission [Section 36(2) & (3)];
- (d) To initiate action for prosecution under Section 48 for non-compliance of the provisions of

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Section 35 relating to registration of agreements containing terms and conditions relating to restrictive trade practices;

- (e) To afford inspection of the Register of Agreements to the public and to furnish a copy of extracts, duly certified [Section 65];
- (f) To call for further information, where necessary, from parties to agreements which are subject to registration [Section 42];
- (g) To file applications under Section 10(a)(iii) before the MRTP Commission for enquiry into the restrictive trade practices arising out of agreements containing clauses relating to restrictive trade practices or on the basis of other information that comes to the knowledge of the Director General (I&R);
- (h) To record every order passed by the Commission in respect of restrictive or unfair trade practices, as the case may be, in the prescribed manner [Section 19].

### **Consumer Protection :**

- (a) To receive complaints against restrictive, unfair and monopolistic trade practices from consumer associations, individuals etc. and to take necessary action thereon for redressal of the grievances;
- (b) To educate the consumer associations and other bodies connected with consumer protection about the provisions of the MRTP Act vis-à-vis consumer protection against restrictive, monopolistic and unfair trade practices.

### **Prosecution of Enquiries :**

- (a) To conduct all proceedings in enquiries against monopolistic, restrictive and unfair trade practices before the MRTP Commission as custodian of public interest;

- (b) To institute and contest all appeals filed under Section 55 of the Act in Supreme court against the orders of the Commission;
- (c) To contest writ petitions filed before various High courts in the country and to defend the Commission's orders to safeguard public interest against restrictive, monopolistic and unfair trade practices.

### **Competition Commission of India**

**2.5.1** The Competition Commission of India is presently engaged in following activities linked to competition advocacy and administrative measures relating to the operationalisation of the Competition Commission of India. The Competition Commission of India is also in the process of preparing various draft regulations required to be formulated under the Act through a consultative process. Recruiting professionals and support staff is one of the key areas identified by the Commission to enable it to effectively discharge its statutory functions.

#### **a) Regulations**

The Act authorizes the Commission to make regulations to carry out the purposes of the Act. The preparation of draft regulations for the consideration and adoption of the Commission once it is fully constituted has been taken in hand. The following draft Regulations have been prepared by the Commission and placed on their website for wide consultation and stakeholders' comments: -

- (i) General Regulations (Amendments)
- (ii) Combinations Regulations
- (iii) Leniency Regulations
- (iv) Meetings Regulations

#### **b) Internal Reference Material**

The Commission has undertaken preparation of 'Internal Reference Material' on the enforcement provisions of the Act as an aid to the Commission

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and staff in inquiry and investigation into these cases. Internal Reference Material on Anti-Competitive Agreements, including Cartels has been prepared and material on combinations is under preparation.

**c) Internal Training Programme for staff**

The Commission has established a structured Internal Training Programme for its staff consisting of eleven sessions of three hours each. Training was conducted w.e.f. 14 September, 2007 to 30 November, 2007 on weekly basis. Total participants in this internal training programme were 34, including 7 officers of Ministry of Corporate Affairs.

**d) Investigation Manual**

The Investigation Manual has been drafted in-house. This is for the assistance of the officers of the DG's office in conducting investigation and is expected to provide step-by-step guidance. In this regard, a one day Workshop was also held to discuss essential elements in economic investigation with various investigating agencies/organizations in India like CBI, SFIO, DRI, DGCEI & DGIT.

**e) Competition Forum**

The Forum serves as a vehicle for capacity building of the Commission's staff and works as a platform for debate on, and analysis of, competition related concepts. Eminent experts, both national and international, are invited to talk and discuss on competition issues. 47 sessions of the Competition Forum have been held so far. Details of the Forum are available on the Commission's website.

**f) Working Group on Competition Policy for 11<sup>th</sup> Five Year Plan (2007- 2012)**

The Planning Commission set up a Working Group on Competition Policy under the chairmanship of Mr. Vinod Dhall, Member and acting Chairman. The Working Group presented its report to the Planning Commission in February, 2007.

**Competition Advocacy**

**2.5.2** The Commission has been engaged in undertaking Competition Advocacy with various central ministries, regulators, state governments and other authorities. As a part of its advocacy function, the Commission has given its views on some proposals for legislation and regulatory policies and practices of sectoral regulators, where these impact competition in the markets. During this period the Commission has communicated its comments *inter alia* on the draft Indian Post Office (Amendment) Bill, 2007, the Warehousing (Development and Regulation) Bill, 2006, the Shipping Trade Practices Bill, 2007 and the Petroleum and Natural Gas Regulatory Bill, 2005.

**2.5.3** CCI also made presentations on competition matters to a number of policy makers, experts and other stakeholders and organisations.

**2.5.4** The Commission has also undertaken Competition Advocacy with the State Governments. At its suggestion, all State Governments have nominated Nodal Departments/Nodal Officers for Competition Law & Policy. Two workshops with the Nodal Officers have been held where the consensus emerged to recommend to the State Governments to review their policies/laws in certain sectors. Five states namely Haryana, Himanchal Pradesh, Andhra Pradesh, Jharkhand and West Bengal have set up their Advisory Council on Competition Law.

**2.5.5** An Advisory Committee on Market Studies/ Research Projects, under the Chairmanship of Dr. Vijay L. Kelkar, was also constituted to advise and guide the Commission in defining the scope/ parameters of the market studies/research projects and identifying and selecting suitable research institute/researcher. These studies help the Commission to gain insight into the structure of various sectors of the market and the business practices prevailing therein, and also as a tool for

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capacity building in the area of competition law and policy for researchers.

**2.5.6** After number of deliberations, the following areas were evolved and identified by the Advisory Committee as priority areas for research related to competition issues in different sectors such as infrastructure, accounting concepts, intellectual property rights (IPR), impact of fiscal policy on competition, barriers to trade, anti-dumping, public sector, health sector, procurement by government, competition in regulated industries, etc.

**2.5.7** A two day National Conference on 'State of Competition in Indian Economy' was organized by the Commission in collaboration with the Financial Investment Advisory Service (FIAS) of the World Bank group and the Department for International Development (DFID) of Government of United Kingdom, in Delhi on 14-15 March, 2007 to widely disseminate the results of the studies in draft form before finalization based on comments of experts across the country.

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

**2.6.1** The SFIO is a multi-disciplinary Investigating Agency, wherein experts from banking sector, capital market, company law, general law, forensic audit, taxation, information technology etc. work together to unravel a corporate fraud. At present, SFIO is carrying out investigation under provisions of the Companies Act from Sections 235 to 247. However, as approved by the cabinet, a separate legislation would be enacted for SFIO in second phase to provide adequate power and reach to this organization. For this purpose, the MCA has already set up Vepa Kamesam Committee to look into the need for enacting a separate legislation for SFIO and make suitable recommendation.

**2.6.2** SFIO takes up investigations of frauds characterized by (a) complexity, and having inter-

departmental and multi-disciplinary ramifications, (b) substantial involvement of public interest to be judged by size, either in terms of monetary misappropriation, or in terms of the persons affected; and (c) the possibility of Investigations leading to, or contributing towards, a clear improvement in systems, laws or procedures.

**2.6.3** SFIO is headed by a Director as Head of Department. He is of the rank of Joint Secretary to the Government of India. Below him, there are Additional Directors, Joint Directors, Sr. Assistant Directors and Assistant Directors, who form teams for investigation of a case. The Head Office of SFIO is at Delhi and there is one Branch Office in Mumbai. Presently, there are 14 sanctioned posts of Additional / Joint Directors and 33 posts of Sr. Assistant Directors/Assistant Directors. Out of these posts, one post of Additional Director/ Joint Director and two posts of Assistant Directors are sanctioned at Mumbai Branch Office. Presently 11 Additional / Joint Directors and Sr. Assistant Directors / Assistant Directors are posted in Delhi Office and One Additional Director and one Assistant Director is posted in Mumbai Office. Whenever any case is referred by the Ministry for investigation u/s 235 or 237 of the Companies Act, teams of officers taken from various fields are formed headed by an Additional / Joint Director to investigate that particular case and submit the report to the Ministry. After submission of report, prosecutions are sanctioned by the Ministry and thereafter as per the sanction provided by the Ministry, prosecutions are filed by SFIO in the competent courts.

### **Cost Audit Branch**

**2.7** Cost Audit Branch under the Ministry of Corporate Affairs is manned by professionals drawn from the Indian Cost Accounts Service (ICAS) and primarily deals with sections 209 (1) (d) and 233B of the Companies Act, 1956. The Branch, under section 209 (1) (d) formulates & notifies Cost Accounting

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Records Rules (CARRs) for various industries/products. Such rules prescribe the manner in which cost records are to be maintained by specified class of companies. The Branch also undertakes rationalization of existing CARRs to reflect the changes in technology, manufacturing processes and accounting standards. Under section 233B, orders are issued to individual companies for conducting cost audit of cost records in accordance to Cost Audit Report Rules from a Cost Auditor appointed by the Board of Directors with the prior approval of the Ministry.

### **Disinvestment Cell**

**2.8** Ministry of Corporate Affairs examines proposals/ matters relating to disinvestment of Public Sector Undertaking's (PSUs) referred to it by the Department of Disinvestment or the Administrative Ministries/ Departments, generally from Company Law angle and offer comments thereon.

### **RTI Monitoring Cell**

**2.9.1** For effective implementation of the provisions of RTI Act, 2005, a Monitoring Cell has been set up in the Ministry of Corporate Affairs (MCA) w.e.f. 05.10.2005 to keep a record of all the requests for information received from various persons and to monitor the progress in processing/ final disposal of such requests under RTI Act, 2005 within the prescribed time limit.

**2.9.2** In terms of the provisions of RTI Act, 2005, CPIOs and Appellate Authorities have been designated for the Ministry and all its field/ attached/ subordinate offices.

**2.9.3** As per the information furnished to the Central Information Commission (CIC) under Section 25(3) of the Right to Information Act, 2005 for the period from 01.04.2006 to 31.03.2007, a total 1080 applications and Rs. 27523/- as application fees were received by the Ministry and all its field/ attached/ subordinate offices under RTI Act, 2005. Out of these,

12 Appeals were referred to Central Information Commission (CIC) for review.

**2.9.4** In two cases, a fine of Rs.25000/- was imposed by CIC on two CPIOs/Appellate Authorities. However, while in one case stay was granted by the Bombay High Court, in the other case CIC itself stayed the implementation of its order on review. Other functions of the RTI Monitoring Cell of MCA includes:-

- a. Maintaining updated information in the Website of MCA on all matters pertaining to RTI as required by the RTI Act, 2005.
- b. Providing regular and updated information/ report to CIC on the progress in implementation of RTI by MCA.
- c. Wide circulation in MCA of all Office Orders/ Circulars of the CIC and Department of Personnel & Training on matters relating to RTI Act, 2005.
- d. Providing inputs to MCA for Cabinet Notes/ Notes for Committee of Secretaries on issues pertaining to RTI concerning MCA.
- e. To ensure overall effective monitoring of the implementation of RTI Act related issues under the purview of MCA.

### **Gender Budget Cell**

**2.10** Ministry of Corporate Affairs (MCA) has set up a Gender Budget Cell (GBC) with the objective of facilitating the integration of gender analysis into the Government budgeting. The GBC of MCA has initiated steps to build up information/ database system on the gender representation in MCA, various branches of the Ministry as well as field offices, and attached offices and professional institutes. The GBC in MCA aims to help accelerate the growing awareness of the gender sensitivities of budgetary allocation while appreciating how corporate sector oriented policies impact issues of equity and empowerment of women. The GBC would study the



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best practices in prioritization and implementation of gender specific needs, in developmental programmes across Government Departments as well as in other countries.

**National Company Law Tribunal (NCLT)/  
National Company Law Appellate  
Tribunal (NCLAT)**

**2.11** The institutional structure relating to NCLT/ NCLAT was provided for in the Companies (Second) Amendment 2002. The NCLT is envisaged to discharge the functions and exercise powers currently

with the Company Law Board, the Board of Industrial and Financial Reconstruction (BIFR) and the High Courts in respect of liquidation and winding up, amalgamation and mergers. However, the constitution of NCLT/NCLAT was challenged in the Madras High Court which gave its ruling in April 2004. Thereafter, an SLP was filed by the Central Government in the Supreme Court. The SLP was heard by the Supreme Court after which the matter was referred by the Apex Court to a Constitution Bench. Consequently, NCLT/NCLAT have not yet been set up.

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## CHAPTER – III

# THE COMPANIES ACT, 1956 AND ITS ADMINISTRATION

**3.1** Companies play very vital role in any economy. In our country, the Companies Act, 1956 primarily regulates the range of activities from formation to liquidation and winding up of companies. The Act prescribes regulatory framework for various aspects including organisational, financial and managerial aspects of companies. The winding up matters, presently are largely within jurisdiction of High Courts. Regulation of corporate governance, structure and obligations of companies towards their stakeholders, statutory disclosure obligations, powers of inspection, investigation and enforcement and company processes such as mergers/ amalgamations/ arrangements/ Reconstructions etc., constitute the main focus of the Act. In the functioning of corporate sector, alongwith freedom of operation of companies, protection of investors and shareholders are considered equally important. The Companies Act enables a statutory platform for essential Corporate Governance requirements essential for functioning of the companies with transparency and accountability, recognizing and protecting the interests of various stakeholders. The main objects of the Act are summarized as under:-

- (a) To enable the interests of the shareholders, to be protected through articulation of shareholders democracy;
- (b) To safeguard the interests of other stakeholders such as creditors, financial institutions etc through appropriate disclosures.;
- (c) To provide a framework for regulation of processes of companies including mergers/ amalgamation etc; and
- (d) To enable the Government with adequate powers of enforcement of the law in public interest and as per procedure prescribed by law so that the interests of all stakeholders may be protected from unscrupulous management.

These objectives are achieved through measures as explained in the following paragraphs.

### Regulation of Companies

**3.2.1** The Companies Act, 1956 besides providing for processes relating to incorporation, governance and liquidation/ winding up, empowers the Central Government to inspect the books of accounts of a company, to direct special audit, to order investigation into the affairs of a company and to launch prosecution for violation of the Companies Act, 1956. Books of accounts and other documents of the companies are inspected by the officers of the Directorate of Inspection and Investigation and the Registrar of Companies. These inspections are designed to find out whether the companies conduct their affairs in accordance with the provisions of the Companies Act, 1956 or whether the company is resorting to illegal/ fraudulent practices which may adversely affect any interest of shareholders, creditors, employees and others. Wherever inspection reports disclose any information that may be of interest to other Departments or agencies like the Ministry of Commerce and Industry, Central Board of Direct Taxes, Enforcement Directorate, State Government or Provident Fund Authorities, such information is passed on to them. If an inspection discloses a prima facie case of fraud or cheating, action is initiated under provisions of the Companies

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Act, 1956 for investigation under the Companies Act.

**3.2.2** Sections 235 and 237 of the Companies Act empower the Central Government to order investigation into the affairs of a company under circumstances specified therein. The power to appoint inspectors, to conduct investigation and to act on report of investigation lies with the Central Government. The Company Law Board is also empowered to consider application of members for conducting investigation into the affairs of a company. The powers to order investigation arise in circumstances where the business of a company is being conducted with an intent to defraud its creditors, or for unlawful purposes, or in a manner oppressive to any of its members or that if the company was formed for any fraudulent or unlawful purposes.

**3.2.3** The Companies (Amendment) Act, 1988, introduced a new Section 621A empowering the Company Law Board and the Regional Directors to compound offences of prosecution. The power to compound is not exercisable in relation to offences, which are punishable either with imprisonment only or with imprisonment and fine.

**3.2.4** Public Limited or Private Limited company which is a subsidiary of the Public Limited company can appoint the Managerial personnel under section 269 ( read with section 388 ) of the Companies Act, 1956 and remunerate them on its own without seeking any approval of the Central Government as prescribed under section 198 and 309 ( read with Schedule XIII ) of the Act. However in certain conditions a company has to seek approval of the Central Government. These conditions are:-

1. In case there is loss/inadequacy of profits in the company and the proposed remuneration is in excess of the limit as prescribed under Schedule XIII on the basis of the effective capital of the company.

2. In case where the company is a profit making company, the remuneration proposed to be paid is exceeding 5% of the net profit in case of one managerial personnel and 10% of the net profit in case of more than one managerial personnel.
3. In case where the company has defaulted in making payment of its debts (including public deposits) and interest thereon.
4. Where the company does not have any remuneration committee.
5. Where the appointee is a NRI .
6. In case of non-executive Directors the remuneration proposed to be paid is in excess of 1% of the Net profit of the company where there is any managerial personnel and 3% where there is no managerial personnel appointed by the company.
7. In case where the company has made any violation of the Act as specified in Part I of Schedule XIII of the Act and the proposed managerial personnel has been awarded any punishment or the authority concerned has imposed penalty for such violation.

### **Investor Protection**

**3.3.1** Investor Protection Cell (IPC) of the Ministry of Corporate Affairs was set up in 1993 to deal with investors' grievances. It receives a large number of complaints from the aggrieved investors. Broadly, the complaints relate to the following issues.

1. non-receipt of annual report
2. non-receipt of dividend amount
3. non-refund of application money
4. non-payment of matured deposits and interest thereon
5. non-receipt of duplicate shares
6. non-registration of transfer of shares
7. non-issue of share certificates
8. non-receipt of debenture certificates

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9. non-issue of right bonus shares
  10. non-issue of interest on late payment
  11. non-redemption of debentures and interest thereon
  12. non-receipt of share certificates on conversion.

**3.3.2** With a view to improving the processing of investor's grievances, a system for on-line lodging of complaints by investors and depositors has been provided in MCA21 e-governance programme of the Ministry. This system facilitates investors and depositors to electronically lodge their complaints with the IPC without the requirement of sending their grievances in writing through post. The system issues complaint number online as acknowledgement for future reference and is available on the website of Ministry of Corporate Affairs ([www.mca.gov.in](http://www.mca.gov.in)).

