



**Private Circulation Only*

Newsletter for February, 2015 **By Amita Desai & Co.**



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Preview:

	Page No.
1. Regulatory Updates	
i. MCA	1-5
ii. RBI	6-19
2. SEBI	20- 24
3. Article of the Month	25-33
4. Inspirational Quotes	34





MCA UPDATES:

A. Constitution of a High Level Committee to suggest measures for improved monitoring of the implementation of Corporate Social Responsibility policies by the companies under Section 135 of the Companies Act, 2013:

- MCA vide Circular 1 dated 3rd February, 2015 for the Constitution of a High Level Committee to suggest measures for improved monitoring of the implementation of Corporate Social Responsibility policies by the companies under Section 135 of the Companies Act, 2013.
- The MCA directed to state that a High Level Committee has been constituted under the Chairmanship of Shri Anil Baijal, Former Secretary, Government of India to suggest measures for monitoring the progress of implementation of Corporate Social Responsibility (CSR) policies by companies at their level and by the Government under the provisions of Section 135 of the Companies Act, 2013 and Rules there under.

- The composition of the High Level Committee is as under:

Sr.	Name	Role
1	Shri Anil Bajjal Former Secretary to Government of India	Chairperson
2	Prof. Deepak Nayyar Professor (Emeritus), Jawaharlal Nehru University, New Delhi	Member
3	Shri Onkar S Kanwar Chairman & Managing Director, Apollo Tyres Ltd.	Member
4	Shri Kiran Karnik Former President-NASSCOMM, New Delhi	Member
5	Secretary, Department of Public Enterprises (Represented by an officer not below the rank of joint Secretary)	Member
6	Additional Secretary (*) Ministry of Corporate Affairs	Member-convener

(*) Economic Adviser, MCA will discharge the responsibility in the absence of Additional Secretary, MCA.

- Terms of Reference of the Committee are as under:
- (i) To recommend suitable methodologies for monitoring compliance of the provisions of Section 135 (Corporate Social Responsibility) of the Companies Act, 2013 by the companies covered there under.
 - (ii) To suggest measures to be recommended by the Government for adoption by the companies for systematic monitoring and evaluation of their own CSR initiatives.
 - (iii) To identify strategies for monitoring and evaluation of CSR initiatives through expert agencies and institutions to facilitate adequate feedback to the Government with regard to efficacy of CSR expenditure and quality of compliance by the companies.
 - (iv) To examine if a different monitoring mechanism is warranted for Government Companies undertaking CSR, and if so to make suitable recommendations in this behalf.
 - (v) Any other matter incidental to the above or connected thereto.
- The Committee shall submit its report within Six months from the date of holding of its first meeting.

- Ministry of Corporate Affairs and Indian Institute of Corporate Affairs (IICA) shall jointly provide secretarial and technical support to the Committee. The Indian Institute of Corporate Affairs will render the necessary logistic support to the High Level Committee.
- The link of the Circular is as follows:
http://www.mca.gov.in/Ministry/pdf/General_Circular_01_2015.pdf

B. Extension of time for filing of Notice of appointment of the Cost Auditor in Form CRA-2:

- MCA vide Circular 2 dated 11th February, 2015 provided for Extension of time for filing of Notice of appointment of the Cost Auditor in Form CRA-2.
- In continuation to the General Circular No. 42/2014, the last date of filing of Form CRA-2 without any penalty/late fee was extended upto 31st March, 2015.
- The link of the Notification is as follows:
http://www.mca.gov.in/Ministry/pdf/General_Circular_02_2015.pdf

C. Companies (Removal of Difficulties) Order, 2015: (Small Company)

- MCA vide Order dated 13th February, 2015 amended Section 2 (85) and Section 186(11) (b) of the Companies Act, 2013.
- Section 2 (85) of the Companies Act, 2013 provides for definition of the term “**Small Company**”;
- Section 186 sub-section (11) clause (b) of the Act provides that the requirements of provisions of section 186 [except sub-section (1) of the said section] **shall not apply to any acquisition made by a non-banking financial company registered under Chapter IIIB of the Reserve Bank of India Act, 1934 (2 of 1934) and any other company whose principal business is acquisition of securities;**
- The MCA identified the following difficulties in giving effect to the above provisions of the Act:-
 - a. According to Section 2 (85), a Company may be treated as a “**small company**” if it meets either of the conditions provided therein thereby making the second limit unrestricted or inconsequential. Difficulties have arisen in this regard as companies which, though, meet one of the criteria but exceed the monetary limit in respect of second criteria excessively are also getting classified as “**small company**”; and

b. In Section 186 (11) (b) of the Act, in the absence of provisions for exemption to a Banking Company or an Insurance Company or a Housing Finance Company making acquisition of securities in its ordinary course of business, a difficulty has arisen that such companies cannot make any acquisition of securities in their ordinary course of business;

➤ To remove the aforesaid difficulties the MCA amended the sections as follows:

Revised Section 2(85):

“Small Company” means a Company, other than a Public Company,—

- (i) Paid-up share capital of which does not exceed Rs. 50 Lac or such higher amount as may be prescribed which shall not be more than Rs. 5 Crore ; **And**
- (ii) Turnover of which as per its last profit and loss account does not exceed Rs.2 crore or such higher amount as may be prescribed which shall not be more than Rs. 20 crore :

Provided that nothing in this clause shall apply to—

- (A) a holding Company or a subsidiary Company;
- (B) a Company registered under section 8; or
- (C) a Company or body corporate governed by any special Act;

➤ section 186 (11) of Act, in clause (b), after item (iii), the following item shall be inserted, namely :-

“(iv) made by a banking company or an insurance company or a housing finance company, making acquisition of securities in the ordinary course of its business.”

➤ The link of the Notification is as follows:

http://www.mca.gov.in/Ministry/pdf/ROD_1st_2015.pdf

D. Companies (Indian Accounting Standards) Rules, 2015:

- MCA vide notification dated 16th February, 2015 issued the **Companies (Indian Accounting Standards) Rules, 2015.**
- In exercise of the powers conferred by section 133 read with section 469 of the Companies Act, 2013 and sub-section (1) of section 210A of the Companies Act, 1956, the Central Government, in consultation with the National Advisory Committee on Accounting Standards issued the Companies (Indian Accounting Standards) Rules, 2015.