**3.3.3** In order to actively associate the field offices in investor grievances redressal function, a nodal team headed by a designated officer has been set up in each of the office of Regional Directors and Registrars of Companies.

**3.3.4** The IPC has received 1010 complaints at Headquarters during the period from 1.04.2007 to 31.12.2007 from the investors/depositors, out of which 342 complaints have been settled. For rest of the complaints, action has been initiated through the jurisdictional Registrar of Companies.

**3.3.5** A new Website [www.watchoutinvestors.com](http://www.watchoutinvestors.com) has been created by Prime Investors Protection Association and League, with the financial assistance from the Investor Education and Protection Fund, to help the investors protect themselves from unscrupulous promoters, companies and entities.

**3.3.6** The Ministry also co-ordinates with the Reserve Bank of India, Department of Economic Affairs and the Securities and Exchange Board of India for redressal of complaints wherever such complaints pertain to these agencies.

## **Vanishing Companies**

**3.4.1** The Capital Market had witnessed a boom period during 1993-94 and 1994-95 when many new companies tapped the capital market and collected funds from the public through public issue of shares/debentures. Some of these companies defaulted in their commitments made to the investing public while mobilizing funds. SEBI had identified 229 companies by October 2000, which came out with IPOs during the period 1992-1998, as vanishing.

**3.4.2** Finance Minister in his Budget Speech on 27.2.99 had, inter alia, stated that a joint mechanism between SEBI and Ministry of Corporate Affairs (MCA), (the then Department of Company Affairs), would be set up for taking stringent action against unscrupulous promoters who raised moneys from investors and misused them. Accordingly, a Coordination and Monitoring Committee (CMC), co-chaired by Secretary, Ministry of Corporate Affairs (MCA), (the then Department of Company Affairs), and Chairman, SEBI was set up in March, 1999 to settle the policy issues regarding the delinquent companies/promoters and to monitor the progress in regard to action against vanishing companies and their promoters/directors. A representative of Department of Economic Affairs, Ministry of Finance has been inducted as member of CMC for better co-ordination in respect of policy issues concerning vanishing companies. A representative of Reserve Bank of India (RBI), Department of Non-Banking Supervision has also been nominated as member of CMC and Regional Task Force.

**3.4.3** The CMC is assisted by four Task Forces, one each corresponding to a Region, falling under the jurisdiction of four Regional Directors of Ministry of Corporate Affairs. Other members of these Task Forces are representatives of SEBI, Regional Stock Exchange, a Nodal Officer each nominated by the concerned State Governments and the concerned Registrars of Companies. The main responsibility of

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these Task Forces is to identify the companies which have disappeared, or which have mis-utilised funds mobilized from the investors, to suggest/take appropriate action in terms of Companies Act or SEBI Act or any other law applicable, and monitor the action initiated in different cases.

**3.4.4** For identifying a company as vanished, following Criteria has been adopted:

- (i) Companies, which have not complied with listing requirements/filing requirements of Stock Exchange/ROC respectively for a period of 2 years;
- (ii) No correspondence has been received by the Exchange from the company for a period of 2 years; and
- (iii) No office of the company is located at the mentioned registered office address at the time of Stock Exchange inspection.

All the conditions laid down have to be met for treating a company as vanishing and companies satisfying one or more but not all conditions are not to be considered as vanishing.

**3.4.5** Of the 229 companies earlier identified as vanished, CMC, in its meetings, held on 25.02.2003, 15.01.2004, 23.11.2004 and 18.03.2005 deleted the names of 44, 63, 7,1 and 1 companies respectively from the list of vanishing companies, as these companies were found to be regular in filing statutory returns, etc, resulting in the number of vanishing companies reduced to 113. Further, 09 more companies have been identified as vanished, out of the companies which came out with IPOs during 1998-2001.

**3.4.6** Following steps have been taken/are being taken by the Ministry against the vanishing companies

and its promoters/directors under the relevant provisions of the Companies Act, 1956 and under the Indian Penal Code:

- (i) Prosecutions have been filed under Sections 62/63,68 and 628 of the Companies Act, 1956 against 109 vanishing companies, their promoters/ directors for misstatement in prospectus/fraudulently inducing persons to invest money/false statement made in the offer documents etc.
- (ii) Prosecutions filed under the Companies Act, 1956 for non-filing of statutory returns;
- (iii) FIRs have been filed/registered under the Indian Penal Code against 104/100 vanishing companies and their promoters/directors.
- (iv) A Monitoring Committee (MC) was set up in August 2004 for closely monitoring all cases of prosecutions launched under the Companies Act, 1956 and FIRs filed/registered under the Indian Penal Code against vanishing companies and their promoters/directors. This Committee is co-chaired by Secretary, Ministry of Company Affairs (presently known as Ministry of Corporate Affairs) and Chairman, SEBI and includes senior officials of various State Governments and the Commissioner of Police, Delhi or his representative. State authorities concerned have nominated Nodal Officers for effective coordination with the Registrar of Companies.
- (v) The latest position regarding Region-wise cumulative action taken against vanishing companies, their Directors/Promoters, is given below:

Subject	Northern Region	Western Region	Eastern Region	Southern Region	Total
Number of vanishing Companies	17	49	13	34	<b>113</b>
Number of companies against which prosecutions filed under Section 62/63, 68 & 628 of the Companies Act, 1956	17	48	13	31	<b>109</b>
Number of companies against which prosecutions filed for non-filing of statutory returns.	16	47	11	17	<b>91</b>
Number of companies where FIRs filed.	16	45	13	30	<b>104</b>
Number of companies where FIRs registered	15	45	13	27	<b>100</b>

- (vi) Petitions have also been filed with the Company Law Board (CLB) under Sections 397/398/402/408 read with Section 406 of the Companies Act, 1956 in respect of two vanishing companies to disgorge the properties/monies from the promoters/directors of these two vanishing companies. The CLB has dismissed the Petition in case of M/s. Nuline Glassware (India) Ltd (presently known as M/s. Pur Opale Creations Ltd.) against which the Ministry has filed an appeal before the Gujarat High Court. In another case of M/s AVI Industries Ltd the Hon'ble CLB is hearing the matter and Local Commissioners have been appointed to trace out the properties of the directors. The case is pending for adjudication by the CLB.
- (vii) The recommendations of the Expert Committee set up by the Ministry to advise the Government on the new Company Law with regard to protecting the interest of the investors are being examined in the Ministry from the point of view of providing a legal framework for safeguarding investors' interests.
- (viii) Details of Vanishing Companies and their promoters/directors have been placed on the Website of the Ministry ([www.mca.gov.in](http://www.mca.gov.in)) for wider public information.
- (ix) The details of Vanishing Companies and their promoters/directors have been published in the Newspapers to facilitate investors to come forward and lodge their complaints against these companies in order to help the Police authorities in their investigation and prosecution launched against them in the Courts. The complaints so received were forwarded to the respective Task Forces to use as evidence during the proceedings of the cases pending before the Courts.
- (x) Prosecutions have already been launched by the concerned RoCs against auditors of M/s. Western India Industries Ltd, M/s. Kiev Finance Ltd. and of M/s. Vini Metaspin Steels Ltd. for contravention of provisions of Companies Act, 1956. The case filed against the auditor of M/s. Vini Metaspin Steels Ltd. was dismissed by the Hon'ble Special Judge for Economic Offences at Hyderabad. The concerned RoC has filed appeal before the Hon'ble High Court, Andhra Pradesh against the dismissal order.

- (xi) The concerned Task Forces are reviewing the working of Vanishing Companies, which had been deleted from the list, very closely with a view to keep a close watch so that such companies do not indulge in fraudulent activities again.
- (xii) The Task Forces are scrutinizing the list of companies, which came out with IPOs during 2001-2005 for identifying vanishing companies.
- (xiii) Besides taking action against vanishing companies and their promoters/directors under the Companies Act, 1956 and the Indian Penal Code, the Ministry has implemented an e-Governance project under which the identity of directors has been built in through the introduction of a Director Identification Number (DIN).
- (xiv) SEBI has invoked powers granted to it under Section 11/Section 11B of the SEBI Act, 1992 and has issued orders against the vanishing companies and their promoters/Directors prohibiting them from associating in any way with the capital market activities. This order also prohibits them from dealing in securities and from accessing the capital market for a period of 5 years, which is the maximum permissible under the SEBI regulation. SEBI has debarred 100 companies and 378 Directors.

### Acceptance of Deposits

**3.5.1** Section 58A of the Companies Act, 1956 which came into force on 1.2.1975, regulates the invitation and acceptance of deposits by non-banking non-financial companies. The Companies (Acceptance of Deposits) Rules, 1975 framed in pursuance of sub-section (1) of Section 58A of the aforementioned Act prescribes the limits, manner and conditions subject to which deposits may be invited and accepted by these companies either from the public or from their

members. These Rules prescribe and require every company to advertise at the time of inviting deposits a summarized financial position of the company for the preceding two financial years. The rules lay down the following conditions governing the acceptance of deposits:

- = Ceiling limits of deposits with reference to the company's net worth
- = Maximum period of 36 months for which the deposits can be accepted.
- = Maximum rate of brokerage, which can be paid by the company to brokers through whom the deposits are collected.
- = Maintenance of liquid assets to the extent of 15% of deposits maturing during the year to be invested in specified securities in order to safeguard the interests of depositors.
- = Maximum rate of interest payable on deposits.

**3.5.2** Sub-Section (8) of Section 58A empower the Central Government if it considers necessary for avoiding any hardship or for any other just and sufficient reason to grant extension of time to a company or class of companies to comply with or exempt any company or class of companies from all or any of the provisions of Section 58A either generally or for a specified period subject to such conditions as may be specified, either prospectively or retrospectively from a date not earlier than the commencement of the Companies (Amendment) Act, 1974. In case exemption is to be granted for a class of companies, it is to be done after consultation with the Reserve Bank of India.

**3.5.3** Sub-sections (9) & (10) of Section 58A empower the Company Law Board to take cognizance of any case of non-repayment of deposits on maturity and direct the company to make repayment of such deposits within such time and subject to such conditions, as may be specified in the order. Non-compliance of the orders of the

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Company Law Board would attract penalty by way of imprisonment, which may extend to three years and shall also be liable to a fine of not less than Rs. 500/- for every day till such non-compliance continues.

**3.5.4** Under the proviso to sub-section (7) of Section 58A, the Government is empowered to exempt a class of companies from all or any of the provisions of Section 58A. The Ministry has granted exemption vide Notification GSR No. 1075E dated 29.12.1989 from the provisions of sub-section (1) to (6) of Section 58A in respect of acceptance of deposits by issue of Commercial paper by companies which satisfy the eligibility criteria laid down by Reserve Bank of India in the Non-Banking Companies (Acceptance of Deposits through Commercial Paper) Directions 1989. The said Notification has come into force on and from 1.1.1990.

**3.5.5** During the period with effect from 1.4.2007 to 31.12.2007, 04 applications for granting exemption/extension of time under Section 58A (8) of the Companies Act, 1956 were received in addition to 15 applications brought forward from the previous year. Out of the total 19 applications, 12 applications were disposed of during the said period, and 07 applications were pending for consideration as on 31.12.2007.

### **Other Provisions**

**3.6.1** In order to afford greater protection to shareholders, Section 205A has been incorporated in the Companies Act, whereby unpaid or unclaimed dividends are to be kept in a separate account for three years by the company concerned. Thereafter, if these dividends still remain unpaid or unclaimed, these are to be transferred to the account of the Central Government, which will make necessary payments to the shareholders concerned upon an application duly made by them.

**3.6.2** Approval of the Central Government is required to be obtained under Section 294AA in regard to the

sole selling agency agreements, which may be entered into by companies having paid up capital of Rs. 50 lakh or more. This is to ensure that the cost of commodities sold to the consumers through these agreements is not inflated by avoidable additional expenditure on the part of the companies concerned.

**3.6.3** Cost Accounting Records Rules are prescribed under Section 209(1)(d) of the Companies Act, for companies engaged in production, processing, manufacturing and mining activities. These are designed to bring cost consciousness among the companies to ensure the best use of resources by them with a view to reduce the cost of production and in turn to provide cheaper goods to the consumer.

**3.6.4** The interest of the public in general in the matter of keeping deposits with the companies has also been taken care of in the Companies Act. Under section 58A of the Companies Act, 1956, the Ministry has framed the Companies (Acceptance of Deposits) Rules, 1975. Under these Rules, companies are required to advertise and publish their financial accounts for information and guidance of the public at the time of inviting deposits. If a company fails to repay any deposit or part thereof in accordance with the terms and conditions of such deposit, the Company Law Board may, if it is satisfied that it is necessary to do so to safeguard the interests of the company, the depositors, or in the public interest, direct the company to make repayment of such deposit or part thereof forthwith or within such time and subject to such conditions as may be specified in the order.

### **Company Law Board**

**3.7.1** The Company Law Board has been functioning as an independent quasi-judicial body w.e.f. 31.5.1991 set up by the Central Government under Section 10E of the Companies Act, 1956. The Company Law Board has framed Company Law Board Regulations 1991 prescribing the procedure



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for filing the applications/petitions before it. The Central Government has also prescribed the fees for making applications/petitions before the Company Law Board under the Company Law Board (Fees on applications and Petitions) Rules, 1991.

**3.7.2** The Board has its Principal Bench at New Delhi and the Additional Principal Bench at Chennai. It has Regional Benches at Mumbai, Kolkata, Chennai & New Delhi. The matters falling under section 235, 237(b), 247, 248, 250, 388B, 408 & 409 and matters falling under Chapter VI of Part VI of the Companies Act, 1956 and under section 2 A of the MRTTP Act are dealt with by the Principal Bench at New Delhi. The matters falling under section 235 and 237 of the Act and matters falling under Chapter VI of Part VI of the Act in so far as they relate to Southern Region are dealt with by the Additional Principal Bench at Chennai. In Order to reduce the pendency, single Member has been entrusted to hear all types of cases from September, 2002 onwards.

**3.7.3** Petitions/applications under sections 10E, 17, 18, 19, 58A, 58AA, 79/80A, 111/111A, 113/113(3), 117, 117B, 117C, 118, 141, 144, 163, 167, 186, 196, 219, 269, 284, 304, 307, 614, and 621A of the Companies Act, 1956 and Section 45QA of the Reserve Bank of India Act, 1934 are filed before Regional Benches. In case the company fails to comply with the directions contained in the orders so passed by the Company Law Board, application under section 634A of the Companies Act, 1956 for enforcing the orders are entertained. During 1.4.2007 to 31.12.2007, 525 applications were considered u/s 58A (9) of the Companies Act, 1956 and 45QA of the RBI Act, 1934 of which 66 were disposed of. Under other Sections of the Companies Act, 1956, 6155 petitions were considered out of which 4824 petitions were disposed of during this period. This includes 774 cases compounded under section 621A of the Companies Act, 1956.

**3.7.4** As against the sanctioned strength of nine Members ( including Chairman and Vice Chairman ) the constitution of the Company Law Board as on 31.12.2007 is as follows:-

1. Shri S. Balasubramanian, Chairman
2. Shri K.K. Balu, Vice-Chairman
3. Smt. Vimla Yadav, Member
4. Shri Kanthi Narahari, Member
5. Shri V.S. Rao, Member (joined on 04.01.2008)

**3.7.5** Presently, every month a Hardship Committee meeting is held in CLB, New Delhi as per Company Law Board's order for refund of deposit on hardship grounds in respect of 17 companies. The cheques/drafts for refunds are distributed by CLB on receiving the same from the companies in respect of the cases received by CLB. There are lots of improvements in terms of redressal of grievances of the small and needy depositors. Up to 31<sup>st</sup> December, 2007 a sum of Rs. 4.71 crores has been disbursed to 7736 depositors. Thus, 100% redressal of complaints received by CLB on hardship grounds is ensured.

**3.7.6** Payment to fixed deposit holders of M/s. Pure Drinks (New Delhi) Ltd., is being made by Company Law Board in compliance with the order passed by Hon'ble High Court of Punjab & Haryana. Till December, 2007 a sum of Rs. 2.44 crores has been paid to 4857 depositors and in all cases of payments for both principals and interest, cheques are issued under the signature of the Secretary, CLB, New Delhi.