- The link of the Notification is as follows:
http://www.mca.gov.in/Ministry/pdf/Notification_20022015.pdf

E. Companies (Registration Offices and Fees) Amendment Rules, 2015:

- MCA vide notification dated February 24, 2015 issued rules to amend the Companies (Registration Offices and Fees) Rules, 2014. These rules may be called the **Companies (Registration Offices and Fees) Amendment Rules, 2015**.
- The MCA has inserted the following sub rule in the Companies (Registration Offices and Fees) Rules, 2014 in **Rule 10**, after sub rule (6):
- **“7. Any further information or documents called for, in respect of application or e-form or document filed electronically with the Ministry of Corporate Affairs shall be furnished in form No. GNL- 4 as an addendum.”**
- New **Form GNL-4** is introduced for filing addendum for rectification of defects or incompleteness.
- The link of the Notification is as follows:
http://www.mca.gov.in/Ministry/pdf/Amendment_Rules_2015_24022015.pdf

F. Companies (Declaration and Payment of Dividend) (Amendment) Rules, 2015:

- MCA vide notification dated February 24, 2015 for **Companies (Declaration and Payment of Dividend) (Amendment) Rules, 2015**.
- In the Companies (Declaration and Payment of Dividend) Amendment Rules, 2014, published in the Gazette of India, Extra-ordinary, Part II, Section 3, Sub-section (i) vide G.S.R. No. 397(E), dated the 12th June, 2014, after the words “AMARDEEP SINGH BHATIA, Jt. Secy.”, the following Foot Note shall be inserted, namely:-
“Foot Note. - The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 241(E), dated the 31th March, 2014.”
- The link of the Notification is as follows:
http://www.mca.gov.in/Ministry/pdf/Amendment_Rules_2015_24022015_1.pdf



RBI UPDATES:

A. Foreign Direct Investment in Pharmaceuticals sector – Clarification:

- The Reserve Bank of India (RBI) vide **Circular No.70** dated February 2, 2015 for Foreign Direct Investment in Pharmaceuticals sector- Clarification.
- The banks are invited to A.P. (DIR Series) Circular No.124 dated April 21, 2014 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time.
- As per the terms of Schedule 1 of the Notification *ibid*, Foreign Direct Investment (FDI) up to **100% is permitted under automatic route for Greenfield investments and FDI up to 100 % is permitted under Government approval route for Brownfield investments (i.e. investments in existing companies) in pharmaceuticals sector.**
- The extant FDI policy for pharmaceutical sector has been reviewed and it has now been decided **with immediate effect** that there would be a **special carve out for medical devices which was earlier given the same treatment as pharmaceutical sector.**
- A copy of Press Note No.2 (2015 Series) dated January 6, 2015 issued in this regard by Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India.
- The link for the same is as follows:
http://dipp.nic.in/English/acts_rules/Press_Notes/pn2_2015.pdf

- Reserve Bank has since amended the subject Regulations accordingly through the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2015 which have been notified vide Notification No.FEMA.334/2015-RB dated January 9, 2015, vide G.S.R. No. 30(E) dated January 14, 2015.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/70APDFD020215.pdf>

B. Foreign investment in India by Foreign Portfolio Investors:

- The Reserve Bank of India (RBI) vide **Circular No.71** dated February 3, 2015 for **foreign investment in India by Foreign Portfolio Investors**.
- The banks are invited to Schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA.20/2000- RB dated May 3, 2000, as amended from time to time and to A.P. (DIR Series) Circular No. 13 dated July 23, 2014 in terms of which all future investment in government securities by registered Foreign Portfolio Investors (FPIs) shall be required to be made in government bonds with a minimum residual maturity of three years.
- The banks are invited to the announcement in the Sixth Bi-Monthly Monetary Policy Statement, 2014-15, issued on February 03, 2015 in terms of which all future investment by FPIs in the debt market in India will be required to be made with a minimum residual maturity of three years.
- Accordingly, all future investments by an FPI within the limit for investment in corporate bonds shall be required to be made in corporate bonds with a minimum residual maturity of three years. Further, all future investments against the limits vacated when the current investment runs off either through sale or redemption, shall be required to be made in corporate bonds with a minimum residual maturity of three years.
- **FPIs shall not be allowed to make any further investment in liquid and money market mutual fund schemes.**
- There will be **no lock-in period and FPIs shall be free to sell the securities (including those that are presently held with less than three years residual maturity) to domestic investors.**
- All other existing conditions for investment by FPIs in the debt market remain unchanged.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/71APDIR030215.pdf>

C. Export Credit Refinance Facilities:

- The Reserve Bank of India (RBI) vide Circular No. 376 dated February 3, 2015 for Export Credit Refinance Facilities.
- In the Sixth Bi-Monthly Monetary Policy Statement, 2014-15 dated February 3, 2015, it has been decided to merge the Export Credit Refinance (ECR) facility with the system level liquidity provision with effect from the fortnight beginning on February 7, 2015.
- Accordingly, **no new refinancing under the ECR will be available after February 6, 2015 and the refinancing availed up to February 6, 2015 may continue till its maturity.**
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/ECR444NT022015.pdf>

D. Guidelines for implementation of Countercyclical Capital Buffer (CCCB):

- The Reserve Bank of India (RBI) vide Circular No. 452 dated February 5, 2015 for Guidelines for implementation of Countercyclical Capital Buffer (CCCB).
- **The highlights of the said circular are as follows:**
The Internal Working Group of the Reserve Bank of India under the Chairmanship of Shri B Mahapatra had submitted the final Report on the implementation of Countercyclical Capital Buffer (CCCB) in July, 2014.
- The Report made recommendations in areas such as indicators that may be used for CCCB decisions, thresholds for activating the buffer, lead time for announcement of buffer, etc.
- The final guidelines for implementation of CCCB in India is annexed with the said circular. While the framework for CCCB takes immediate effect, the activation of CCCB will take place when circumstances warrant. Currently, circumstances do not warrant activation.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/CCCBG05022015.pdf>

F. Re-repo of Government Securities Market:

- The Reserve Bank of India (RBI) vide **Circular No. 454** dated February 5, 2015 for Re-repo of Government Securities Market.
- As per paragraph 26 of the fourth bi-monthly Monetary Policy Statement 2014-15 wherein it was proposed that re-repo of Government securities will be permitted subject to appropriate control measures and development of IT infrastructure.
- It has now been decided to permit re-repo of government securities, including state development loans and Treasury Bills, acquired under reverse repo, subject to following conditions:
 - a) Scheduled commercial banks and Primary Dealers (PDs) maintaining subsidiary general ledger (SGL) account with the Reserve Bank of India will be permitted to re-repo the securities acquired under reverse repo;
 - b) Mutual Funds and Insurance Companies maintaining SGL account with the Reserve Bank of India will also be permitted to re-repo the securities acquired under reverse repo, subject to the approval of the regulators concerned;
 - c) Re-repo of securities can be undertaken only after receipt of confirmation/matching of first leg of repo transaction;
 - d) Re-repo period should not exceed the residual period of the initial repo;
 - e) Eligible entities undertaking re-repo transactions should 'flag' the transactions as a re-repo on the authorised reporting platform. Participants may review their systems and controls to ensure strict compliance with the requirement of reporting of re-repo transactions.
- **All repo/re-repo transactions should be subject to internal audit and concurrent audit.** Violation of the regulatory guidelines, if any, may be brought to the notice of Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, Mumbai.
- These guidelines are not applicable to repo transactions executed with the Reserve Bank of India as counterparty.
- All eligible entities are also required to adhere to the prudential guidelines prescribed by their respective regulators from time to time for undertaking repo transactions. All other conditions specified in the circulars *ibid* and the subsequent revisions will continue to apply.
- The above revised guidelines will come into effect from February 16, 2015. The guidelines will be reviewed periodically to consider modifications and continuance, as appropriate.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/454GSEC05022015.pdf>