### **Company Petitions before Company Law Board**

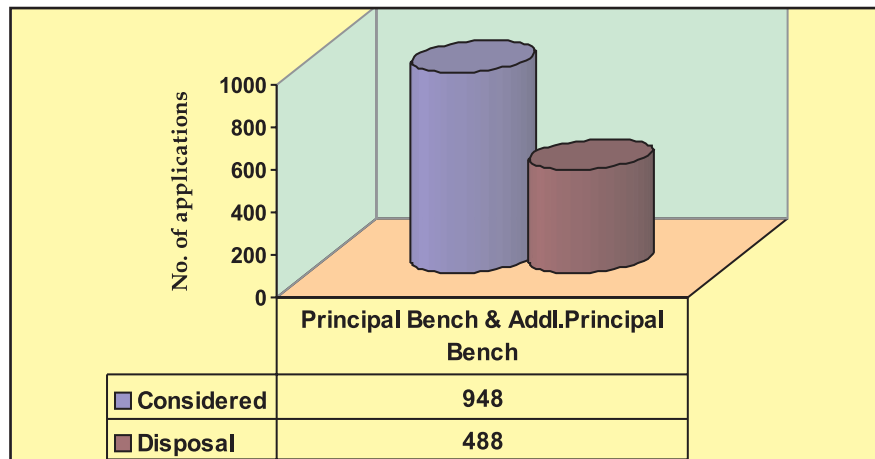
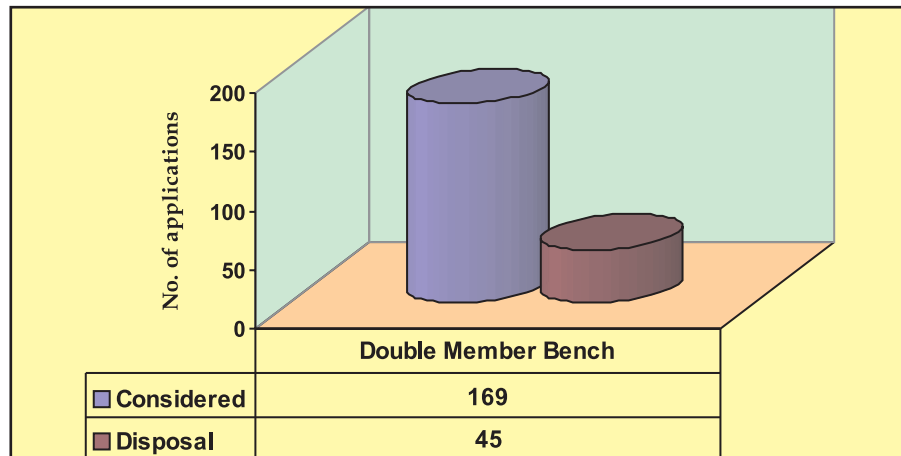
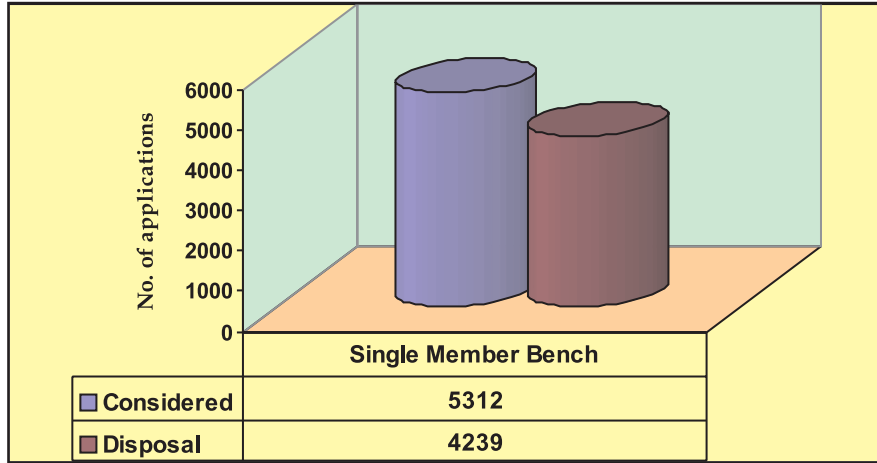
**3.8** Particulars of petitions/applications received and disposed of by various Benches including Principal Bench and Additional Principal Bench during the period from 1.4.2007 to 31.12.2007 are given in Table 3.1.

TABLE - 3.1

**Consolidated Statement of Petitions/Applications received, disposed of and pending for the period 1.4.2007 to 31.12.2007**

Composition of Bench and Sections	Opening Balance as on 1.4.2007	Receipt	Total (Col.Nos.2 & 3)	Disposal	Pending as on 31.12.2007
1	2	3	4	5	6
<b>1. Single Member Bench:</b>					
Section 17	63	646	709	602	107
Section 18/19	2	13	15	12	3
Section 45QA of RBI Act	87	14	101	21	80
Section 58A(9)	410	14	424	45	379
Section 58AA(1)	23	0	23	10	13
Section 79	1	3	4	3	1
Section 80A	4	0	4	0	4
Section 113/113 (3)	9	11	20	14	6
Section 117	0	0	0	0	0
Section 117C	177	0	177	0	177
Section 118	0	0	0	0	0
Section 141	55	2625	2680	2657	23
Section 144	0	0	0	0	0
<b>Misc. Applications</b>	16	75	91	52	39
Section 163	4	3	7	3	4
Section 167	8	3	11	4	7
Section 186	1	3	4	1	3
Section 196	1	2	3	0	3
Section 219	0	1	1	1	0
Section 284	2	5	7	1	6
Section 304	0	0	0	0	0
Section 307	0	0	0	0	0
Section 614	2	1	3	1	2
Section 621A	194	796	990	774	216
Section 634A	1	37	38	38	0
<b>Total (a)</b>	<b>1060</b>	<b>4252</b>	<b>5312</b>	<b>4239</b>	<b>1073</b>
<b>2. Double Member Bench:</b>					
Section 111	117	49	166	44	122
Section 269(7)	0	0	0	0	0
Section 634 A	2	1	3	1	2
<b>Total (b)</b>	<b>119</b>	<b>50</b>	<b>169</b>	<b>45</b>	<b>124</b>
<b>Total (a) + (b)</b>	<b>1179</b>	<b>4302</b>	<b>5481</b>	<b>4284</b>	<b>1197</b>
<b>3. Principal Bench &amp; Additional</b>					
<b>Principal Bench:</b>					
Cases U/Sections 235,237, 247, 250, 388(b), 397, 398, 408, 409 and interlocutory applications	482	717	1199	606	593
<b>Grand Total</b>	<b>1661</b>	<b>5019</b>	<b>6680</b>	<b>4890</b>	<b>1790</b>

**Petitions/Applications considered and disposed of by the Company  
Law Board for the period 1.4.2007 to 31.12.2007**



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## **Petitions before the Company Law Board under Section 408/402/406/388/237(b) of the Companies Act**

**3.9** Section 397/398 of the Companies Act, 1956 provides for filing of application before the Company Law Board for relief in cases of oppression, mismanagement or apprehension of mismanagement of the affairs of the Company. Section 408 of the Act empowers the Central Government to appoint such number of persons on the Board of the company as directed by Company Law Board on the reference/ application made by the Government to safeguard the interests of the company or its shareholders or the general public. In addition, the Central government can also file petitions under Section 402 read with Section 406 of the Act for disgorgement of assets against the Directors of the Company when they indulged in misappropriation/misfeasance

## **Petitions under Section 250 of the Companies Act**

**3.10.1** As per section 250 of the Companies Act, the Central Government may file petition before Company Law Board seeking order for investigation of the Company. As on 31.12.2007 One petition was filed before Company Law Board and the same has been disposed of.

**3.10.2** During the period from 1.4.2007 to 31.12.2007, 2 cases have been disposed of in High Courts while 11 cases are still pending under Section 397/398 R/W Sections 406/408 & 237(b) and 250 of the Act. As on 31.12.2007, following SLPs are pending in the Supreme Court:-

(i) Usha India vs GOI

(ii) Padmini Tech. Ltd. Vs UOI

(iii) UOI vs Morepen Laboratories Ltd.

(iv) Morepen Laboratories Ltd vs UOI

## **Appointment of Managerial Personnel**

**3.11.1** The Ministry of Corporate Affairs deals with statutory applications relating to the appointment of and payment of remuneration to Managing Directors, whole-time Directors and managers of public limited companies and of private limited companies which are subsidiaries of public limited companies under Sections 259, 268, 269, 198/309, 310 and 314 of the Companies Act, 1956 in accordance with provisions of Schedule XIII to the said Act, as amended from time to time.

**3.11.2** To bring greater transparency in processing of various statutory applications, the status reports of these applications have already been made available on the website of the Ministry of Corporate Affairs, which has been appreciated by the applicant companies. Further, to bring about quicker disposal of cases and ushering in an era of e-governance, the prescribed application forms are being revised and simplified.

**3.11.3** It has been observed that applications received are generally deficient in several respects. In order to have complete information at the initial stage itself, Form Nos. 25A and 26 have been revised and are proposed to be made effective as a part of MCA-21 project implementation. The details of receipt and disposal of statutory applications for the period from 01.04.2007 to 31.12.2007 are given in Table 3.2 below.

**Table 3.2****Applications on Managerial Appointment received and disposed of by the Central Government during 1.4.2007 to 31.12.2007**

<b>Sections of the Companies Act</b>	<b>Nature of Applications</b>	<b>Pending as on 1.4.2007</b>	<b>Received during 1.4.2007 to 31.12.2007</b>	<b>Total</b>	<b>Disposed of during 1.4.2007 to 31.12.2007</b>	<b>Pending as on 31.12.2007</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
259	Increase in number of Directors.	10	18	28	23	5
268	Amendment of provisions in the Articles of Association relating to Managing Director or Whole time Director.	7	22	29	26	3
269/ XIII	Appointment/reappointment Schedule of Managing Directors or Whole time Director/ Managers.	183	575	758	457	301
309(1B)	Remuneration to Directors for rendering professional services.	9	35	44	39	5
309(4)(5B)	Remuneration to Directors other than Managing Director under Whole-time appointment/ Waiver of sums refundable to Directors.	8	10	18	12	6
310	Increase in remuneration of Directors	37	185	222	153	69
314(1B)	Appointment/continuance of relative of a Director to hold any office or place of profit in company which carries total monthly remuneration of not less than Rs. 50,000 per month	39	144	183	122	61
	<b>Total</b>	<b>293</b>	<b>989</b>	<b>1282</b>	<b>832</b>	<b>450</b>

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## Investigation

**3.12.1** The investigation cases of companies under Section 235/237 of the Act are entrusted to the Inspectors drawn from SFIO on the following grounds/criteria:-

- i) Where the size of the alleged fraud is estimated to be at least Rs. 50 crore or more, or;
- ii) Such companies which are listed or where the paid up capital of the company is more than Rs. five crore, and 20% or more capital is subscribed by the public; or
- iii) When the alleged fraud involves widespread public concern estimated to affect at least more than 5000 persons; or
- iv) Where investigation requires specialized skills and multidisciplinary approach.

**3.12.2** The Ministry of Corporate Affairs has constituted an Expert Committee to advise the Government on issues concerning the Serious Fraud Investigation Office vide Order No.2/1/2004.CL-V dated 23<sup>rd</sup> February 2006. The Expert Committee constituted under the Chairmanship of Shri Vepa Kamesam and six other members is to make recommendations to the Government on:-

- a) Assessment of the need for and details of a separate status to govern the constitution and functioning of SFIO;
- b) The nature and details of the legislative changes as may be required in existing laws, to enable effective functioning of SFIO including prosecution of offences detected by it;
- c) The mechanism for referral of cases to SFIO and coordination of activities of SFIO with other agencies/organizations of the Central and State Governments, including investigating agencies.
- d) Powers of SFIO and its investigating officers;

- e) Specification of offences and penalties to enable effective conduct of investigation agencies and the need for special Courts for trial of corporate fraud cases; and
- f) Other matters consequential to or in pursuance of the above.

**3.12.3** The expert Committee was to submit its report to the Ministry within three months from the date of its constitution. However, due to the need for greater examination of the complex issues involved, the period for submission of the report by Expert Committee has been extended upto 28.4.2008.

**3.12.4** During the current year, 14 cases to SFIO and 5 case to Regional Director (NR) and one case to Regional Director (WR) for investigations under Section 235/237/247 of the Companies Act, 1956 have been ordered by the Ministry. During the current year, 4 Investigation Reports have been received. Out of these, 3 have been processed and instructions issued. One is under process.

## Inspections

**3.13.1** Section 209A of the Companies Act, 1956 empowers the Registrar of Companies or the officers, duly authorized by the Central Government, to undertake inspection of the books of accounts and other records of companies. Several officers of the Ministry have been authorized under this section from time to time to undertake inspections.

**3.13.2** Broadly, inspections are undertaken to serve one or more of the following objects:

- i) to verify compliance by companies of various provisions of the Companies Act, 1956;
- ii) to verify whether the company accounts represent a true and fair picture of the company's finances and whether the same have been disclosed in a manner consistent with the Companies Act;

- iii) whether the company's funds have been siphoned off, applied or diverted in a manner violative of the provisions of the Act and whether the company management has misused its fiduciary position for any personal advantage in violation of the Act;
- iv) whether there are acts of mis-management or oppression which adversely affect the interest of company stakeholders, or which may adversely prejudice such interests, which may merit the company to be wound up on just and equitable grounds under the Act;
- v) whether statutory auditors have carried out their duties properly while certifying true and fair view of the state of affairs of the company and
- vi) to examine legal action under the Companies Act if the company has made a default in filing its balance sheet and profit and loss account or annual return for any five consecutive financial years with the Registrar.

maintenance of books of accounts as prescribed under Section 209 of the Act, delay in transfer of shares/debentures, delay in payment of dividend, non-payment of deposits or interest thereon etc.;

- ii) violations/irregularities noticed on scrutiny of documents including auditors remarks filed in the office of the Registrar of Companies and
- iii) references received from other Government Departments/Agencies pointing out violations of the provisions of the Companies Act, 1956 or other irregularities.

**Table 3.3**

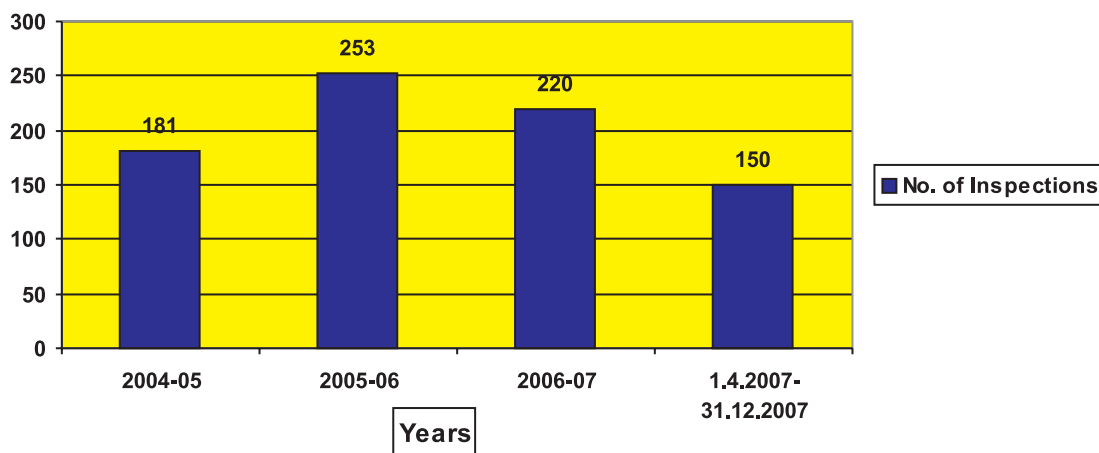
**Number of inspections conducted by this Ministry during last four financial years are as under:**

Year	No. of Inspections
2004-05	181
2005-06	253
2006- 07	220
1.4.2007 to 31.12.2007	150

**3.13.3** Inspection under section 209 A of the Companies Act, 1956, of the books of accounts of the company is generally ordered on the basis of :-

- i) complaints received in the Ministry or in its field offices about mis-management in respect of

**No. of inspections conducted by the Ministry during the last four Financial Years**



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## **Follow up of the report of Joint Parliamentary Committee (JPC) on Stock Market Scam**

**3.14** The Government had set up a Joint Parliamentary Committee (JPC) to investigate the Stock Market Scam. JPC submitted its report in December 2002. The Ministry of Corporate Affairs was asked to furnish Action Taken Report on certain recommendations of the JPC concerning this Ministry. Status reports in respect of points concerning MCA are forwarded regularly to JPC Cell in the Department of Economic Affairs which is for monitoring the follow up action on JPC Report from time to time.

### **Prosecutions**

**3.15** During the period from 1.4.2007 to 31.12.2007, a total no. of 61,335 prosecutions including 48,544 prosecutions brought forward from the previous year were launched and pursued in various courts under the Company Act, 1956, Out of these, 10,447 prosecutions were disposed of and a balance of 50,888 prosecutions were pending as on 31.12.2007.

### **Cost Audit**

**3.16.1** In exercise of the powers conferred by sub-section (1) of Section 642 read with clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956, the Central Government notifies Cost Accounting Records Rules (CARRs) from time to time with respect to various industries and products. All companies engaged in production, processing, manufacturing or mining activities, in respect of industries or products specified in Cost Accounting Record Rules, as applicable, are required to keep at its registered office proper books of account relating to utilisation of material or labour or to other items of cost as prescribed under the said Rules. Every company covered under these Rules shall maintain cost accounting records from the financial year on or after the publication of these Rules. These rules do not apply to a company: -

- i) wherein, the aggregate value of machinery and plant installed as on the last date of the preceding financial year, does not exceed the limit as specified for a small scale industrial undertaking under the provisions of Industries (Development and Regulation) Act, 1951 (65 of 1951); and
- ii) the aggregate value of the turnover made by the company from sale or supply of all its products or activities during the preceding financial year does not exceed ten crores of rupees.

**3.16.2** The Cost Accounting Records Rules (CARRs) prescribe the manner in which cost records are to be maintained so as to have cost data base to be primarily utilized by the industries/companies themselves to improve upon their performance and face competitive environment and also by various Government agencies like, price-fixation authorities, regulatory bodies, WTO implementation & monitoring agencies, Competition Commission of India, revenue authorities, and other institutions for meeting their respective objectives. Cost Accounting Records Rules have so far been notified in respect of 44 industries as indicated in Table 3.4.

**3.16.3** The Ministry took up an exercise for framing of new Cost Accounting Record Rules with respect to the activities relating to Shipbuilding and Aircraft in consultation with the Ministry of Defence and concerned Public Sector Undertakings, which is in progress.

**3.16.4** The existing Cost Accounting Record Rules are reviewed periodically from time-to-time in order to simplify/rationalize and synchronize them with the likely technological changes in the manufacturing process and also with the perceptual shift in the accounting standards, policies and methodologies, and necessary amendments are notified accordingly. An exercise has been undertaken, in consultation with



the National Pharmaceuticals Pricing Authority (NPPA) under the Department of Chemicals & Petrochemicals, to review and amend the existing Cost Accounting Record Rules relating to the Bulk Drugs and Formulations. This exercise is also in progress.