G. Foreign investment in India by Foreign Portfolio Investors:

- The Reserve Bank of India (RBI) vide its **Circular No. 73** dated February 6, 2015 for **Foreign investment in India by Foreign Portfolio Investors**.
- Attention of AD Category-I banks is invited to the announcement in the Sixth Bi-Monthly Monetary Policy Statement, 2014-15, issued on February 03, 2015 and A.P. (DIR Series) Circular No. 71 dated February 03, 2015 in terms of which all future investments by registered **Foreign Portfolio Investors** (FPIs) in the debt market in India will be required to be made with a **minimum residual maturity of three years**.
- In this context, the Reserve Bank has been receiving some enquiries about the applicability of the aforesaid directions. The queries raised and our clarifications thereon are as under:
 - a. **Query:** The applicability of the directions to investment by FPIs in commercial papers (CPs).
Clarification: In terms of the aforesaid directions, any fresh investments shall be permitted in any type of debt instrument in India with a minimum residual maturity of three years. Accordingly, FPIs shall not be allowed to make any further investment in CPs.
 - b. **Query:** The applicability of these guidelines on debt instruments having maturity of three years and over but with optionality clause of less than three years.
Clarification: FPIs shall not be allowed to make any further investments in debt instruments having minimum initial / residual maturity of three years with optionality clause exercisable within three years.
 - c. **Query:** The applicability of these guidelines on amortised debt instruments having average maturity of three years and above.
Clarification: FPIs shall be permitted to invest in amortised debt instruments provided the duration of the instrument is three years and above.
- Any arrangement that negates any of the above shall not be in conformity with the provisions of the A.P. (DIR Series) Circular No. 71 dated February 03, 2015.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIR73FII060215.pdf>

H. Membership of Credit Information Companies (CICs):

- The Reserve Bank of India (RBI) vide its Circular No. 458 dated February 6, 2015 for Membership of Credit Information Companies (CICs).
- As per circular DNBS(PD).CC. No 200 /03.10.001/2010-11 dated September 17, 2010 and DNBS (PD).CC. No 407/03.10.01/2014-15 dated August 20, 2014_ advising all NBFCs to become a member of at least one Credit Information Company (CIC) and provide credit data in the prescribed format to CIC.

- Attention is also invited to the directive issued under CICRA Sec 11(1) by the Bank vide DBR.No.CID.BC.59/20.16.056/2014-15 dated January 15, 2015 . Accordingly all NBFCs are directed to comply with the directive and become member of all CICs and submit data (including historical data) to them.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/019DNBR060215C.pdf>

I. Credit Rating of Fixed Deposits of NBFCs- Change in Rating Scale of Brickwork Ratings India Private Limited (Brickwork):

- The Reserve Bank of India (RBI) vide its Circular No. 459 dated February 6, 2015 for Credit Rating of Fixed Deposits of NBFCs- Change in Rating Scale of Brickwork Ratings India Private Limited (Brickwork).
- As per Para 4 of RBI Notification No. DNBS.(PD)243/CGM(US)-2012 dated May 11, 2012, spelling out the rating symbols used by different Rating Agencies for signifying Minimum Investment Grade for long term fixed deposit products. Brickwork Ratings India Pvt. Ltd. have now advised us of a change in their rating scale as a result of which, the rating FBBB would be the equivalent of Minimum Investment Grade for long term fixed deposit products.
- Please find enclosed notification amending “Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998” for meticulous compliance.
- The Reserve Bank of India, having satisfied that, in the public interest, and to enable the Bank to regulate the financial system of the country to its advantage, it is necessary to amend the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, in exercise of the powers conferred by Sections 45J, 45JA, 45K and 45L of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said directions contained in Notification No.DFC.118/DG(SPT)-98 dated January 31, 1998 shall stand amended with immediate effect as follows;

Amendment of paragraph 4 –

In paragraph 4, sub-paragraph (1), clause (ii), in the table, item (e), under ‘Minimum Investment Grade Rating’ column shall be changed to “BWR FBBB”.

- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/DNBRCC06022015.pdf>

J. Delay in Utilization of Advance Received for Exports:

- The Reserve Bank of India (RBI) vide its Circular No.74 dated February 9, 2015 for **Delay in Utilization of Advance Received for Exports.**
- Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to the sub-regulation (1) of Regulation 16 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2000, notified vide Notification No. FEMA 23 / RB-2000, dated May 3, 2000, as amended from time to time read with A.P. (DIR Series) Circular No. 105 dated May 20, 2013, A.P. (DIR Series) Circular No. 108 dated June 11, 2013 and A.P. (DIR Series) Circular No. 37 dated November 20, 2014 in terms of which **an exporter receiving an advance payment for exports (with or without interest) from a buyer outside India shall be under an obligation to ensure that the shipment of goods is made within the stipulated period from the date of receipt of advance payment.**
- As it has been observed that there is substantial increase in the number and amount of advances received for exports remaining outstanding beyond the stipulated period on account of non-performance of such exports (shipments in case of export of goods), AD Category –I banks are advised to efficiently follow up with the concerned exporters in order to ensure that export performance (shipments in case of export of goods) are completed within the stipulated time period.
- It is further reiterated that AD category –I banks should exercise proper due diligence and ensure compliance with KYC and AML guidelines so that only bonafide export advances flow into India. Doubtful cases as also instances of chronic defaulters may be referred to **Directorate of Enforcement** (DOE) for further investigation. **A quarterly statement indicating details of such cases may be forwarded to the concerned Regional Offices of RBI within 21 days from the end of each quarter.**
- AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIR74DU090215.pdf>

K. Foreign Exchange Management Act, 1999 – Import of Goods into India:

- The Reserve Bank of India (RBI) vide its Circular No.76 dated February 12, 2015 for Foreign Exchange Management Act, 1999 – **Import of Goods into India.**
- Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to the A.P.(DIR Series) Circular No. 82 dated February 21, 2012 in terms of which **applications by persons, firms and companies for making payments, exceeding USD 5,000 or its equivalent towards imports into India must be made in Form A-1.**

- To further liberalize and simplify the procedure, it has been decided to dispense with the requirement of submitting request in **Form A-1** to the AD Category –I Banks for making payments towards imports into India. AD Category –I may however, need to obtain all the requisite details from the importers and satisfy itself about the bonafides of the transactions before effecting the remittance.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIR76CR0215NT.pdf>

L. Foreign Direct Investment – Reporting under FDI Scheme on the e-Biz platform:

- The Reserve Bank of India (RBI) vide its **Circular No.77** dated February 12, 2015 for Foreign Direct Investment – **Reporting under FDI Scheme on the e-Biz platform.**
- Attention of Authorised Dealers Category-I (AD Category - I) banks is invited to the provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations 2000, notified by the Reserve Bank vide Notification No. FEMA 20/2000-RB, dated 3rd May 2000, as amended from time to time. Attention of AD Category – I banks is also invited to A.P. (DIR Series) Circular No.102 dated February 11, 2014 and A.P. (DIR Series) Circular No.6 dated July 18, 2014.
- With a view to promoting the ease of reporting of transactions under foreign direct investment, the Reserve Bank of India, under the aegis of the e-Biz project of the Government of India has enabled the filing of the following returns with the Reserve Bank of India viz.
- **Advance Remittance Form (ARF)** - used by the companies to report the foreign direct investment (FDI) inflow to RBI; and **FCGPR Form** - which a company submits to RBI for reporting the issue of eligible instruments to the overseas investor against the above mentioned FDI inflow.
- The design of the reporting platform enables the customer to login into the e-Biz portal, download the reporting forms (ARF and FCGPR), complete and then upload the same onto the portal using their digitally signed certificates. The Authorised Dealer Banks (ADs) will be required to download the completed forms, verify the contents from the available documents, if necessary by calling for additional information from the customer and then upload the same for RBI to process and allot the Unique Identification Number (UIN). It has been decided that the ARF and FCGPR services of RBI will be operational on the e-Biz platform from February 19, 2015. The user manual for the two services is Annexed to this Circular.
- It may be noted that for the present, the online reporting on the e-Biz platform is an additional facility to the Indian companies to undertake their ARF and FCGPR reporting and the manual system of reporting as prescribed in terms of A.P. (DIR Series) Circular No. 102 dated February 11, 2014 would continue till further notice.