**3.16.5** Under sub-section (1) of section 233B of the Companies Act, 1956, cost audit orders are issued on eligible companies, from time-to-time, to get their cost records audited by a practicing Cost Accountant, in accordance to the Cost Audit Report Rules, 2001. Such orders are also issued on companies arising out of mergers, de-mergers, amalgamations, sale/transfer, change of name, etc. During the period April to December, 2007, cost audit orders were issued on 9 companies.

**3.16.6** Consequent upon the launch of MCA-21 Project under the e-Governance, companies under cost audit have started filing applications for appointment of cost auditors, through electronic mode from April, 2006. In compliance with Section 233B (2) of the Companies Act, 1956, 1533 applications were received through e-mode for approval of appointment of cost auditors during the period April to December, 2007 as against 1457 applications received during the corresponding period of the previous year.

**3.16.7** Similarly, companies/cost auditors have also started filing the cost audit reports through electronic mode from April, 2006. The numbers of cost audit reports received during April to December, 2007 were 1926 as against 1521 received during the corresponding period of the previous year.

**3.16.8** The exemption from cost audit orders is granted, on year-to-year basis, in situations arising out of temporary closure of the company and/or its manufacturing facilities, negligible production/activity, etc. Similarly, withdrawal of cost audit orders is considered in case of permanent closure or sale or

merger/amalgamation of production activities for the product under reference. During the period under report, 7 such cases of exemption/withdrawal were received and processed. In addition, 57 more cases of withdrawal were considered on a *suo moto* examination based on company data/information available on MCA website.

**3.16.9** During the period April to December, 2007, 107 cost audit reports filed by the companies were shared with various user departments such as, Anti-dumping Directorate of the Ministry of Commerce, Tariff Commission, National Pharmaceuticals Pricing Authority, Competition Commission of India, etc.

**TABLE-3.4**

**Industries in which Cost Accounting Records Rules were notified under Section 209(1)(d) of the Companies Act, 1956**

S.No.	Name of the Industry
1.	Aluminium
2.	Batteries other than Dry Cell Batteries
3.	Bearings
4.	Bulk Drugs
5.	Cement
6.	Chemicals
7.	Cosmetic & Toiletries
8.	Cycle
9.	Dry Cell Batteries
10.	Dyes
11.	Electric Cables and Conductors
12.	Electric Fans
13.	Electricity Industry
14.	Electric Lamps
15.	Electric Motors
16.	Electronic Products
17.	Engineering Industries
18.	Fertilizers
19.	Footwear
20.	Formulations
21.	Industrial Alcohol

S.No.	Name of the Industry
22.	Industrial Gases
23.	Insecticides
24.	Jute Goods
25.	Milk Food
26.	Mining and Metallurgy
27.	Motor Vehicles
28.	Nylon
29.	Paper
30.	Petroleum Industry
31.	Plantation Products
32.	Polyester
33.	Rayon
34.	Refrigerators
35.	Room Air Conditioners
36.	Shaving Systems
37.	Soaps and Detergents
38.	Steel Plants
39.	Steel Tubes & Pipes
40.	Sugar
41.	Telecommunications
42.	Textiles
43.	Tyres and Tubes
44.	Vanaspati

### **Restriction on Acquisition of Shares- Section 108A**

**3.17.1** Under this section, prior approval of the Central Government is required to be obtained for acquisition/transfer of shares by or to, an individual, firm group constituent of a group, body corporate or bodies corporate under the same management in relation to dominant undertaking provided there is any increase in dominance as a result of such an acquisition or transfer of shares.

**3.17.2** During the period from 1.4.2007 to 31.12.2007, the Central Government received 3 applications under this section and 1 application was brought forward from the previous year. Out of these 4 applications, 3 applications were disposed of and 1 application was pending as on 31.12.2007.

### **Payment of Dividends out of Reserve- Section 205(3)**

**3.18.1** Section 205A(3) of the Companies Act, 1956 makes it obligatory for a company to seek prior approval of the Central Government where owing to inadequacy or absence of profits in any year, it proposes to declare dividend out of the accumulated profits earned in the previous years and transferred to the Reserves and where declaration of dividend is not in accordance with the Companies (Declaration of Dividend out of Reserves) Rules, 1975 framed under the said section.

**3.18.2** During the period from 1.4.2007 to 31.12.2007, 2 applications were received under this Section, while 1 application was brought forward from the previous year. Out of the total 3 applications, 1 application was disposed of and 2 applications were pending at various stages of consideration as on 31.12.2007.

### **Payment of Dividend**

**3.19** Section 205(1)(c) of the Companies Act empowers the Central Government to allow any company, in public interest, to declare or pay dividend without providing for depreciation. During the period, two applications were received and 5 applications were brought forward from the previous year. Out of the total 7 applications, 4 applications were disposed of and 3 applications were pending as on 31.12.2007.

### **Accounts of Subsidiaries**

**3.20.1** Section 212 of the Companies Act provides that the Balance Sheet of a holding company should include certain documents of its subsidiaries. However, sub-section (8) thereof empowers Central Government to exempt a holding company from the requirements of including in Balance Sheet the said particulars of subsidiary companies.

**3.20.2** During the period from 1.4.2007 to 31.12.2007, 278 applications were received and 16 applications were brought forward from the previous

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year. Out of the total 294 applications, 262 applications were disposed of and 32 applications were pending at various stages of consideration as on 31.12.2007.

### **Appointment of Sole Selling Agents:**

**3.21.1** Sub-Section 294AA(1) of the Companies Act, 1956 requires that where Central Government is of the opinion that the demand for goods of any category is substantially in excess of production or supply of such goods and that the services of the Sole Selling Agents will not be necessary to create a market for such goods, the Central Government may, by notification in the Official Gazette, declare that Sole Selling Agent shall not be appointed by a company for the sale of such goods for such period as may be specified in the declaration. At present, the said prohibition on appointment of Sole Selling Agents exists only in respect of 'Bulk drugs, drugs and Formulations which has been extended for a period of three years w.e.f. 5.4.2007 vide Notification No. GSR 272(E) dated 5.4.2007.

**3.21.2** Sub-sections (2) and (3) of Section 294-AA of the Companies Act, 1956 require the companies to obtain approval of Central Government for appointment of Sole Selling Agents. Sub-section (2) applies to those companies, in which the Sole Selling Agents either by themselves or through their relatives, hold paid-up-capital of Rs. 5 lakhs or 5 per cent of the paid-up-capital of the company, whichever is less. Sub-section (3) applies to the companies whose paid-up capital is Rs. 50 lakhs or more.

**3.21.3** During the period from 1.4.2007 to 31.12.2007, 9 applications were received under sub-sections (2) & (3) of Section 294AA of the above said Act while 7 applications were brought forward from the previous year. Out of the total 16 applications, 7 applications were disposed of and 9 applications were pending at various stages of consideration as on 31.12.2007.

### **Loans to Directors and Relatives:**

**3.22.1** Section 295 of the Companies Act, 1956 requires all public companies or their subsidiaries to obtain the previous approval of Central Government before making any loan to, or giving any guarantee or providing any security in connection with a loan made by any other person to, or to any other person by their directors, relatives of such directors, firms or private Companies in which such directors are interested and to other body corporate falling within the ambit of clauses (d) & (e) of sub-Section (1) of the said Section.

**3.22.2** During the period from 1.4.2007 to 31.12.2007 the Central Government received 27 applications under this section and 23 applications were brought forward from the previous year. Out of these, 50 applications, 28 applications were disposed of and 22 applications were under examination as on 31.12.2007.

### **Amalgamation of Government Companies**

**3.23** During period under report, 4 cases were received and 3 cases brought forward from the previous year were considered under Section 391-394 and 396 of the Companies Act, 1956. Out of these 7 cases, 3 cases were disposed of and 4 cases were pending as on 31.12.2007.

### **Power to Declare Companies as Nidhi**

**3.24.1** Under Section 620A of the Companies Act, 1956, the Central Government is empowered to declare by notification in the Official Gazette certain special type of Non-Banking Financial Companies as "Nidhi Companies" or "Mutual Benefit Societies" as the case may be and direct that certain provisions of the Companies Act, 1956 shall not apply and/or, as the case may be, shall apply with certain exceptions, modifications and adaptations to the said Nidhi's. During the period from 1.4.2007 to 31.12.2007 the Central Government declared 42 companies as Nidhi Companies vide Notification GSR

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611(E) dated 20.9.2007, bringing the total number of Companies notified as Nidhi Companies to 333.

**3.24.2** During the period from 1.4.2007 to 31.12.2007 the Central Government received 17 applications under Section 620A of the Companies Act, 1956 and 79 applications were brought forward from the previous year. Out of these, 96 applications, 76 applications were disposed of and 20 applications were under process/examination of the Central Government as on 31.12.2007.

### **Accord of Approval for granting contracts under Section 297(I)**

**3.25.1** Section 297(1) of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 1974 which came into force with effect from 1<sup>st</sup> February, 1975, makes it obligatory for companies having paid-up share capital of not less than Rs. 1 crore to seek prior approval of the Central Government in respect of any contract to be entered into (a) for sale, purchase or supply of goods, material or service or supply of goods, material or service or (b) for underwriting the subscription of any share or debentures of the company with a Director of the company or his relatives, a firm in which such a Director or relative is a partner, any other partner in

such a firm or a private company of which a Director is a Member or Director. The powers of Central Government to accord approval under Section 297(1) of the Companies Act, 1956 have been delegated to Regional Directors with effect from 19.8.1993. This has been done with the twin purposes of decentralization and expeditious disposal.

**3.25.2** During the period from 1.4.2007 to 31.12.2007, Regional Directors considered 1,021 applications including 302 applications brought forward from the previous year. Out of these, 817 applications have been disposed of and the balance of 204 applications were pending with Regional Directors as on 31.12.2007.

### **Applications considered and disposed of by the Regional Directors and Registrars of Companies**

**3.26** The powers and functions of the Central Government in respect of some Sections of the Companies Act, 1956 have been delegated to the Regional Directors located at Kolkata, Mumbai, Chennai and Noida (U.P.) and to the Registrars of Companies. Table 3.5 below shows the disposal of applications dealt with by the Regional Directors/ Registrars of Companies under the delegated powers.

**Table 3.5**

**Applications considered and disposed of by the Regional Directors and Registrars of Companies under various Sections of the Companies Act, 1956 during the period from 1.4.2007 to 31.12.2007**

Sl.No.	Section of the Companies Act and the subject matter of the application	Considered during the year	Disposed of during the year	Pending as on 31.12.2007
1	2	3	4	5
1	21 - Change of name by company	5240	4851	389
2	22 - Rectification of name of the company	85	27	58
3	25 - Grant of licence	252	156	96
4	25(8) - Alteration in Memorandum & Articles of Association	90	55	35
5	31 - Alteration in Articles through Special Resolution	3366	3046	320
6	224(3)&(7) - Appointment and remuneration of Auditors	52	45	7
7	Section 394-A amalgamation of companies (pub/ pvt. Companies) by RD	979	779	200
8	555(7)(b) - Company liquidation Accounts	784	323	461
9	560 striking of name of the companies in the Register maintained by ROC	31147	9674	21473
	<b>Total</b>	<b>41995</b>	<b>18956</b>	<b>23039</b>

### Liquidation of Companies (Applications received by Official Liquidators)

**3.27** 6653 companies were under liquidation as on 31.3.2007 and 293 companies were taken into liquidation from 1.4.2007 to 31.12.2007. After taking

into account 89 companies finally wound up, the total numbers of companies under liquidation as on 31.12.2007 were 6857. The distribution of the companies in liquidation by their mode of winding up during 1.4.2007 to 31.12.2007 is given in Table 3.6.

**Table 3.6**

**Distribution of the companies in liquidation by their mode of winding up during 1.4.2007 to 31.12.2007**

Sl. No.	Subject	Pending as on 31.3.2007	Received during the period 1.4.2007 to 31.12.2007	Total (Col. 3+4)	Disposed of during the period 1.4.2007 to 31.12.2007	Pending as on 31.12.2007
1	2	3	4	5	6	7
1.	Members Voluntary winding up	1332	74	1406	11	1395
2.	Creditors Voluntary winding up	138	4	142	12	130
3.	Winding up by Court	5180	165	5345	63	5282
4.	Winding up subject to supervision of Court	03	50	53	3	50
	<b>Total</b>	<b>6653</b>	<b>293</b>	<b>6946</b>	<b>89</b>	<b>6857</b>

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## CHAPTER - IV

# THE MONOPOLIES AND RESTRICTIVE TRADE PRACTICES ACT, 1969

### POLICY, PROVISIONS AND PERFORMANCE

**4.1** The MRTP Act, 1969 has its genesis in the Directive Principles of State Policy embodied in the Constitution of India. Clauses (b) and (c) of Article 39 of the Constitution lay down that the State shall direct its policy towards ensuring:

- (i) that the ownership and control of material resources of the community are so distributed as to best serve the common good; and
- (ii) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

#### **Provisions Relating to Monopolistic, Restrictive and Unfair Trade Practices**

**4.2.1** Section 10 of the MRTP Act, 1969 empowers the MRTP Commission to enquire into monopolistic or restrictive trade practices upon a reference from the Central Government or upon its own knowledge or on information. The MRTP Act, 1969 also provides for appointment of a Director General of Investigation and Registration for making investigations for the purpose of enquiries by the MRTP Commission and for maintenance of register of agreements relating to restrictive trade practices.

**4.2.2** The MRTP Commission receives complaints both from registered consumer and trade associations and also from individuals either directly or through various Government Departments. Complaints regarding Restrictive Trade Practices or Unfair Trade Practices from an association are required to be referred to the Director General of Investigation and Registration for conducting preliminary investigation in terms of Sections 11 and

36C of the MRTP Act, 1969 and Regulation 119 of the MRTP Commission Regulations, 1974. The Commission can also order a preliminary investigation by the Director General of Investigation and Registration when a reference on a restrictive trade practice is received from Central/ State Government, or when Commission's own knowledge warrants a preliminary investigation. Enquiries are instituted by the Commission under relevant Sections of the MRTP Act, 1969 after the Director General of Investigation and Registration has completed the preliminary investigation and as a result of the findings, submits an application to the Commission for an enquiry.

#### **Monopolistic Trade Practices**

**4.3** Five enquiries under Section 10(b) were pending with the MRTP Commission at the beginning of the year 2006, while no fresh inquiry was instituted during the period from April, 2007 to December, 2007. 2 enquiries were disposed and such 3 enquiries were pending as on 31.12.2007.

#### **Restrictive Trade Practices**

##### **Under Section 10(a)(i)**

**4.4.1** 238 enquiries, including 219 brought forward from the previous year, were considered during April, 2007-December, 2007 of which 29 enquiries were disposed of during the said period and the remaining 209 enquiries were pending with the Commission as on 31<sup>st</sup> December, 2007.

##### **Under Section 10(a)(ii)**

**4.4.2** During April, 2007-December, 2007, One

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enquiry brought forward and the same was pending as on 31<sup>st</sup> December, 2007.

**Under Section 10(a)(iii)**

**4.4.3** 47 enquiries including 42 brought forward from the previous year were taken up by the Commission during April, 2007 to December, 2007. One enquiry was disposed of during the period and the remaining 46 were pending with the Commission as on 31<sup>st</sup> December, 2007.

**Under Section 10(a)(iv)**

**4.4.4** 34 enquiries were brought forward from the previous year and 6 fresh enquiries were instituted by the Commission during the year from April, 2007 to December, 2007. Out of these, 12 enquiries were disposed of during the said period and 28 enquiries were pending with the Commission as on 31<sup>st</sup>December, 2007.

**Unfair Trade Practices**

**4.5.1** Provisions relating to Unfair Trade Practices were incorporated in the MRTP Act, 1969 in the year 1984. Unfair Trade Practices have been defined in Section 36A as trade practices which for the purpose of promoting the sale, use or supply of any goods or for provision of any services, adopt one or more of the practices mentioned therein and thereby cause loss or injury to the consumers of such goods or services, whether by eliminating or restricting

competition or otherwise.

**Under Section 36B(a)**

**4.5.2** 451 enquiries including 395 enquiries brought forward from the previous year were considered by the Commission during April, 2007 – December, 2007. Of these, 49 enquiries were disposed of and the remaining 402 enquiries were pending as on 31<sup>st</sup> December, 2007.

**Under Section 36B(b)**

**4.5.3** Neither any enquiry under Section 36B (b) of the MRTP Act, 1984 was initiated nor any enquiry was brought forward during April, 2007- December, 2007.

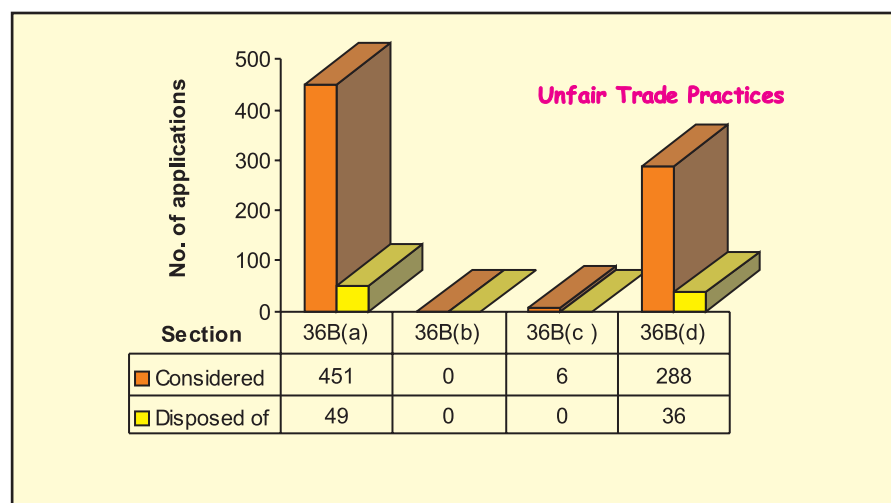
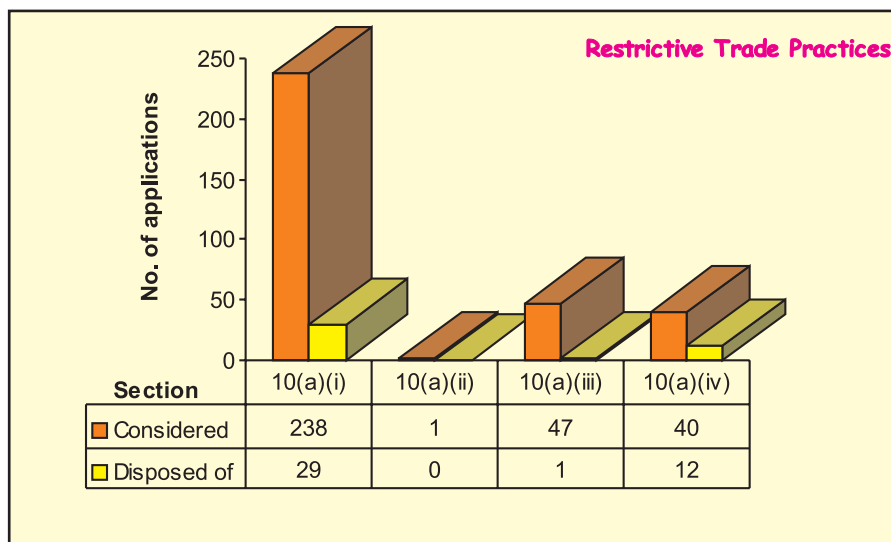
**Under Section 36B(c)**

**4.5.4** 6 enquiries including 4 enquiries brought forward from the previous year were considered by the Commission during April, 2007 – December, 2007. All 6 enquiries were pending as on 31<sup>st</sup> December, 2007.

**Under Section 36B(d)**

**4.5.5** 288 enquiries, including 195 brought forward from the previous year, were taken up by the Commission during April, 2007 – December, 2007. Out of these, 36 enquiries were disposed of and 252 enquiries were pending with the Commission as on 31<sup>st</sup> December, 2007.

## Enquiries considered and disposed of by MRTP Commission as on 31.12.2007



### Temporary Injunctions

**4.6** Besides 85 applications pending under Section 12A with the MRTP Commission as on 1<sup>st</sup> April, 2007, 57 applications were received by the Commission during the period April, 2007 – December, 2007. Out of total 142 applications, 95 were disposed of and the remaining 47 applications were pending under Section 12A with the Commission as on 31<sup>st</sup> December, 2007.

### Award of Compensation

**4.7** During the period April, 2007 – December, 2007, 1187 applications under Section 12B including 1108 applications brought forward from the previous year were considered by the Commission. Of these, 60 applications were disposed of by the Commission during the period and the remaining 1127 applications were pending as on 31<sup>st</sup> December, 2007.



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## Registration of Agreements

**4.8.1** Section 35 of the MRTP Act, 1969 requires every agreement relating to Restrictive Trade Practices falling within one or more of the categories enumerated in Section 33(1) of the Act to be furnished for registration within 60 days of the making of such agreement.

**4.8.2** In pursuance of this provision, during the period from April, 2007 to December, 2007, 5 agreements were received for registration. Out of these, 4 were registered and entered in the Register of Agreements and one agreement was pending for registration as on 31.12.2007.

**4.8.3** A total number of 40,019 agreements were filed up to the end of 31<sup>st</sup> December, 2007, by various undertakings. Out of these, 39,151 agreements were found to contain clauses that constituted deemed restrictive trade practices as enumerated in the Act, and their particulars were entered in the Register of Agreements.

## Investigation by Director General (Investigation & Registration)

### Investigation

**4.9.1** The Director General carries out preliminary investigation in respect of restrictive, monopolistic and unfair trade practices as and when an order of preliminary investigation is received from the MRTP Commission. As on 1.4.2007, 35 such investigations were in progress. During the period from 1.4.2007 to 31.12.2007, 94 fresh orders of Preliminary Investigations were received. Out of a total of 129, this office has submitted Preliminary Investigation Reports in 61 cases. As a result, 68 investigations were on hand as on 31.12.2007. Besides, the Director General has *suo-moto* powers to initiate Preliminary Investigation into monopolistic, restrictive and unfair trade practices, and in case any of these trade practices are detected during such

investigation, the Director General files applications under Section 10(a)(iii)/10(b)/36B(c) of the Act for initiation of Enquiry proceedings by the Hon'ble MRTP Commission. As on 1.4.2007, 32 *suo-moto* investigations were in hand. During the period from 1.4.2007 to 31.12.2007, one fresh investigation was taken up and 28 investigations were completed. As a result, 5 investigations were on hand as on 31.12.2007. As a result of such *suo-moto* investigations, one application was filed under Section 36B(c)/10(a)(iii) of the Act for enquiry into unfair restrictive trade practices during the said period.

### Consumer Protection

**4.9.2** Of late, consumer protection and welfare is assuming increasing importance and relevance across the whole country. The consumers have been organising themselves into consumer bodies all over the country to safe-guard the public and consumers' interest against unfair trade practices being indulged in by parties through misleading advertisements, bargain-sales, organisation of sales promotion contests, marketing goods etc. An independent chapter regarding unfair trade practices was inserted in the MRTP Act in 1984 and the consumers are taking full benefit of the provisions contained in this chapter by filing complaints in this office. Facility of speedy redressal of their grievances is provided by this office. As on 1.4.2007, 80 complaints were under investigation in this office. During the period from 1.4.2007 to 31.12.2007, this office received as many as 219 fresh complaints from consumers and other parties. 172 complaints were disposed of during the aforesaid period, and as a result 127 complaints were pending as on 31.12.2007. As a result of such investigations taken up during the period from 1.4.2007 to 31.12.2007 on the basis of complaints received in this office, 7 applications have been filed under Section 36(B)(c)/10(A)(iii) of the Act for enquiry into unfair and restrictive trade practices.

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## PROSECUTION OF ENQUIRIES

### Before the Commission

**4.10.1** The Director General is the custodian of public interest in the enquiry proceedings before the MRTTP Commission and he has to appear in person or through his counsels to safeguard the public

interest before the Commission. As on 31.12.2007, 197 enquiries are being prosecuted by this office before the MRTTP Commission.

### Before the Supreme Court/ High Courts

**4.10.2** The position of Appeals/Writs filed and pending before the Supreme Court/ High Courts is given in table 4.1 :-

**Table 4.1**  
**Appeals/Writs filed and pending before the Supreme Court/High Courts**

Appeals/Writs	Pending as on 1.4.2007	Filed during 1.4.2007 to 31.12.2007	Disposed of during 1.4.2007 to 31.12.2007	Pending as on 31.12.2007
Appeals before the Supreme Court	22	1	4	19
Writs in different High Courts	67	1	8	60

**4.10.3** The Director General has been appearing in all the required Appeals/ Writ Petitions before the Supreme Court and High Courts through the counsels appointed by the Central Agency Section Litigation Branches of the Department of Legal

Affairs, Ministry of Law & Justice.

**4.10.4** Total expenditure under the Head 'Professional and Special Services' for the period from 1.4.2007 to 31.12.2007 was incurred Rs. 2,61,850/-.

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## CHAPTER - V

# ALLIED LEGISLATIONS

### **The Chartered Accountants Act, 1949**

**5.1.1** The Chartered Accountants Act was enacted in 1949 to regulate the profession of Chartered Accountants and, for that purpose, to establish an institute. The Institute of Chartered Accountants of India (ICAI) was accordingly established in July, 1949, in terms of the provisions of the Act.

**5.1.2** The main objects of the Institute of Chartered Accountants of India are prescribing qualifications for membership holding examination and arranging practical training of candidates for enrolment, maintenance and publication of Register of Members qualified to practice the profession, carrying on activities for development of the profession and regulation and maintenance of status and standard of professional qualification of the Members. The Institute conducts examinations all over the country, provides postal/oral coaching and, arranges practical training, enabling students to qualify for the profession.

**5.1.3** The affairs of the Institute are managed by its Council which also discharges the functions assigned to it under the Chartered Accountants Act. The Council is composed of not more than 24 persons elected by the members of the Institute and six persons nominated by the Central Government.

### **The Cost and Works Accountants Act, 1959**

**5.2.1** The Cost and Works Accountants Act was enacted in 1959 to regulate the profession of Cost and Works Accountants and for that purpose to establish the Institute of Cost and Works Accountants.

The Institute of Cost and Works Accountants of India (ICWAI) was accordingly established in May, 1959, in terms of the provisions of the Act.

**5.2.2** Under Cost and Works Accountants Act, 1959, the duties of carrying out the provisions of the Act are vested with the Council of the Institute of Cost and Works Accountants of India which is constituted under Section 9 of the Act. The Council is composed of not more than 12 persons elected by the members of the Institute and not more than 4 persons nominated by the Central Government. Accordingly, the Central Government has nominated 4 persons on the Council of the Institute.

### **The Company Secretaries Act, 1980**

**5.3.1** The Company Secretaries Act was enacted in 1980 to regulate and develop the profession of the Company Secretaries and for that purpose to establish the Institute of Company Secretaries of India (ICSI). The Institute of Company Secretaries of India was established in January, 1981.

**5.3.2** Under the Company Secretaries Act, 1980, the duties of carrying out the provisions of the Act are vested with the Council of the Institute of Company Secretaries of India, which is constituted under Section 9 of the Act. The Council is composed of not less than 12 persons elected by the Members of the Institute and not more than 4 persons nominated by the Central Government. Accordingly, the Central Government has nominated 4 persons on the Council of the Institute.

### **Professional Services**

**5.4** The members of the Institute of Chartered

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Accountants of India (ICAI), the Institute of Cost and Works Accountants of India (ICWAI) and the Institute of Company Secretaries of India (ICSI) provide the Professional Services under this Ministry. In order to ensure that the professionals are able to cope up with the challenges thrown by the rapidly changing economic scenario and globalization and enabling them to exploit new opportunities, the Parliament passed the Institute of Chartered Accountants (Amendment) Act, 2006, the Institute of Cost and Works Accountants (Amendment) Act, 2006, and the Institute of Company Secretaries (Amendment) Act, 2006.

### **The Competition Act, 2002**

**5.5** In accordance with the provisions of the Competition Act, 2002, the Competition Commission of India was established on 14<sup>th</sup> October, 2003. While the process of the making the Competition Commission functional was being undertaken, the Competition Act met with the legal challenges. The Supreme Court of India delivered its judgement on the writ petition filed in this regard in January, 2005. Keeping in view the judgement of the Supreme Court, the proposals for amendment to the Competition Act, 2002 were framed and moved which were finally approved by the Parliament in its Monsoon Session, 2007. Under the amended Act the process of operationalization of Competition Commission of India has been initiated along with the process of framing of Rules and Regulations.

### **Valuation Professionals Bill, 20\*\***

**5.6** Ministry of Corporate Affairs placed on its website on 8<sup>th</sup> June, 2007 a concept paper on the Council of Valuation Professionals of India Bill, 20\*\* proposing a new legislation for the regulation of valuation professionals, for seeking suggestions and comments from the general public. A large number of comments have been received and these are under examination.

### **The Societies Registration Act, 1860**

**5.7** The Societies Registration Act, enacted in 1860, provides for the registration of Literary, Scientific and Charitable Societies, so as to improve the legal status of such societies. The Act required that societies established for promotion of literature, science or fine arts, or in the diffusion of useful knowledge or for charitable purpose, register themselves by filing their Memorandum of Association with Officers specified in the Act. Most of the States have enacted amendments to the Societies Registration Act. The amendments also include registration of societies in the respective states by the Registrar of Societies or by other officers appointed by the State Government for the purpose.

### **The Indian Partnership Act, 1932**

**5.8** The Indian Partnership Act was enacted in 1932 with a view to define and amend the law relating to partnership apart from providing the nature of partnership, relating to partners with one another and with third parties. The Act also provides for registration of the firms with the Registrars appointed by the State Governments for the purpose. The Act makes separate provisions for registration of firms with the income tax officers concerned for the purpose of the Income Tax Act.

### **The Companies (Donation to National Funds) Act, 1951**

**5.9** The Companies (Donations to National Funds) Act was enacted in 1951. The Act enables any company, notwithstanding anything contained in the Companies Act or any other law, and also notwithstanding the contents of the Memorandum and Articles of Association of any Company, to make donations to any fund established for a charitable purpose as approved by the Central Government. The Central Government has approved the Gandhi National Memorial Fund and the Sardar Vallabhbhai Patel National Memorial Fund as eligible to receive donations.

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## CHAPTER – VI

# STATISTICAL REVIEW OF CORPORATE SECTOR

### Companies at Work

6.1 7,43,678 companies limited by shares were at work in the country as on 31.03.2007. These comprised 7,42,009 non-government companies and 1,669 government companies. Out of 7,43,678 companies limited by shares at work, 90,654 companies were public limited and 6,53,024 were private limited companies. Besides, there were 3,846 companies with liability limited by guarantee and associations not for profit and 520 companies with unlimited liability as on 31.03.2007. State-wise distribution of companies limited by shares at work as on 31<sup>st</sup> March, 2007 is given in Statement-I.

### New Registration

6.2.1 51,708 companies limited by shares with authorised capital of Rs. 72,510.90 crore were registered under the Companies Act, 1956 during the year 2006-07. Out of these, 116 were government companies with authorized capital of Rs. 12,811.90 crore and 51,592 were non-government companies with authorized capital of Rs. 59699.00 crore. 241 companies with liability limited by guarantee and associations not for profit and 22 companies with unlimited liability were also registered during the period.

6.2.2 The government companies limited by shares which were registered during the year 2006-07

comprised 52 public limited companies and 64 private limited companies with authorized capital of Rs. 12,723.15 crore and Rs. 88.75 crore respectively. The non-government companies limited by shares which were registered during the year 2006-07 comprised 1,898 public limited companies and 49,694 private limited companies with authorized capital of Rs. 34,574.30 crore and Rs. 25,124.70 crore respectively.

### Liquidation

6.3 During the year 2006-07, a total of 17,818 non-government companies limited by shares were reported to have gone into liquidation or to have been struck off under Section 560 (5) of the Companies Act, 1956.

### Foreign Companies

6.4 2,310 foreign companies, as defined under Section 591 of the Companies Act, 1956 were in the country as on 31.03.2007. Another 263 foreign companies established their place of business in India and 27 foreign companies have ceased to have their principal place of business in India during the period from April, 2007 to December, 2007. Thus there were 2,546 foreign companies in India as on 31<sup>st</sup> December, 2007.

6.5 Statistical information given above is as generated under MCA21 system.

**STATEMENT - I**  
**Companies Limited by Shares at work as on 31st March, 2007**  
**(State-wise Distribution)**

SI.No.	STATE / UT	Public	Private	Total
		No.	No.	No.
1	2	3	4	5
1	ANDHRA PRADESH	6,235	43,775	50,010
2	ASSAM	370	4,995	5,365
3	BIHAR	1,179	7,552	8,731
4	CHHATISGARH	278	1,493	1,771
5	GUJARAT	6,691	42,588	49,279
6	HARYANA	975	6,292	7,267
7	HIMACHAL PRADESH	352	1,880	2,232
8	J & K	250	2,069	2,319
9	JHARKHAND	459	2,959	3,418
10	KARNATAKA	2,603	35,987	38,590
11	KERALA	2,511	15,082	17,593
12	MADHYA PRADESH	1,632	9,573	11,205
13	MAHARASHTRA	20,173	146,886	167,059
14	MANIPUR	47	194	241
15	MEGHALAYA	92	553	645
16	MIZORAM	-	45	45
17	NAGALAND	44	262	306
18	ORISSA	1,006	7,529	8,535
19	PUNJAB	2,339	12,644	14,983
20	RAJASTHAN	1,858	19,595	21,453
21	TAMIL NADU	7,909	51,644	59,553
22	TRIPURA	5	119	124
23	UTTAR PRADESH	5,114	21,296	26,410
24	UTTARAKHAND	264	1,503	1,767
25	WEST BENGAL	10,384	80,719	91,103
26	A & N ISLANDS	4	79	83
27	ARUNACHAL PRADESH	15	296	311
28	CHANDIGARH	1,331	5,348	6,679
29	D & N HAVELI	60	187	247
30	DAMAN & DIU	43	129	172
31	DELHI	15,337	124,639	139,976
32	GOA	224	3,960	4,184
33	LAKSHDWEEP	2	4	6
34	PUDUCHERRY	868	1,148	2,016
	<b>Total</b>	<b>90,654</b>	<b>653,024</b>	<b>743,678</b>

## Towards Interactive and Responsive Administration

**7.1** In its pursuit towards a more responsive, transparent and dynamic environment in the Headquarters and in the field offices, the Ministry of Corporate Affairs has undertaken several innovative measures and mechanisms.

### E-Governance

**7.2.1** The Ministry of Corporate Affairs has implemented MCA21 e-Governance Project. It is one of the Mission Mode Projects of the Government of India under the National e-Governance Plan. The project envisages easy and secure online access to all registry related services provided by the MCA, including registration and filling of documents throughout the country for all the corporates and other stakeholders at any time and in a manner that best suits them. The programme is outcome based and focused on improving the quality of services to various stakeholders concerned with the corporate sector in the country.

**7.2.2** Conceived as a holistic service delivery project, M/s. TCS Limited led consortium was selected as the operator following a competitive bidding process. The project involves an implementation phase followed by an operations phase for a period of six years.

**7.2.3** The roll out of the Project commenced from ROC, Coimbatore on February 18, 2006 and progressively accomplished in all twenty ROCs by September 04, 2006. Implemented over a record time of 78 weeks, the project has been recognized as a path-breaking initiative of the Government.