- The ADs will be required to access the e-Biz portal (which is hosted on the National Informatics Centre (NIC) servers) using a Virtual Private Network (VPN) Account obtained from NIC. The financial aspects for obtaining/using the VPN accounts is being finalized in consultation with Government of India, DIPP and NIC. The same will be informed in due course.
- AD Category-I banks may bring the contents of this circular to the notice of their customers/constituents concerned. They are advised to extend due cooperation/assistance to their constituents for uploading the abovementioned forms on the e-Biz platform.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIRFDI0215.pdf>

M. Risk Management and Inter Bank Dealings: Foreign Currency (FCY) – INR Swaps:

- The Reserve Bank of India (RBI) vide its Circular No.78 dated February 13, 2015 for **Risk Management and Inter Bank Dealings: Foreign Currency (FCY) – INR Swaps.**
- In terms of paragraph (1) (iv) of section B contained in the annex to the above circular, eligible residents can enter into FCY-INR swaps to hedge exchange rate and/or interest rate risk exposure arising out of long-term foreign currency borrowing or to transform long-term INR borrowing into foreign currency liability, subject to operational guidelines, terms and conditions listed thereunder. As per condition listed at (e), swap transactions, once cancelled, shall not be rebooked or reentered, by whichever mechanism or by whatever name called.
- To permit greater flexibility to the residents borrowing in foreign currency, it has been decided that in cases where the underlying is still surviving, the client, on cancellation of the swap contract, may be permitted to re-enter into a fresh FCY-INR swap to hedge the underlying but only after the expiry of the tenor of the original swap contract that had been cancelled. All other operational guidelines, terms and conditions governing FCY-INR swaps remain unchanged.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/APDIR78NT0215.pdf>

N. Guidelines on Import of Gold by Nominated Banks / Agencies:

- The Reserve Bank of India (RBI) vide its Circular No.79 dated February 18, 2015 for Guidelines on **Import of Gold by Nominated Banks / Agencies.**
- Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to the provisions contained in A.P.(DIR Series) Circular No.42 dated November 28, 2014 in terms of which the 20:80 scheme for import of gold was withdrawn in consultation with the Government.

- The Reserve Bank of India and the Government has been receiving requests for clarification on some of the operational aspects of the guidelines on import of gold consequent upon the withdrawal of 20:80 schemes. Accordingly, in consultation with the Government, the following clarifications are issued:
 - (i) The obligation to export under the 20:80 scheme will continue to apply in respect of unutilised gold imported before November 28, 2014, i.e., the date of abolition of the 20:80 scheme.
 - (ii) Nominated banks are now permitted to import gold on consignment basis. All sale of gold domestically will, however, be against upfront payments. Banks are free to grant gold metal loans.
 - (iii) Star and Premier Trading Houses (STH/PTH) can import gold on DP basis as per entitlement without any end use restrictions.
 - (iv) While the import of gold coins and medallions will no longer be prohibited, pending further review, the restrictions on banks in selling gold coins and medallions are not being removed.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/79APDIR180215.pdf>

O. Raising Money through Private Placement of Non-Convertible Debentures (NCDs) by NBFCs:

- The Reserve Bank of India (RBI) vide its Circular No.21 dated February 20, 2015 for **Raising Money through Private Placement of Non-Convertible Debentures (NCDs) by NBFCs.**
- In supersession of circulars DNBS(PD)CC.No.330/03.10.001/2012-13 dated June 27, 2013 and the DNBS (PD)CC.No.349/03.10.001/2013-14 dated July 02, 2013, the guidelines on private placement of NCDs for NBFCs have been reviewed in the light of the provisions of Companies Act 2013 and the Rules issued thereunder. The notification DNBS (PD) 257/ PCGM (NSV)-2013 dated June 27, 2013 shall continue to be in force.
- The revised guidelines is enclosed in the said circular. It may be noted that the provisions of Companies Act, 2013 and Rules issued thereunder shall be applicable wherever not contradictory.
- Notification amending the NBFCs Acceptance of Public Deposits (Reserve Bank) Directions, 1998 is enclosed.

Guidelines on Private Placement of NCDs (maturity more than 1 year) by NBFCs:

- NBFCs shall put in place a Board approved policy for resource planning which, inter-alia, should cover the planning horizon and the periodicity of private placement.
- The issues shall be governed by the following instructions:
 - (i) The minimum subscription per investor shall be Rs. 20,000 (Rupees Twenty thousand);
 - (ii) The issuance of private placement of NCDs shall be in two separate categories, those with a maximum subscription of less than Rs. 1 crore and those with a minimum subscription of Rs. 1 crore and above per investor;
 - (iii) There shall be a limit of 200 subscribers for every financial year, for issuance of NCDs with a maximum subscription of less than Rs. 1 crore, and such subscription shall be fully secured.
 - (iv) There shall be no limit on the number of subscribers in respect of issuances with a minimum subscription of Rs. 1 crore and above; the option to create security in favour of subscribers will be with the issuers. Such unsecured debentures shall not be treated as public deposits as defined in NBFCs Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
 - (v) An NBFC (excluding Core Investment Companies) shall issue debentures only for deployment of funds on its own balance sheet and not to facilitate resource requests of group entities / parent company / associates.
 - (vi) An NBFC shall not extend loans against the security of its own debentures (issued either by way of private placement or public issue).
- Tax exempt bonds offered by NBFCs are exempted from the applicability of the circular.
- For NCDs of maturity upto one year, guidelines on Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010, dated June 23, 2010, by Internal Debt Management Department, RBI shall be applicable.

Notification No. DNBR.(PD) 006 /GM(MSG)-2015 dated February 20, 2015:

- The Reserve Bank of India, having considered it necessary in public interest and being satisfied that, for the purpose of enabling the Bank to regulate the credit system to the advantage of the country, it is necessary to amend the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions (Notification No. DFC. 118/DG(SPT)-98 dated January 31, 1998) (hereinafter referred to as the 'said Directions'), in exercise of the powers conferred by section 45J, 45K, 45L and 45 MA of the Reserve Bank of India Act, 1934 (2 of 1934) and of all the powers enabling it in this behalf, hereby directs that the said Directions shall be amended with immediate effect as follows, namely-

Insertion of new clause (fa): In paragraph 2, of the said Directions, in sub-paragraph (1), after clause (xii)(f), the following new clause shall be inserted, namely:-

“(fa) any amount raised by issuance of non-convertible debentures with a maturity one year and above and having the minimum subscription per investor at Rs.1 crore and above, provided that such debentures have been issued in accordance with the guidelines issued by the Reserve Bank as in force from time to time in respect of such non-convertible debentures.”

- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/DNBRPC20022015.pdf>

P. Bank's Prior Approval for Change in Shareholding:

- The Reserve Bank of India (RBI) vide its Circular No.476 dated February 24, 2015 for **Bank's prior approval for change in shareholding.**
- In terms of Section 3(6) of the SARFAESI Act, 2002, every Securitisation Company / Reconstruction Company (SC / RC) is required to obtain prior approval of the Reserve Bank for any substantial change in its management. For the purpose of this section, the expression “**substantial change in management**” means the change in the management by way of transfer of shares or amalgamation or transfer of the business of the company. Hence, one of the terms and conditions stipulated to the SC/RCs, while granting them the Certificate of Registration, states that prior approval of Reserve Bank will have to be taken by the SC/RCs for any change in their shareholding pattern.
- In order to smoothen the functioning of SC/RC companies, it has been decided that, henceforth only the following changes in the share holding pattern of the SC/RC will require Reserve Bank's prior approval:
 - i. any transfer of shares by which the transferee becomes a sponsor.
 - ii. any transfer of shares by which the transferor ceases to be a sponsor.

iii. an aggregate transfer of ten percent or more of the total paid up share capital of the SC/RC by a sponsor during the period of five years commencing from the date of certificate of registration.

- All other terms and conditions as stipulated to the SC/RC, while granting them the Certificate of Registration, will continue to apply.
- SCs/RCs may note the above instructions for meticulous compliance.
- A notification DNBR(PD-SC/RC).No.01/CGM(CDS)/2014-2015 dated February 24, 2015, amending 'The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003' is enclosed.

Notification DNBR(PD-SC/RC) No. 01/CGM (CDS)/ 2014-2015 dated February 24, 2015:

- The Reserve Bank of India, having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Reserve Bank to regulate the financial system to the advantage of the country and to prevent the affairs of any Securitisation Company or Reconstruction Company from being conducted in a manner detrimental to the interest of investors or in any manner prejudicial to the interest of such Securitisation Company or Reconstruction Company, in exercise of the powers conferred under Section 3, 9, 12 and 13 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, hereby directs that 'The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003' contained in Notification No.DNBS.2/CGM(CSM)-2003 dated April 23, 2003 (hereinafter called directions) shall stand amended with immediate effect, as follows :-

Insertion of new paragraph 24

After paragraph 23, the following paragraph 24 shall be inserted

“24. Bank’s prior approval for any substantial change in management by way of transfer of shares”

Notwithstanding anything to the contrary contained in the terms and conditions stipulated in the certificate of registration issued under section 3 of the Act, SC/RCs shall obtain prior approval of Reserve Bank for transfers that result in substantial change in management in the following cases only-

- i. any transfer of shares by which the transferee becomes a sponsor.
- ii. any transfer of shares by which the transferor ceases to be a sponsor.
- iii. an aggregate transfer of ten percent or more of the total paid up share capital of the SC/RC by a sponsor during the period of five years commencing from the date of certificate of registration.

Explanation:- For the purposes of this clause, a transfer shall be deemed to be a transfer of more than ten percent of the total paid up share capital of the SC/RC if the aggregate of all the transfer of shares made by the sponsor prior to that transfer, and including that transfer, is **10% or more of the total paid up share capital of the SC/RC.**

➤ The link of the Circular is as below:

<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/CBACS24022015.pdf>

Q. Priority Sector Lending- Targets and Classification – Overdraft in PMJDY accounts:

- The Reserve Bank of India (RBI) vide its Circular No.477 dated February 25, 2015 for Priority Sector Lending- Targets and Classification –Overdraft in PMJDY accounts.
- As per Master Circular RPCD.CO.Plan.BC 10/04.09.01/2014-15 dated July 01, 2014 on Priority Sector Lending- Targets and Classification.
- It has been decided that overdrafts extended by banks upto ` 5,000/- in Pradhan Mantri Jan-Dhan Yojana (PMJDY) accounts will be eligible for classification under priority sector advances ('others' category) as also weaker sections, provided the borrowers household annual income does not exceed 60,000/- for rural areas and 1,20,000/- for non-rural areas.
- The link of the Circular is as below:
<http://rbidocs.rbi.org.in/rdocs/notification/PDFs/FID250215CIRNT.pdf>



SEBI UPDATES:

A. Change in investment conditions / restrictions for FPI investments in Corporate Debt securities:

- The Securities Exchange Board of India (SEBI) vide its Circular No.1 dated February 03, 2015 for **Change in investment conditions / restrictions for FPI investments in Corporate Debt securities**.
- All future investments within the USD 51 bn Corporate Debt limit category, including the limits vacated when the current investment by an FPI runs off either through sale or redemption, shall be required to be made in corporate bonds with a minimum residual maturity of three years.
- Furthermore, FPIs shall not be permitted to invest in liquid and money market mutual fund schemes.
- There will, however, be no lock-in period and FPIs shall be free to sell the securities (including those that are presently held with less than three years residual maturity) to domestic investors.
- This circular shall come into effect immediately. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992.
- A copy of this circular is available at the web page “Circulars” on our website www.sebi.gov.in. Custodians are requested to bring the contents of this circular to the notice of their FPI clients.
- The link of the Circular is as below:
http://www.sebi.gov.in/cms/sebi_data/attachdocs/1422974226381.pdf

B. Change in investment conditions for FPI investments in Government Debt securities:

- The Securities Exchange Board of India (SEBI) vide its Circular No.2 dated February 05, 2015 for **Change in investment for FPI investments in Government Debt securities.**
- Pursuant to the announcements made in the Sixth Bi-monthly Monetary Policy Statement, 2014-15 dated February 03, 2015 by the Reserve Bank of India (RBI), **it has been decided that investment of coupons in Government securities will be enabled even when the existing limits for FPIs are fully utilised.**
- Accordingly, FPIs shall be permitted to invest in Government securities, the coupons received on their investments in Government securities. **Such investments shall be kept outside the applicable limit (currently USD 30 billion) for investments by FPIs in Government securities.**
- For the purpose of investment of coupons, the FPIs shall have **an investment period of 5 working days from the date of receipt of the coupon.** A re-investment facility of 5 working days shall be provided on the Government securities that have been purchased by utilizing the coupons. All other existing conditions for investment by FPIs in the Government securities market remain unchanged for this additional facility as well. It is further clarified that coupons received on these Government securities purchased by investment of coupons shall also have the same facility.
- The coupons invested in purchasing Government securities shall be classified into a separate investment category which is over and above the USD 30 billion Government debt limit. The depositories shall put in place the necessary systems for the daily reporting by the custodians of the FPIs and shall also disseminate this coupon investment data along with the daily debt utilization data.
- This circular shall come into effect immediately. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992. A copy of this circular is available at the web page “Circulars” on our website www.sebi.gov.in. Custodians are requested to bring the contents of this circular to the notice of their FPI clients.
- The link of the Circular is as below:
http://www.sebi.gov.in/cms/sebi_data/attachdocs/1423136829975.pdf