### Improvement in delivery of services

#### 7.3.1 Empowering the citizen/ stakeholder to access information on companies (G2C services) :

- (i) Section 610 of the Companies Act, 1956 allows inspection of documents kept by the Registrars of Companies by the various stakeholders on payment of statutory fees. The provision is intended to benefit the citizens in the country in accessing the company documents at a nominal fee. However, in the erstwhile physical mode, the services remained scanty due to limited ROC locations, which are twenty across the country and availability restricted to office working hours, resulting in limited utilization by the commoners. After the implementation of MCA21, the situation became a history of the past.
- (ii) Nearly 5 crore pages of legacy records consisting of permanent documents of companies (MOA, AOA, subsisting charge documents etc.) and Annual Returns and Balance Sheets for a period of two years preceding have been scanned and digitized and made a part of the MCA21 electronic Registry. The electronic Registry has been further enriched with the e-filing of all the documents in various Registries with effect from the dates of roll-out of the programme and further mandated for the entire country with effect from September 16, 2006. The facility of inspection of documents granted under section 610 of the Companies Act, 1956 has been converted into

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the facility of 'View Public Documents' under the MCA21. Further, keeping in view that not all legacy records were scanned and digitized, a facility of 'on-demand scanning' has been provided. Under this facility, a stakeholder can request for certain documents (subject to availability) to be scanned and made available online. The features of this facility are as under:-

- **Master Company Data:** The Master Company Data consists of basic details about a company and can be accessed on the portal by any citizen free of any charge;
  - **View signatory details:** This window permits the citizens to access the data-base regarding the Directors/ Manager/ Secretary of the company and is available without any charge for present;
  - **View Public Documents:** Under this window, a stakeholder can view the index of all the documents of a company available in the electronic Registry and can access the documents on payment of the prescribed statutory fees. The facility for on-line payment has been made available and the window remains open for a period of three hours at any one point of time;
  - **View Charge Documents:** The Charge Register is an important document for the Banks and the Financial Institutions besides the company. The Banks and the FIs used to spend a lot of money on verification of charges in respect of a company. Now this facility is available in respect of all the subsisting charges of a company, which can be viewed on-line on payment of statutory fees.
- (iii) The enduring difficulty and overhead cost in the process of physical inspection of paper documents at the offices of ROC has been largely eliminated by introducing the MCA21 e-Governance Programme. As on 15<sup>th</sup> January

2008, more than 4,02,748 services have been availed using the electronic access facility. This number is only in respect of the services availed for which statutory fee is payable. The number of public view of 'Company Master Data' is far higher as this facility has been made available without any charge and for which no record is being maintained. Nevertheless, the facility much benefited the marginal and small potential investors who can view the companies' performance on-line and empowered themselves as informed investors in the country.

#### 7.4.1 B2G Transactions:

- (i) Companies are required to interface with the Registrar of Companies (ROCs), the Regional Directors (RDs) and the Central Government in accordance with various provisions of the Act. These interactions could be grouped under three broad categories viz :
- Transactions requiring approvals from the ROCs, RDs and the Central Government (e.g. name approval, incorporation, increase in authorized capital, registration/ modification/ satisfaction of charge etc.);
  - Transactions in which the companies are required to file certain documents as a statutory requirement but not requiring approvals. These documents are primarily taken on record of various registries (e.g. Annual Return, Balance sheet, change in registered office address, change in Directors, special resolutions etc.);
  - Transactions wherein the companies are required to respond to the references from these agencies as a part of compliance management and regulation.
- (ii) Prior to the implementation of MCA21, all filings by the companies were in physical paper mode requiring a stakeholder or his representative to physically visit these offices or send the same



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by post. Handling large volumes of paper was a major problem in the back offices and there were complaints on account of all sorts of undesirable practices such as loss of paper documents, ante-dated filings, replacement of statutory documents etc. The papers could not be tagged on to the Document files (D-files) of concerned companies in time due to peak filing season rush and shortage of staff. There have been instances when these documents were not posted in the respective D-files for years at end. A check on the quality of filings (correct and complete information) had virtually become impossible, as the scrutiny of documents was nearly impossible in the face of volumes. Delivery of services in a transparent and efficient manner had become a major problem.

#### **Process re-engineering:**

**7.4.2** Various Forms have been re-engineered and converted into electronic Forms (e-Forms) so as to make the same compatible with the e-Governance processes. The e-forms have been designed with the in-built “pre-fill” feature whereby the data in the required fields is captured from the database available in the electronic registry in an automated manner. Requirements of repetitive data entry have been significantly reduced. The process of electronic filing also incorporates the facility of “pre-scrutiny” of the e-Form. This is a completely electronic process where the system verifies if the form is complete in respect of mandatory fields. This is, however, limited to such checks as can be performed by the computerized system.

#### **Payment of statutory fees**

**7.4.3** Filing of documents by the companies entails payment of statutory fees. The system of payment of statutory fees has been re-engineered as a part of the overall process. In addition to availability of single option, i.e. conventional challan based off-line

payment system in the pre-MCA21 system, fastest realization of on-line payment systems were introduced. The benefit in ‘on-line mode of payment’ is that the payment realization is reported instantaneously and minimum time is taken in initiation of the work item and the resultant immediate processing of the service request. The ‘off-line’ payment system delays the initiation of work item to the extent of time taken by the Banks in reporting payment realization to the MCA21 system. As on 15<sup>th</sup> January 2008, the usage of on-line system has reached the level of 47% of the transactions.

#### **Integrity and security of documents: use of DSCs**

**7.4.4** In order to ensure the non-repudiation of authenticity of the documents filed and the integrity and security of documents filed, the use of Digital Signatures (DSCs) has been mandated. The use of DSC based filings ensures the integrity of the document and non-repudiation on the part of the stakeholders.

#### **Role-check**

**7.4.5** It was observed that even though the documents are being filed using DSCs, the Ministry had no way to verify the antecedents of the authorised signatory. Now, this feature has been introduced with effect from July 01, 2007 whereby the system of role-check of the signatory has been implemented. The signatory is now required to register his DSC on the portal, which is verified by the system against the Director Identification Number (DIN) database created in respect of the Directors and the professionals database taken from the respective institutes of Chartered Accountants, Company Secretaries and the Costs and Works Accountants. Thus, the identity of the signatory is fully established except in case of signatories from the Banks and FIs whose database is not being maintained by the Banks and the FIs at any central location. Steps are under way to find a resolution for this group of signatories also.

## **Straight Throughput Process (STP)**

**7.4.6** Companies are required to file certain documents as a statutory requirement but not requiring approvals. These documents are primarily taken on record of various registries (e.g. Annual Return, Balance sheet, etc.). A system of straight throughput of these documents into the electronic registry has been introduced. This saves any traffic congestion of the system in the back offices when these documents are filed. These documents can be retrieved from the electronic Registry for view as per requirement, by the ROC staff or the public, as the case may be. An exercise is in hand to bring in a few more documents within the fold of the straight throughput process.

### **Benefits**

**7.4.7** Introduction of the system of e-filing has helped in resolution of most of the problems in a

substantial manner. The stakeholders are no longer required to physically visit the ROC offices and queue-up for filing their documents. They can do so from their virtual offices, be it office or home at any time and from anywhere. Filing times have been extended from 09.00 am to 05.00 pm to 24 hours. Weekends or holidays are no longer relevant as the services are available on a 24 X 7 X 365 time frame. Record management is automatic, digital records have largely replaced paper records and there is no question of ante-date filings or loss or substitution of documents. Elements of speed, certainty and integrity in filing of documents are in place. The stakeholders have received the programme very well.

### **Operational Statistics**

**7.4.8** Details of the usage of the project by all the stakeholders are brought out in the following Table on operational statistics as on 31<sup>st</sup> January, 2008:

<b>Operational Statistics under MCA21 as on 31 January 2008</b>	
Average portal hits per day	2.4 million
Peak Portal hits on a single day	14.18 million
Peak filing on a given day (29 <sup>th</sup> November 2007)	41,832
Total filings 39.11 lakhs	
New Companies registered online	95,993
Company records viewed online	4.16 lakhs
Total DIN issued	7.43 lakhs
Total DSC registered	2.59 lakhs
Pattern of E-filing-	
- Made directly at MCA Portal	85%
- Via Certified Filing Centres	8%
- Via MCA Facilitation Centres	7%
Revenue Receipts	
- As on 31 <sup>st</sup> Mar '05	Rs. 474 Cr.
- As on 31 <sup>st</sup> Mar '06	Rs. 728 Cr.
- As on 31 <sup>st</sup> Mar '07	Rs. 1,038 Cr.
Payment realization reporting by Banks	98.5% in T+3 days
Online payment transactions (by volume)	47%

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## **G2B Transactions**

**7.5.1** The Government responds to the requests for approvals by way of service delivery and regulates the corporate sector in terms of compliance and enforcement of the provisions of the Act would fall in the domain of G2B services. The G2B services, in a healthy business eco-system, assume the fulfillment of the following expectations:

- The stakeholders are enabled to approach the Government in a hassle-free manner;
- The stakeholders are enabled to monitor and follow up the transaction status;
- The processes are simple, cost-effective and render compliance easy;
- The services are delivered in a transparent manner with speed and certainty;
- The stakeholders have a smooth access to the public records.

**7.5.2** The implementation of MCA21 has provided an enabling environment for the stakeholders to approach the Government for seeking the complete basket of services in an easy and transparent manner. The workflow process gets completed only with a similar response mechanism from the Government side, which has been addressed along with the first part of this initiative. The main features of this process are explained in the following paragraphs:

### **Initiation of work items**

- (i) Once the stakeholders file their requests through the prescribed e-forms along with complete documents/ attachments, the work items remain parked in the front portal till the realization of payment of statutory fees is electronically confirmed by the Banking system to the MCA21 system. The moment the payment realization is confirmed, the work items appear on the Desktops of the Dealing Hands

following a system of allocation of works in FIFO (First in First out) mode. It follows a 'Push' model, which means that the moment the Dealing Hand cleared one item, the next item on his Dash Board appears before him. The Dealing Hand, after examination, either recommends it for approval to the AO or records the deficiencies/ clarifications required. The items categorized as PUCL (Pending User Clarification) or 'Resubmission' on account of deficiencies gets conveyed to the stakeholder in his e-Box. Those meeting the approval standards are pushed on to the AOs, approved and closed.

### **Track transaction status and response mechanism**

- (ii) The stakeholder is in a position to track the transaction status at every stage from the payment status to the processing and ultimately to the approval status. The clarifications/ queries, if any, are automatically communicated to him so as to enable him to respond, again electronically. This is a significant improvement over the earlier system when the stakeholder would just not know the status of processing of his request.

### **Assured payment of statutory fees**

- (iii) The system has helped streamline the realization of statutory fees. Any scope for miscalculation or underpayment has been obviated as the fee payable is calculated through the system. Though there are a number of factors (overall buoyancy in the economy and improved compliance rate) responsible for increase in revenues, it is noteworthy that the total revenues contributed by the Ministry have increased from Rs. 474 crore in March 2005 to Rs. 728 crore in March 2006 and further to Rs. 1,038 crore in March 2007. The implementation

of e-Governance has enabled plugging the leakages, especially in the cases of payments on account of increase in authorized capital of the companies.

### Time taken in delivery of services

(iv) The time taken in delivery of services has shown remarkable improvement. The status of total number of documents filed, the number of documents processed and approved with aging analysis is monitorable at all the three levels of the ROC, the RD and the Ministry's

Headquarter. Regular central monitoring in this behalf has paid rich dividends. The time lines for delivery of services, as provided in the Citizen Charter, have been revised downwards by 50%, though the actual progress being achieved on an average is better than the timelines prescribed in the Citizen Charter. There has been a significant turn around in time for delivery of services with the implementation of the project which is brought out from the following tables:

### Efficiency in Service Delivery under MCA21

Service Metrics		
Type of Service	Prior to MCA21	After MCA21
Name Approval	7 days	1-2 days
Company Incorporation	15 days	1-3 days
Change of Name	15 days	3 days
Charge creation / modification	10-15 days	2 days
Certified Copy	10 days	2 days
Registration of Other Documents		
Type of Service	Prior to MCA21	After MCA21
Annual Return	60 days	Instantaneous
Balance-sheet	60 days	Instantaneous
Change in Directors	60 days	1-3 days
Change in Regd. Office Address	60 days	1-3 days
Increase in Authorized Capital	60 days	1-3 days
Inspection of Public Documents	Physical appearance	On-line

### G2G services and linkages

7.6.1 With a forward-looking architecture of MCA21, it is capable of sharing information with other Government Departments/ Ministries/ Regulators on the Corporate Sector of the country and introduction of joined-up services in due course of time. A beginning has already been made with free access to company documents having been allowed to the following:

- Reserve Bank of India;
- Finance Intelligence Unit (FIU-IND);
- Department of Economic Affairs;
- Intelligence Bureau;
- Central Statistical Organisation

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**7.6.2** The access has been permitted to the designated officers of these offices through a secure DSC based login. However, the scope for extending this is enormous in times to come. Once the other Departments implement their e-governance programmes, and the NSDG develops the national Gateway, the MCA21 system is built with interoperability options. It could eventually lead to single stop services. For instance, the corporates could be required to file their balance sheets only with the MCA dispensing with the need for filing the same with the Income Tax Department as the MCA data could be shared with the Revenue Department.

### **Efficient record management**

**7.7.1** Record management of the documents filed in the Registries, which was a major area of concern earlier, has undergone a complete transformation. Now, it is automatic and the electronic Registry is set to be enriched over a period of time.

### **Data integrity – Cleaning and validation**

**7.7.2** The implementation of MCA21 has enabled the Ministry to recognize the dimensions of problems associated with the integrity of the database. Now, the companies can view their Master Data and have enabled to point out the inaccuracies in the data for correction to the ROCs. A major drive for data correction and validation has been taken up on top priority. More than 80,000 data correction requests have been filed by the companies while an equal number has been covered through a suo-motu exercise by the ROCs. It is planned to complete this exercise over the next year when the Registry would be able to claim a reasonable degree of integrity of the database on the corporate sector of the country. More than a lakh of defunct companies have been identified in the system and the process for striking off their names under Section 560 of the Act has been taken up in the form of another drive. This would

significantly purge the registry of avoidable administrative burden. Already, more than 81,000 companies have been placed under the categories of 'Struck-off/ Dissolved/ under Liquidation/ Amalgamated' etc. These initiatives could not be thought of in the pre-MCA21 environment.

### **Improvement in compliance management**

**7.7.3** It has become possible to manage the compliance of statutory obligations by the companies. Filing of Annual Returns and Balance Sheets have registered an increase of more than 60% during first one year.

### **Awards & Recognitions:‘**

**7.7.4** The MCA21 project has been recognised widely and received following awards till date:

- ◆ Suo motu awarded 'IT Pathbreaker Award 2006' by the Data Quest.
- ◆ Recognised as 'a revolutionary step by the Government in the right direction' by 92% of the CFOs in a survey conducted by Ernst & Young of the CEOs and CFOs of leading companies in the country and aired on the CNBC.
- ◆ 'Certificate of Excellence' awarded for 'Excellence in e-Governance Implementation' at Technology Sabha, 2008 organised by the Indian Express Group and Tata Indicom.
- ◆ Awarded 'Golden Icon' National Award in the category of "Excellence in Government Process Reengineering" on 7<sup>th</sup> February, 2008 by the Government of India in the Eleventh National Conference on e-Governance; and
- ◆ Suo motu selected for "Skoch Challenger Award 2008" for "Project of National Significance" to be conferred on 19<sup>th</sup> March, 2008 by skoch consultancy services Pvt. Ltd.

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## **Investor Grievance Redressal Mechanism**

**7.8.1** The Ministry of Corporate Affairs, in its endeavour to provide a platform to the Investor to lodge their grievances through internet, has also sponsored a website viz., [www.investorhelpline.in](http://www.investorhelpline.in) in September 2006 under the IEPF. The website has been developed and maintained by Midas, a non-Governmental Organisation (NGO), which is actively involved in investor grievances with complete information are processed, forwarded and followed up with the concerned entities/ authorities for redressal. The website also provides online status of the grievances lodged, thereby assisting the investors to track the progress.

**7.8.2** During the April 1, 2007 to December 31, 2007, it received a total of 3061 grievances of which 963 grievances were rejected on account of incomplete or insufficient information. Of the balance valid grievances, around 35 percent (i.e. 740) were beyond the mechanism of the Helpline as the subject matter were either sub-judice or the companies were not located on the given addresses. Out of the balance 1358 grievances, the Helpline has been able to facilitate redressal in 521 cases (38.4 percent). The remaining grievances (i.e. 1827) were under various stages of redressal. The category wise details of complaints received and resolution status is given at Statement 7.1.

## **Settlement of Grievances of Officers and Staff**

**7.9** Keeping in view the need for settlement of grievances of officers and staff, a Staff Council is in place in the Ministry, which is an elected body. The Staff Council is headed by the Joint Secretary incharge of Administration. It meets at least once in 2 months and all the grievances and problems are discussed and solved in this fora itself. It has proved to be a very effective mechanism in creating a healthy atmosphere in the Ministry.

## **Vigilance**

**7.10.1** A separate Vigilance Section is working in the Ministry of Corporate Affairs in line with the policy of the Central Government to eliminate corruption at every level. Prompt action is taken whenever any credible complaint is received. At the beginning of the year 2007-08, 18 vigilance cases were pending, out of which 6 cases have been disposed of with imposition of penalty in 4 cases.

**7.10.2** The implementation of MCA21 has introduced not only speed and certainty in delivery of services but also the required level of transparency of systems. Legacy data of companies running into more than 5 crore sheets of paper have been scanned and digitised thereby enabling the public and citizens to view company documents in public domain, on payment of prescribed statutory fees, on-line while sitting in the comfort of their offices and homes. Further transparency in delivery of services is envisaged through introduction of a FIFO (First-in-First-out) model introduced from March, 2007 for delivery of services following the seniority of filing of requests/ papers. The MCA21 system also provides for on-line lodging of complaints by the citizens and their follow-up at various levels.

**7.10.3** To inculcate the importance of proving corruption-free environment to instill the virtues of an honest system, the Ministry observed Vigilance Awareness Week beginning from 12<sup>th</sup> November, 2007 to 16<sup>th</sup> November, 2007 at the Headquarters as well as in all the field offices including MRTPC, DGI&R, CCI, SFIO and CLB. A pledge was administered to all the officers and the staff while commencing the week on 12<sup>th</sup> November, 2007.

## **Gender Issues**

**7.11** As regards gender issues, no discrimination is made on the basis of gender while allocating work. The work is allocated on the basis of designation.

**Representation of Scheduled Castes (SCs), Scheduled Tribes (STs) and Other Backward Classes (OBCs)**

7.12 As on 31<sup>th</sup> December 2007, there were 1717

employees working in the Ministry including its subordinate and field offices. Of these, 279 were Scheduled Castes, 102 were Scheduled Tribes and 124 were Other Backward Classes.

**Table 7.1**

**Statement showing the total number of Government servants and number of SCs, STs and OBCs amongst them for the year 2007-08 (For the period April, 2007 to December, 2007)**

Group	Total No. of employees	No. of employees out of total employees		
		SCs	STs	OBCs
Group A	248	34	13	17
Group B	175	25	13	12
Group C	1001	133	49	66
Group D	293	87	27	29
<b>Total</b>	<b>1717</b>	<b>279</b>	<b>102</b>	<b>124</b>

**Progressive use of Hindi**

7.13.1 Being a technical Ministry, Ministry of Corporate Affairs had to achieve its goal in regard to target set by Department of Official Languages to promote the use of Hindi in the official work as under:-

- (i) Almost all staff of the Ministry have acquired a working knowledge of Hindi as a result of efforts made during the last few years. The percentage of correspondence originating in Hindi from the Ministry till the period ending 31<sup>st</sup> December, 2007 was 30.2% (Overall).
- (ii) The correspondence under Section 3(3) of the Official Language Act, 1963 is being done bilingually.
- (iii) As per Rajbhasha Niyam-5, all the letters received in Hindi are replied to in Hindi only.

- (iv) To facilitate noting and drafting in Hindi and for proper usages of various Hindi formats in the official working, a workshop was held on 17.09.2007 in the Ministry. Guidance was imparted to the staff about the need and manner to send the prescribed reports on time on the progressive use of Hindi.
- (v) The Cash Award Scheme was continued to encourage doing of original work in Hindi.
- (vi) Under MCA 21, every computer is being provided with the facility of bilingual Software.
- (vii) Hindi Section conducted inspection of all the Sections in the Ministry to see the progressive use of Hindi in official work.

7.13.2 Many competitions viz. essay Writing, noting-drafting, poem recitation and debates were

organized in the Ministry during the Hindi fortnight from 14.9.2007 to 28.9.2007 and prizes were awarded to the winners of different competitions by the Hon'ble Minister of Corporate Affairs on 4<sup>th</sup> October, 2007. Similar functions were also organized in the field offices of the Ministry spread all over the country.

### Publications

**7.14** The Ministry has brought out the following publications during the year 2007 which are given below :-

- (a) **Annual Report on the Working & Administration of the Companies Act, 1956** : Annual Report on the Working and Administration of the Companies Act, 1956 is required to be laid before both Houses of Parliament in pursuance of the provisions of Section 638 of the Act. The 50<sup>th</sup> Annual Report as on 31.3.2006 was laid

on the Tables of both Houses of Parliament in 2007.

- (b) **Annual Report on the Working and Administration of the Monopolies and Restrictive Trade Practices Act, 1969** : Annual Report on the Working and Administration of the Monopolies and Restrictive Trade Practices Act, 1969 is required to be laid before both Houses of Parliament in pursuance of the provisions of Section 62 of the Act. The 35<sup>th</sup> Report pertaining to the provisions of the MRTP Act, 1969 for the period from 1<sup>st</sup> January 2005 to 31<sup>st</sup> December, 2005 was laid in both Houses of Parliament in 2007.

### Revenue Receipts & Expenditure

**7.15** The details of the Revenue Receipts and Expenditure (Plan & Non Plan) of the Ministry of Corporate Affairs are given below (Table 7.2 and 7.3).

**Table – 7.2**

#### Revenue Receipts

(Rs. in Crore)

2004-05	2005-06	2006-07	2007-08 (April - Dec. 2007)
474.31	728.22	1037.98	918.21

**Table – 7.3**

#### Expenditure (Plan & Non Plan)

(Rs. in Crore)

	Actual Expenditure 2006-07	2007-08			Budget Estimates 2008-09
		Budget Estimates	Revised Estimates	Actual Expenditure (April -Dec.2007)	
Non-Plan	122.19	154.00	138.00	75.02	170.00
Plan	0.00	47.00	47.00	0.00	33.00
Total	122.19	201.00	185.00	75.02	203.00



## Statement 7.1

### Investor Helpline

#### Category wise Complaints and Resolution Status from 01-04-2007 to 31-12-2007

S. No	Type of complaint	Nature of complaint	Grievances Received	Rejected, incomplete information	Valid Grievances	Beyond Helpline Mechanism			Balance Valid grievances processed	Redressed	Pending
						Under judicial process	Mail returned	Total			
1.	Debenture or bond related grievances	Non-receipt of certificate, interest, redemption amount	90	20	70	—	15	15	55	8	47
2.	Fixed/ Public deposits, Collective Investment Schemes related grievances	Non-receipt of matured amounts, interest,, returns etc.	840	97	743	518	137	655	88	55	33
3.	Shareholders grievances	Non-receipt of dividend, share certificates, bonus, allotment advise, rights allotment, Annual Report, AGM notices, demat grievances, etc.	1616	527	1089	—	58	58	1031	422	609
4.	General grievances	Change of address, etc.	515	319	196	—	12	12	184	36	148
		<b>Total</b>	<b>3061</b>	<b>963</b>	<b>2098</b>	<b>518</b>	<b>222</b>	<b>740(35.3%)</b>	<b>1358</b>	<b>521(38.4%)</b>	<b>837(61.6%)</b>

**Note 1:** There has been substantial increase in the grievances filed from September as the Ministry had observed September as Investor Awareness Month. Out of 3061 grievances filed between April and December, 2379 grievances have been filed after September 2007;

**2:** Out of total valid grievances, 35% are beyond IH mechanism. Due to high number of grievances filed between September 2007 and December 2007, more than 60 % grievances are still under various stages of redressal as the redressal cycle is normally between 4 to 6 months.

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# **Annexures**

## Directory of the Ministry of Corporate Affairs

Name	Designation	Telephone Numbers	
		Office	Residence
<b>Shri Prem Chand Gupta</b>	<b>Hon'ble Minister of Corporate Affairs</b>	<b>23073804</b> <b>23073805</b> <b>23073806 (Fax)</b> <b>23017152 (PH)</b>	<b>23793939</b> <b>23794242</b> <b>23793689 (Fax)</b>
Shri R.K.Yadav	PS to MCA	-do-	23388888
Shri Sunil Gupta	OSD to MCA	-do-	22757998
Shri Giri Ketharaj	Addl. PS to MCA	-do-	26672677
Shri Anand Singh	APS to MCA	-do-	-
Shri V.R.B. Reddy	1st PA to MCA	-do-	26171792
Shri M.S.Bisht	2nd PA to MCA	-do-	-
Shri Anurag Goel	Secretary	23382324 23384017 23384257(Fax)	23071190
Shri G.C.Pandey	Sr. PPS	-do-	24652211
Shri S.P.S. Rawat	P.A.	-do-	24621782
Shri Jitesh Khosla	Joint Secretary	23384380	29242470
Shri Saibal Bhattacharya	PS	-do-	-
Shri Y.S. Malik	Joint Secretary	23381226	24677101
Shri Jagjit Singh	PS	-do-	25117014
Dr. Joseph Abraham	Economic Adviser	23385010	26115803
Shri Sandeep Ambastha	P.A.	-do-	-
Shri B.K.Bansal	DII	23389602	22242716
Shri Diwan Chand	DII	23389622	0124-2305658
Shri B.B.Goyal	Adviser(Cost)	23386003	24100365
Shri Jaikant Singh	Director	23389227	26890808
Shri M.K. Arora	Director	23389403	0120-2789791
Shri A.K. Sharma	Deputy Secretary	23389263	24649929
Smt. S. Prabhakar	Deputy Secretary	23070954	29223637
Shri A. Samantarai	Joint Director(L)	23389622	24363526
Dr. Navrang Saini	Joint Director	23384657	24107686
Shri U.K. Jindal	DeputySecretary(IGC)	23389782	0124-2328662
Shri N.K. Vig	Under Secretary(IFD & Hindi)	23385381	0120-2774994
Shri V.K.Mehta	Under Secretary (Budget, Cash & General Branch)	23073017	0120- 4100399
Shri P.C.Pratihari	Under Secretary (Admn.IV, IICA)	23386005	23380088
Shri J.S. Gupta	Under Secretary (Admn.II)	23389782	42464777
Shri R.C. Tully	Under Secretary( Admn.I & III)	23073017	-
Shri Rajendra Singh	Under Secretary	23389298	-

Name	Designation	Telephone Numbers	
		Office	Residence
Mrs. Reeta Dogra	Under Secretary	23389782	-
J.B.Kaushish	Under Secretary (Vigilance & O&M)	23389785	-
Shri Rakesh Moza	Under Secretary (IPC, Parl.Unit, RTI Monitoring Cell)	23381243	-
Shri B.P.Vimal	Under Secretary	-	-
Shri Sanjay Shorey	Deputy Director	23389522	-
Smt. P. Sheela	Deputy Director	23386065	25082232
Shri P.K.Malhotra	Deputy Director	23387263	-
Shri G.C. Gupta	Deputy Director	23387355	-
Shri N.K. Dua	Asstt. Director	23387263	-
Shri Sanjay Sood	Asstt. Director	23386065	25467148
Shri M.S. Pachouri	Asstt. Director	23387263	-
Shri L.B. Gupta	Asstt. Director(OL)	23388512	27933211
<b>Research and Statistics Division</b>			
Dr. (Smt.) Sunita Chitkara	Director(Statistics)	23389204	27314462
Shri S.N. Tobria	Director(R&S)	23318973	23233052
Shri Sugan Singh	Director (R&S)	23318972(Tele-Fax)	22624200
Shri D.C. Garg	Asstt. Director	23318970	23812556
<b>Cost Audit Branch</b>			
Shri B.B.Goyal	Adviser(Cost)	23386003 23386284(Fax)	24100365 25125790
Shri Ravindra Mathur	Director(Cost)	23386685	27351205
Shri Tarun Das	Deputy Director	23386349	28546479
Shri R.C.Bhatt	Deputy Director	23386349	55722437
Shri G.G.Mitra	Deputy Director	23386349	-
<b>Serious Fraud Investigation Office</b>			
Shri Ajay Nath	Director	24365787 24365809(Fax)	24616762
Shri Ashish Verma	Addl. Director	24366027	25533799
Smt. Medha Dalvi	Addl. Director	24369247	26431124
<b>Competition Commission of India</b>			
Shri Vinod Dhall	Member(Admn.)	26177175/26701605	23381005
Shri S.L. Bunker	Secretary	26701619	65128080
Shri Amitabh Kumar	Director General	26701603	26882853
Shri Augustine Peter	Adviser (Economic)	26701614	-
<b>Director General of Investigation and Registration</b>			
Vacant	DGI&R	-	-
Shri Subodh Prashad Deo	Addl. DGI&R	23384632	-

Name	Designation	Telephone Numbers	
		Office	Residence
<b>Monopolies and Restrictive Trade Practices Commission</b>			
Justice O.P. Dwivedi (Retd.)	Chairman	23385974 23389115(Fax)	23389652
Shri M.M.K. Sardana	Member	23385301	24673164
Shri D.C. Gupta	Member	23385311	26115975
Shri S.D.Singh	Secretary	23385977	-
<b>Integrated Finance Wing</b>			
Shri DRS Chaudhary	AS&FA	23062756 23062101(Fax)	23387723
Shri A.N. Bokshi	CCA	24698646	-
Smt. Savita Prabhakar	Deputy Secretary	23070954	29223637
<b>Company Law Board</b>			
Sh.S.Balasubramanian	Chairman	23382265(T.fax)	23382309
Sh. K.K. Balu	Vice Chairman	044-28273512 044-28222509 (Fax)	044-22444419
Smt. Vimla Yadav	Member	23385874	23386983
Shri Kanthi Narahari	Member	044-28273512	-
Shri V.S. Rao	Member	022-22619636	022-23679803
Sh. B.L. Sinha	Secretary(CLB)	23383452	24105703
Smt. Nimmi Dhar	Under Secretary (CLB)	23383662	-

# Addresses of Regional Directors & Registrar of Companies

## Regional Directors

### EASTERN REGION

SHRI U.C.NAHATA  
NIZAM PALACE  
II MSO BUILDING  
3RD FLOOR,  
234/ 4 A.J.C.BOSE ROAD  
KOLKATA-700020  
PHONE- 033-24870382  
FAX - 033-22870958  
rdeast@sb.nic.in

### SOUTHERN REGION

SHRI R.VASUDEVAN  
5TH FLOOR  
SHASTRI BHAWAN  
26, HADDOWS ROAD  
CHENNAI- 600006  
PHONE-044-28287173  
FAX- 044-28280436  
rdsouth@sb.nic.in

### NORTHERN REGION

SHRI DHANRAJ  
A-14, SECTOR-I,  
PDIL BHAWAN,  
NOIDA, UP  
PHONE -0120-2445342  
FAX - 0120-2445341  
rdnorth@sb.nic.in

### WESTERN REGION

SHRI RAKESH CHANDRA  
EVEREST 5TH FLOOR  
100, MARINE DRIVE  
MUMBAI - 400002  
PHONE- 022-22817259  
FAX- 022-22813760  
rdwest@sb.nic.in

## Registrar of Companies

### ANDHRA PRADESH

Sh. HENRY RICHARD  
2ND FLOOR, CPWD BLDG  
KENDRIYA SADAN, SULTAN BAZAR,  
KOTI, HYDERABAD - 500195  
PHONE 040-24656114, 24652807  
FAX: 040-24652807  
richard.henry@mca.gov.in

### ASSAM, TRIPURA, MANIPUR, NAGALAND, MEGHALAYA, MIZOARAM, ARUNACHAL PRADESH

SHRI K.ANANDA RAO  
MORELLO BUILDING GROUND FLOOR,  
KACHARI ROAD, SHILLONG - 793001.  
PHONE - 0364-2223665  
FAX - 0364-2211091

ananda.korada@mca.gov.in  
**BIHAR AND JHARKHAND**

SHRI KESHAV PRASHAD  
MAURYA LOK COMPLEX  
A-BLOCK, 4TH FLOOR,  
DAK BUNGLOW ROAD, PATNA - 800001  
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Fax - 0612-2222172  
keshav.prashad@mca.gov.in

### DELHI & HARYANA

(i) SHRI T.P.SHAMMI  
B-BLOCK PARYAVARAN BHAWAN,  
CGO COMPLEX, LODHI ROAD,  
NEW DELHI - 110003  
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FAX - 011-24364570  
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(ii) SHRI T.P.SHAMMI  
4<sup>TH</sup> FLOOR, IFCI TOWER,  
61, NEHRU PLACE, NEW DELHI-110019  
PHONE- 011-26235704  
FAX- 011-26235702  
tej.shami@mca.gov.in

#### **GOA, DAMAN & DIU**

SHRI P.K.GAICHOR  
COMPANY LAW BHAWAN,  
EDC COMPLEX, PLOT NO.21,  
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FAX - 0832-2438617  
prakash.gaichor@mca.gov.in

#### **GUJARAT**

SHRI V.K.KHUBCHANDANI  
ROC BHAWAN, OPP. RUPAL PARK SOCIETY,  
BEHIND ANKUR BUS STAND, NARANPURA,  
AHMEDABAD-380013.  
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#### **JAMMU & KASHMIR**

SHRI O.P.SHARMA  
J&K Hall No. 405 to 408, BAHU PLAZA,  
4<sup>TH</sup> FLOOR, SOUTH BLOCK,  
RAIL HEAD COMPLEX, JAMMU -180012  
PHONE -0191- 2472504  
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om.sharma@mca.gov.in

#### **KARNATAKA**

SHRI V.C.DAVEY  
'E' WING, 2ND FLOOR, KENDRIYA SADAN  
KORAMANGALA, BANGALORE-560034  
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FAX- 080-25538531  
vc.davey@mca.gov.in

#### **KERALA**

SHRI S.M.AMEERUL MILLATH  
COMPANY LAW BHAWAN,  
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#### **MADHYA PRADESH**

DR. RAJ SINGH  
A BLOCK, SANJAY COMPLEX,  
3<sup>RD</sup> FLOOR, JAYENDRA GANJ,  
GWALIOR - 474009  
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FAX- 0751-2331853  
dr.raj@mca.gov.in

#### **MAHARASHTRA- I (MUMBAI)**

SHRI D.K.GUPTA  
" EVEREST" BUILDING,  
100, MARINE DRIVE  
MUMBAI - 400002  
PHONE- 022-22812627, 22812645  
FAX- 022-22811977  
devendar.gupta@mca.gov.in

#### **MAHARASHTRA – II (PUNE)**

SHRI V.P.KATKAR  
PMT COMMERCIAL BUILDING,  
III<sup>RD</sup> FLOOR, DECCAN, GYMKHANA,  
PUNE - 411004  
PHONE- 020-25530042, 25521376  
FAX- 020-25530042  
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#### **ORISSA**

SHRI B.MOHANTY  
2ND FLOOR  
CHALCHITRA BHAWAN,  
BUXI BAZAR,  
CUTTACK - 753001  
PHONE -0671-2306958, 2306952  
FAX- 0671-2305361  
bibekananda.mohanty@mca.gov.in