C. SEBI (Employees' Service) (Amendment) Regulations, 2015:

- The Securities Exchange Board of India (SEBI) vide its Circular No.3 dated February 26, 2015 for **Securities and Exchange Board of India (Employees' Service) (Amendment) Regulations, 2015.**
- These regulations may be called the Securities and Exchange Board of India (Employees' Service) (Amendment) Regulations, 2015.
- These regulations shall come into force on the date of their publication in the Official Gazette.
- In the Securities and Exchange Board of India (Employees' Service) Regulations, 2001, for regulation 36A, the following regulations shall be substituted, namely,-
“36A. Special hardship leaves for female employees:

(1) **Eligibility:**

- (a). A female employee confirmed in the services of the Board and having Completed five years of service in the Board, is eligible to apply for special Hardship leave:

Provided that special hardship leave before completion of five years of service may be sanctioned in exceptional circumstances for the purposes provided in sub-regulation (2), on an application by such female employee and upon recommendation of the approving authority in accordance with sub-regulation(4).

- (b). A female employee may avail special hardship leave as extension of maternity leave irrespective of completion of service of five years in the Board;
- (c). Approval of the special hardship leave shall be the sole discretion of the Board, depending upon the grounds including the administrative exigencies of the Board, reason for which the leave is sought for and merits of individual cases;
- (d). A female employee shall not proceed on special hardship leave without the approval of approving authority in accordance with sub-regulation (4);
- (e). Special hardship leave shall not be available to female employees, -
 - (i) serving abroad under special arrangements or bonds;
 - (ii) who have executed service bonds and have not completed it;
 - (iii) against whom disciplinary proceedings are proposed or pending or who are under suspension, including female employees against whom action has been initiated by Government agencies or other law enforcement authorities;
 - (iv) appointed on contract basis;

- (v) falling under any other category as may be intimated to the employees from time to time.

Purpose of special hardship leave:

(2) A female employee, eligible under sub-regulation (1), may apply for special hardship leave for the purposes of taking care of the family or children or health grounds of self or dependent family members.

Period of special hardship leave:

(3) Special hardship leave may be availed for a period not exceeding two years during the entire service, and may be availed for a minimum period of three months once in a year.

Approving authority for special hardship leave:

(4) Approving authority for special hardship leave for female employees in grade 'D' and above, shall be the Whole Time Member in charge of the concerned department where such female employee is serving, and in other cases, the approving authority shall be the Executive Director in charge of the concerned department where such female employee is serving.

Other Conditions:

(5) Other conditions relating to special hardship leave shall be as follows -

- (a). Such leave shall be without pay, perquisites and allowances except house allowance
- (b). An employee on special hardship leave shall be allowed to retain the accommodation provided by the Board or receive the house allowance, as the case may be;
- (c). Application for special hardship leave shall be submitted by the employee in grade 'D' and above, at least two months before the date from which leave is to be availed, and in all other case at least one month before the date from which leave is to be availed:

Provided that the approving authority shall have discretion to relax the period specified in this clause in appropriate cases;

- (d). For computing the eligibility to avail special hardship leave, completed years of services shall be reckoned;
- (e). Special hardship leave once approved, shall be irrevocable;
- (f). Before expiry of the approved special hardship leave, a female employee shall not resume for duty without permission from the approving authority;

- (g). Special hardship leave may be availed irrespective of balance of leaves of any other category, and may be combined with any categories of leave except casual leave, special casual leave, Special casual leave in lieu of joining time, and special leave ;
- (h). Special hardship leave shall not be granted for avoiding transfer or posting or placement, etc.;
- (i). A female employee, who leaves the services of the Board by resignation or voluntary retirement during the special hardship leave shall be liable to pay compensation to the Board, which shall be a sum equal to her substantive pay for the period of notice as required of her in terms of these regulations;
- (j). Board may cancel the special hardship leave and recall the female employee and proceed in the matter as deemed fit, in case it is found that such employee is undertaking or engaged in, directly or indirectly, any trade or employment or business or profession;
- (k). Special hardship leave shall be counted as service for the purpose of seniority;
- (l). For the period of special hardship leave availed, no other leave shall be credited to such employee;
- (m). Female employee shall make herself available during the period of special hardship leave as witness in any investigation, court case, departmental enquiry or any other such proceeding and shall be paid travelling and halting allowance, as the case may be;
- (n). Board may cancel the special hardship leave at any time and recall the female employees in case of exigencies;
- (o). Board shall not approve, during the special hardship leave period, any fresh loan or advance of whatever nature;
- (p). A female employee on special hardship leave shall submit the return of immovable or movable or valuable property as required;
- (q). A female employee availing special hardship leave shall intimate to the Board, her local address for correspondences and also inform any changes in address for communication, from time to time.

➤ The link of the Circular is as below:

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1424947155481.pdf

ARTICLE OF THE MONTH

Board's Report – As per the Companies Act 2013.

Introduction:

Section 134 of the Companies Act, 2013 casts a wider responsibility on the Board of Directors of all companies to report to the Shareholders detailed as below. The Board of Directors Report shall be annexed to the Financial Statements, which are laid before the shareholders in the Annual General Meeting of the Company.

Disclosure to be made in Board Report pursuant to Section 134 of CA 2013 read with Companies (Accounts) Rules, 2014 and pursuant to provisions under CA 2013:

1. Annual Return :

The extract of the Annual Return in Form No. MGT.9; (as per section 92)

2. Details of Board Meetings

Number of meetings of the Board of Directors (Section 173)

3.(i) Directors' Responsibility Statement for unlisted and listed company both:

- a. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- b. the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d. The directors had prepared the annual accounts on a going concern basis; and
- e. **The directors, in the case of a listed company,** had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation.—For the purposes of this clause, the term “*internal financial controls*” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

- f. the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

(ii). Directors' Responsibility Statement for Listed Companies under clause 55 of Listing Agreement.

Listed entities shall submit, as part of their Annual Reports, Business Responsibility Reports, describing the initiatives taken by them from an environmental, social and governance perspective, in the format suggested under Clause 55 of Listing Agreement

Link : http://www.sebi.gov.in/cms/sebi_data/attachdocs/1344915990072.pdf

4. **Independent Director** : A statement by the Board that each Independent Directors has given a declaration as required under sub-section (6) of section 149, which confirms his independency;
5. **Nomination & Remuneration Committee** : Every Listed Company and every Public Company, having paid-up capital of Rs.10 Crore or more OR having turnover of Rs.100 Crore or more OR having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rs.50 Crores or more (Refer Section 178 of CA 13), need to give disclosure relating to **Nomination & Remuneration Committee**, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178 (relating to Key Managerial Personnel (KMP) & senior management);
6. **Qualifications of Auditors** :
The Board need to give explanations or comments in the Board Report on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report; and by the company secretary in practice in his secretarial audit report;
7. **Particulars of loans, guarantees or investments** under section 186 which are exceeding the limit of 60% of the Paid Up Capital , free reserves and securities premium account or 100% of free reserves and securities premium account, whichever is higher.
8. **Related Party Transaction**: Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the Form AOC-2
9. **State of Company's affairs**
10. **Reserves** : The amounts, if any, which it proposed to carry to any reserves
11. **Dividend** : The amounts, if any, which it recommends should be paid by way of dividend
12. **Material changes and commitments**, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report;

13. The conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

(A) Conservation of energy-

- (i) the steps taken or impact on conservation of energy;
- (ii) the steps taken by the company for utilising alternate sources of energy;
- (iii) the capital investment on energy conservation equipments;

(B) Technology absorption-

- (i) the efforts made towards technology absorption;
- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution;
- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-
 - (a) The details of technology imported;
 - (b) The year of import;
 - (c) Whether the technology been fully absorbed;
 - (d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and
- (iv) The expenditure incurred on Research and Development.

(C) Foreign Exchange earnings and Outgo-

The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows.

14. **Risk Management Policy** :A statement indicating development and implementation of a Risk Management Policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company:

15. **CSR**: Composition of CSR Committee and the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year or reasons for not spending the money.

16. **Annual Evaluation of Performance of Board** :As per Rule 8 of Chapter IX, every listed company and every other public company having a paid up share capital of Rs.25 Crore or more calculated at the end of the preceding financial year shall include, in the Board Report, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

17. **Additional Disclosure for every listed company and every other public company having a paid up share capital of Rs.25 Crore or more calculated at the end of the preceding financial year shall include, in the Board Report -**

- (i) the financial summary or highlights;
- (ii) the change in the nature of business, if any;
- (iii) the details of directors or key managerial personnel who were appointed or have resigned during the year;
- (iv) the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;
- (v) the details relating to deposits, covered under Chapter V of the Act,-
 - (a) accepted during the year;
 - (b) remained unpaid or unclaimed as at the end of the year;

- (c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-
 - (i) At the beginning of the year;
 - (ii) Maximum during the year;
 - (iii) At the end of the year;
- (vi) the details of deposits which are not in compliance with the requirements of Chapter V of the Act;
- (vii) the details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;
- (viii) the details in respect of adequacy of internal financial controls with reference to the Financial Statements.

18. ESOP :

As per Sub Rule 9 of Rule 12 of Companies (Share Capital and Debentures) Rules, 2014 , disclosure to be made in Board Report (pursuant to section 62) For Employees Stock Option Plan (ESOP):

The Board of Directors, shall, inter alia, disclose in the Directors' Report for the year, the following details of the Employees Stock Option Scheme:

- (a) options granted;
- (b) options vested;
- (c) options exercised;
- (d) the total number of shares arising as a result of exercise of option;
- (e) options lapsed;
- (f) the exercise price;
- (g) variation of terms of options;
- (h) money realized by exercise of options;
- (i) total number of options in force;
- (j) employee wise details of options granted to:-
 - (i) key managerial personnel;
 - (ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year.

(iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;

19. Sweat Equity Shares :

As per Sub Rule 13 of Rule 8 of Companies (Share Capital and Debentures) Rules, 2014 , disclosure to be made in Board Report about Issue of sweat equity share:

The Board of Directors shall, inter alia, disclose in the Directors' Report for the year in which such shares are issued, the following details of issue of sweat equity shares namely:-

- (a) the class of director or employee to whom sweat equity shares were issued;
- (b) the class of shares issued as Sweat Equity Shares;

- (c) the number of sweat equity shares issued to the directors, key managerial personnel or other employees showing separately the number of such shares issued to them , if any, for consideration other than cash and the individual names of allottees holding one percent or more of the issued share capital;
- (d) the reasons or justification for the issue;
- (e) the principal terms and conditions for issue of sweat equity shares, including pricing formula;
- (f) the total number of shares arising as a result of issue of sweat equity shares;
- (g) the percentage of the sweat equity shares of the total post issued and paid up share capital;
- (h) the consideration (including consideration other than cash) received or benefit accrued to the company from the issue of sweat equity shares;
- (i) the diluted Earnings Per Share (EPS) pursuant to issuance of sweat equity shares.

20. **Equity Shares with differential rights :**

As per Sub Rule 4 of Rule 4 of Companies (Share Capital and Debentures) Rules, 2014 , disclosure to be made in Board Report with respect to Equity Shares with differential rights :

The Board of Directors shall, inter alia, disclose in the Board's Report for the financial year in which the issue of equity shares with differential rights was completed, the following details, namely:-

- (a) the total number of shares allotted with differential rights;
- (b) the details of the differential rights relating to voting rights and dividends;
- (c) the percentage of the shares with differential rights to the total post issue equity share capital with differential rights issued at any point of time and percentage of voting rights which the equity share capital with differential voting right shall carry to the total voting right of the aggregate equity share capital;
- (d) the price at which such shares have been issued;
- (e) the particulars of promoters, directors or key managerial personnel to whom such shares are issued;
- (f) the change in control, if any, in the company consequent to the issue of equity shares with differential voting rights;
- (g) the diluted Earning Per Share pursuant to the issue of each class of shares, calculated in accordance with the applicable accounting standards;
- (h) the pre and post issue shareholding pattern along with voting rights in the format specified under Clause 35 of listing agreement

21. **ESOP and voting rights of employees**

Sub Rule 4 of Rule 16 of Companies (Share Capital & Debentures) Rules, 2014 , disclosure to be given in the Board Report with respect to voting rights not exercised directly by the employees in respect of shares to which the scheme relates,

The Board's Report should mention the following details, namely:-

- (a) the names of the employees who have not exercised the voting rights directly;
- (b) the reasons for not voting directly;
- (c) the name of the person who is exercising such voting rights;
- (d) the number of shares held by or in favour of, such employees and the percentage of such shares to the total paid up share capital of the company;
- (e) the date of the general meeting in which such voting power was exercised;
- (f) the resolutions on which votes have been cast by persons holding such voting power;

- (g) the percentage of such voting power to the total voting power on each resolution;
- (h) Whether the votes were cast in favour of or against the resolution.

22. Auditors

As per Sub Rule 3 6 and 14 of the Companies (Audit & Auditors) Rules, 2014 disclosure to be given by the Board in its Report with regards to the appointment of Auditors and Cost Auditors :

Directors need to give its recommendation for the appointment of the statutory auditors and cost auditor (if any) of the Company, any change made during the year, whether existing auditor(s) is/are eligible for reappointment etc.

23. Audit Committee (Section 177 sub section 8)

The Companies having Paid up Capital of **Rs. 10 Cr or more** or Turnover of **Rs. 100 Cr or more** or aggregate, outstanding loans or borrowings or debentures or deposit exceeding **50 Cr or more**, shall form the Audit Committee and the composition of Audit Committee shall be disclosed in the Board Report and in case of the Board has not accepted any recommendation of audit committee; the same shall also be disclosed in the Board Report with reason therefore .

24. Vigil Mechanism (Section 177 sub section 9)

The Companies which **accept deposits from the public** or which have borrowed money from banks and public financial institutions in excess of Rs. 50 Crores , shall establish Vigil mechanism for their Directors and Employee to report their genuine concern or grievances . Such mechanism shall be disclosed by the company on its website, if any and in the Board of Directors Report.