#### **PUNJAB, CHANDIGARH & HIMACHAL PRADESH**

SHRI MANMOHAN JUNEJA  
286, DEFENCE COLONY  
JALANDHAR CITY- 144001  
PHONE-0181-2223843  
FAX- 0181-2223843  
manmohan.juneja@mca.gov.in

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**RAJASTHAN**

SHRI S.P.KUMAR  
132, VIJAY NAGAR PART-II,  
KARTARPURA  
NEAR KARTARPURA  
RAILWAY CROSSING  
JAIPUR - 302006  
PHONE - 0141-2500565,  
FAX - 0141-2500564  
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**TAMIL NADU – I (CHENNAI)**

SHRI B.N.HARISH  
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**TAMIL NADU – II (COIMBATORE)**

SHRI P.RAJAGOPALAN  
COIMBATORE STOCK EXCHANGE  
BUILDING, 2ND FLOOR,  
683, TRICHY ROAD,  
SINGANALLUR  
COIMBATORE - 641005  
PHONE - 0422-2319640  
FAX- 0422-2324012  
p.rajagopalan@mca.gov.in

**UTTAR PRADESH & UTTARAKHAND**

SHRI K.L.KAMBOJ  
37/17, WESTCOTT BUILDING  
THE MALL, KANPUR - 208001  
PHONE- 0512-2352304, 2367253  
FAX- 0512-2360656  
kashmir.kamboj@mca.gov.in

**WEST BENGAL**

SHRI D.BANDROUPADYAY(OFFICIATING)  
NIZAM PALACE  
2nd MSO BUILDING  
2nd FLOOR, 234/4, A.J.C.B. ROAD  
KOLKATA - 700020  
PHONE- 033-22800409  
FAX - 033-22473795  
debashish..bandopadyay@mca.gov.in

**PUDUCHERRY**

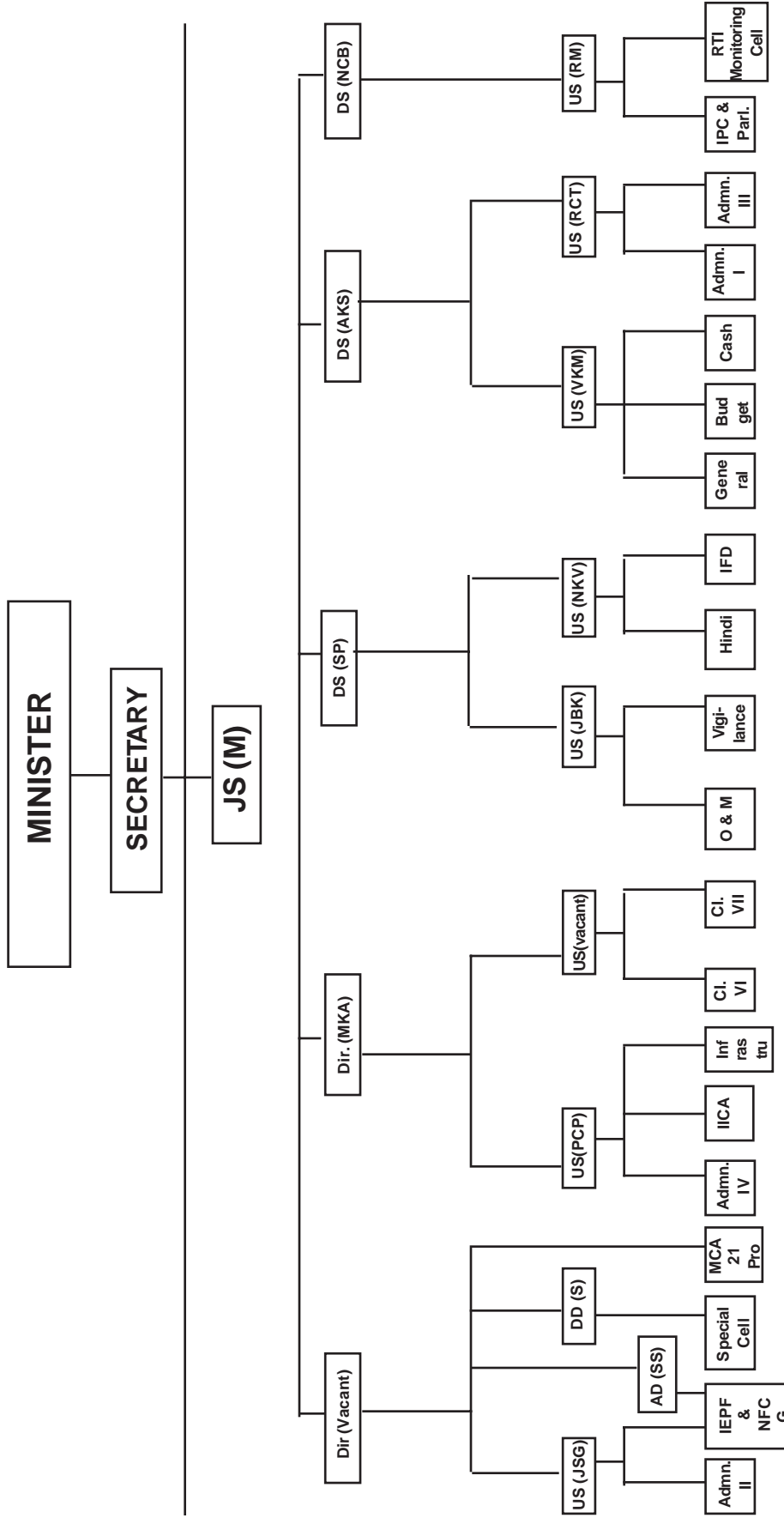
SHRI V.SWAMIDASON  
NO. 35, ELANGO NAGAR,  
1ST FLOOR, III CROSS, PUDUCHERRY - 605011  
PHONE -0413-2240129  
FAX- 0413-2240129  
v.swamidason@mca.gov.in

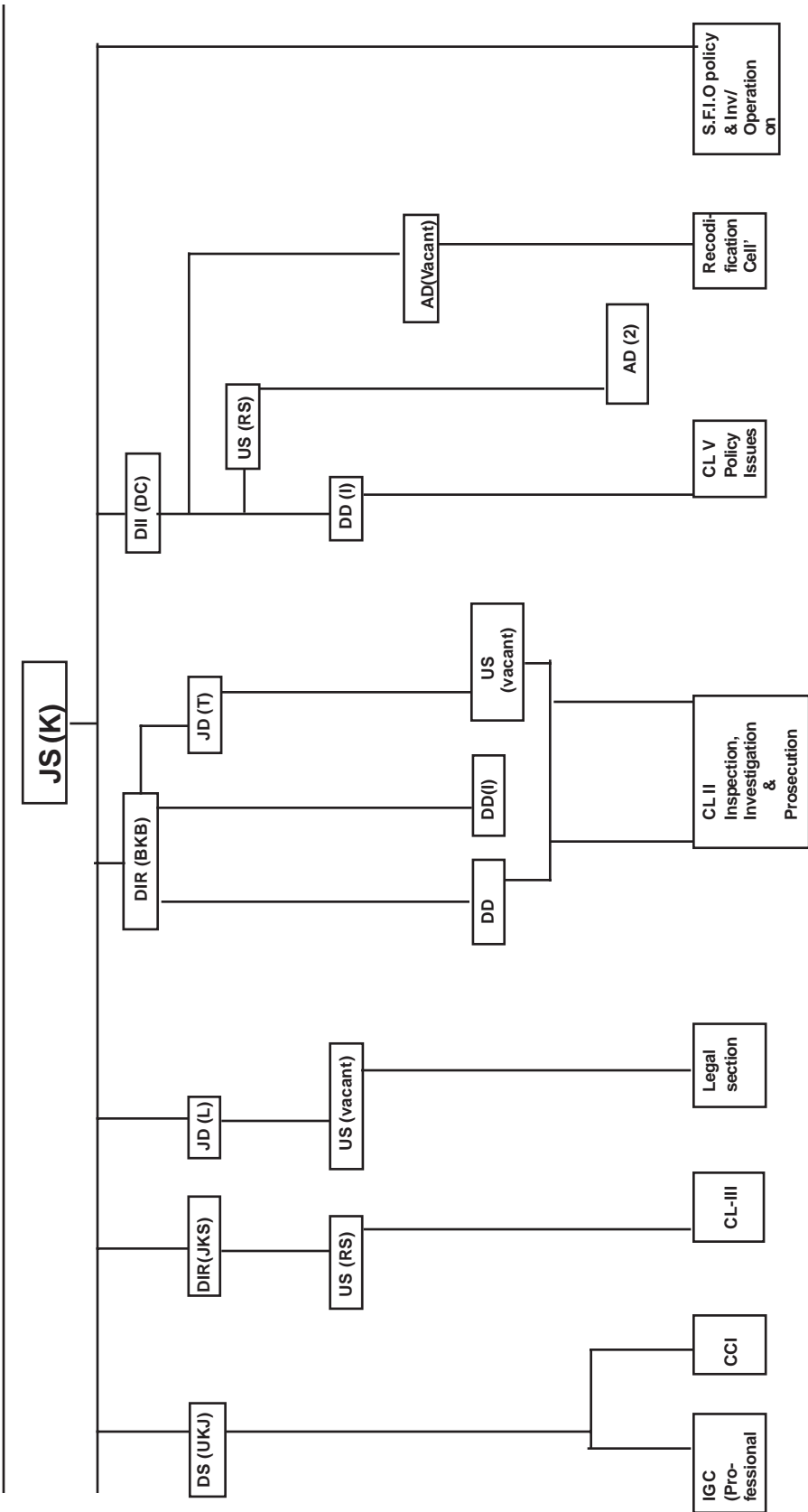
**ANDAMAN & NICOBAR**

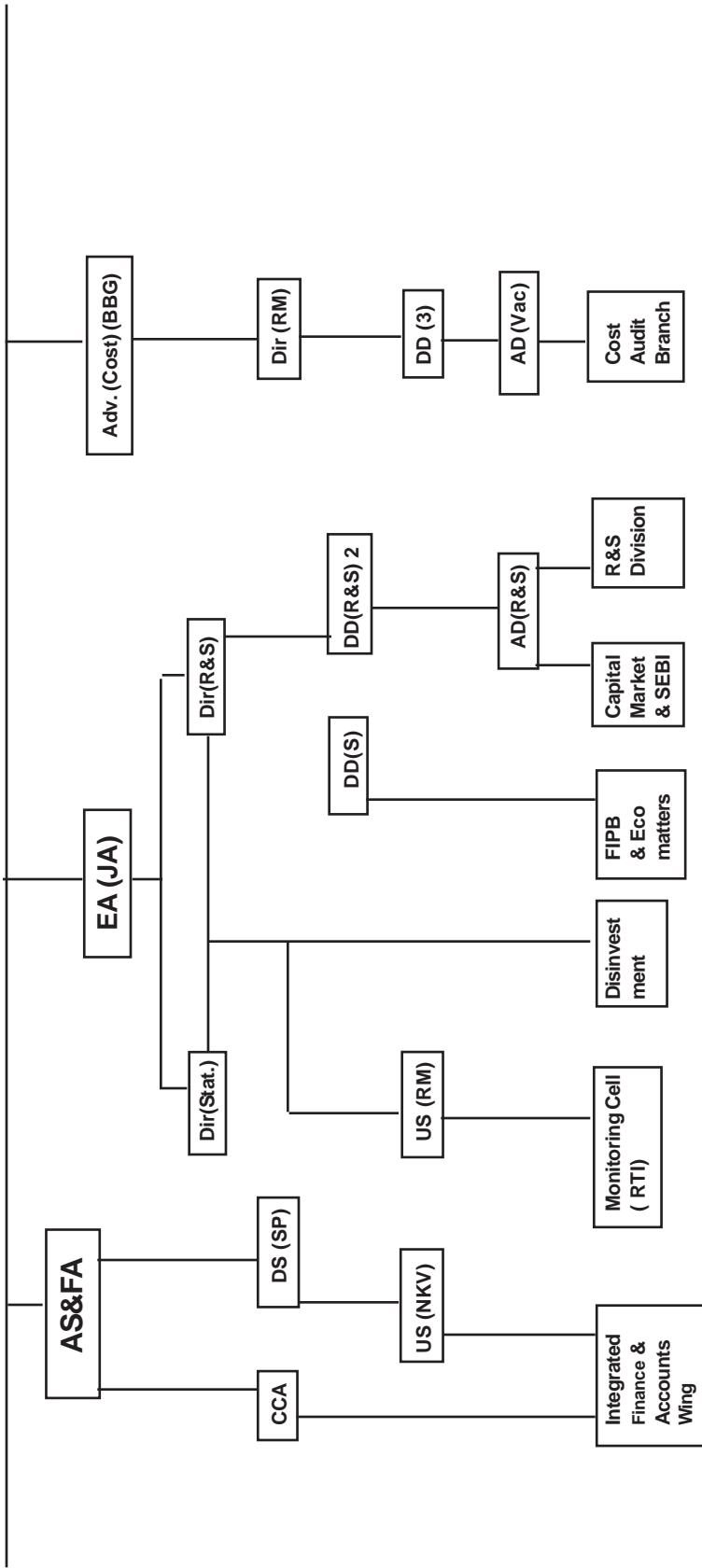
OFFICE OF THE DEPUTY COMMISSIONER  
(ANDAMAN)  
SOUTH ANDAMAN DISTT,  
12, KAMARAJ ROAD, PORT BLAIR-744101



**ORGANISATIONAL CHART OF THE MINISTRY OF CORPORATE AFFAIRS as on 31.12.2007**







\* Abbreviations are explained under Legends.

## Major Functionaries

**PREM CHAND GUPTA**

Minister

**ANURAG GOEL**

Secretary

<b>JS(K)</b>	<b>Jitesh Khosla</b>	<b>JS(M)</b>	<b>Y.S. Malik</b>	<b>EA(JA)</b>	<b>Dr. Joseph Abraham</b>
DII(DC)	Diwan Chand	Dir	Vacant	Dir (Stat)	Dr. Sunita Chitkara
DII(BKB)	B.K.Bansal	Dir(MKA)	Manoj Kumar Arora	Dir (R&S)	S.N.Tobria
Dir.(JKS)	Jai Kant Singh	DS(SP)	Savita Prabhakar	Dir. (R&S)	Sugan Singh
DS(UKJ)	U.K.Jindal	DS(AKS)	A.K.Sharma	JD	(Vacant-2)
JD(E-GC)	Navrang Saini	DS(NCB)	N.C.Behera	DS(NCB)	N.C.Behera
JD(I)	Vacant	US(PCP)	P.C.Prathihari	US(RM)	Rakesh Moza
JD(I)	Vacant	US(NKV)	N.K.Vig	DD	(Vacant-2)
JD(L)	A.Samanta Rai	US(VKM)	V.K.Mehta	DD(S)	P.Sheela
DD(I)	Sanjay Shorey	US(JSG)	J.S.Gupta	AD(G)	D.C.Garg
US(RS)	Rajinder Singh	US(RCT)	R.C.Tully	SO(D. Cell)	Ram Bachan
US(RKR)	R.K.Rao	US(JBK)	J.B.Kaushish	SO(MC)	Veena Batra
DD(GKG)	G.K.Gupta	US(RM)	Rakesh Moza	<b>Adviser (Cost) B.B.Goyal</b>	
DD(I)	P.K.Malhotra	DD(S)	P.Sheela	Dir.(RM)	Ravinder Mathur
AD (D)	N.K.Dua	AD(IEPF)	Sanjay Sood	DD(V)	G.Venktesh
AD(P)	M.S.Pachouri	AD(Hindi)	L.B.Gupta	DD(TD)	Tarun Das
SO(IGC)	Lalit Grover	SO(Ad.I)	Kamlesh Makker	DD(M)	G.GMitra
SO(Legal)	U.K.Sinha	SO(Ad.II)	Suresh Sharan	DD(RCB)	R.C.Bhatt
SO(CL-II)	Maha Singh	SO(Ad.III)	Vijay Soni	AD	(vacant)
SO(CL-III)	Vacant	SO(Ad.IV)	P.K.Prabhat	<b>Chief Vigilance Officer: Y.S. Malik</b>	
SO(CL-V)	K.K.Reddy	SO(Gen.)	Vinod Kumar	<b>Web Master: Dr. Sunita Chitkara</b>	
		SO(Cash)	R.L Arora	<b>S.O. (Protocol) Vinod Kumar</b>	
		S.O(IPC)	V.K.Verma	<b>Welfare Officer : N.K.Vig</b>	
		SO(Budget)	R. K.Mishra		
		SO(Vig.)	Sanjeev Kumar Narayan		
		SO(Spl.Cell)	Kanti Prasad		
		SO(O&M)	R.S..Kaushik		
		SO(Infr.)	S.L.Meghwal		
		SO(CLVI)	Bhupinder Singh		
		SO (CLVII)	Sanjeev Gupta		

**Integrated Finance & Accounts Wing**

<b>AS&amp;FA</b>	<b>:</b>	<b>DRS Chaudhary</b>
<b>CCA</b>	<b>:</b>	<b>Shri A.N. Bokshi</b>
<b>DS</b>	<b>:</b>	<b>Savita Prabhakar</b>
<b>US</b>	<b>:</b>	<b>N.K.Vig</b>

# C&AG'S REPORT

Ministry of Corporate Affairs

## **Retention of public funds outside Government accounts**

Failure of the Official Liquidators of Delhi, Kolkata, Mumbai, Bangalore, Allahabad and Jaipur to credit to the Government account fees realised from the liquidated companies, resulted in keeping Rs. 6.13 crore of the Government money outside government account for 1 month to 5 years and consequential loss of interest of Rs. 66.53 lakh.

**(Report No. 2 of 2007)**