25. Directors and changes in KMP

Any changes and retirement of rotation of Directors

26. Remuneration of Directors (Section 197)

Every listed Company need to disclose in the Board's Report, the ratio of the remuneration of each director to the median employee's remuneration and such other details mentioned here under:

Rule 5 of Companies (Appointment and remuneration of managerial personnel) rules, 2014 requires following details to be mentioned under Directors Report.

(1) Every Listed Company shall disclose :

- (i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;
- (ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;
- (iii) the percentage increase in the median remuneration of employees in the financial year
- (iv) the number of permanent employees on the rolls of company;
- (v) the explanation on the relationship between average increase in remuneration and company performance;

- (vi) comparison of the remuneration of the Key Managerial Personnel against the performance of the company;
- (vii) variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year;
- (viii) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;
- (ix) comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;
- (x) the key parameters for any variable component of remuneration availed by the directors;
- (xi) the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year; and
- (xii) Affirmation that the remuneration is as per the remuneration policy of the company.

Explanation.- For the purposes of this rule.-

- (i) the expression “median” means the numerical value separating the higher half of a population from the lower half and the median of a finite list of numbers may be found by arranging all the observations from lowest value to highest value and picking the middle one;
 - (ii) if there is an even number of observations, the median shall be the average of the two middle values.
- (2) The Board’s Report shall include a statement showing the name of every employee of the company, who-
- (i) if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than sixty lakh rupees;
 - (ii) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than five lakh rupees per month;
 - (iii) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

- (3) The statement referred above shall also indicate -
- (i) designation of the employee;
 - (ii) remuneration received;
 - (iii) nature of employment, whether contractual or otherwise;
 - (iv) qualifications and experience of the employee;
 - (v) date of commencement of employment;
 - (vi) the age of such employee;
 - (vii) the last employment held by such employee before joining the company;
 - (viii) the percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above; and
 - (ix) whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager:

Provided that the particulars of employees posted and working in a country outside India, not being directors or their relatives, drawing more than Rs.60 Lac per financial year or Rs.5 Lac per month, as the case may be, as may be decided by the Board, shall not be circulated to the members in the Board's Report, but such particulars shall be filed with the Registrar of Companies while filing the financial statement and Board Reports:

Provided further that such particulars shall be made available to any shareholder on a specific request made by him in writing before the date of such Annual General Meeting wherein financial statements for the relevant financial year are proposed to be adopted by shareholders and such particulars shall be made available by the company within three days from the date of receipt of such request from shareholders:

Provided also that in case of request received even after the date of completion of Annual General Meeting, such particulars shall be made available to the shareholders within seven days from the date of receipt of such request.

Apart from above, the Board Report should also disclose , details of remuneration or commission , if any director who is managing director or whole time director of the company receive from any holding company or subsidiary company of such company

27. Secretarial Audit Report (Section 204 of CA 2013)

Board's Report must contain as annexure a Secretarial Audit Report for the Company whose paid up Share Capital of Rs.50 Crore or more or turnover of Rs.250 Crore or more.

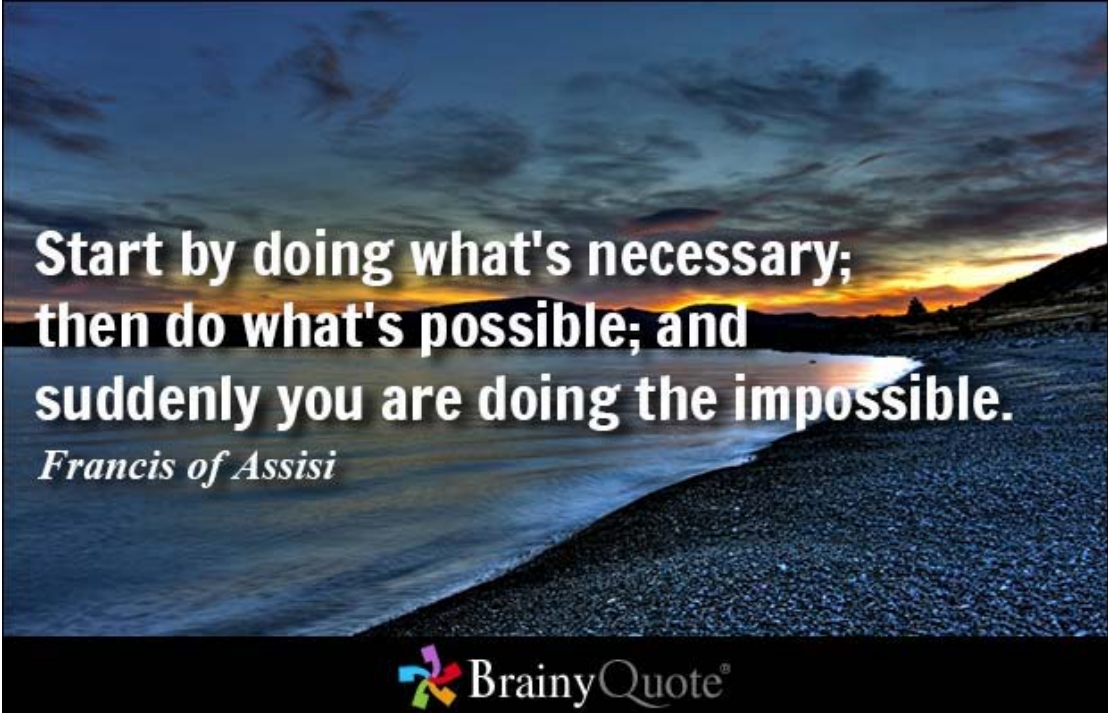
28. Listed Company need to comply with Clause 5 and 49 of Listing Agreement

Clause 5.A.(I).g/ (II). Details of shares lying in the suspense account
Clause 49 Corporate Governance Report

29. **Subsidiaries** :Details of subsidiaries, joint venture and associate companies and consolidation of statement of all such companies. Performance of and financial position of each of the subsidiaries , joint venture or associate companies during the year .


Amita Desai & Co.

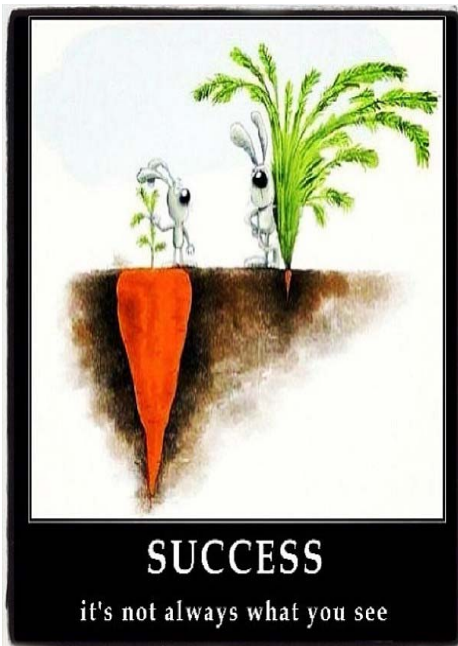
INSPIRATIONAL QUOTES



**Start by doing what's necessary;
then do what's possible; and
suddenly you are doing the impossible.**

Francis of Assisi

 BrainyQuote®



ALL ROADS
THAT LEAD TO
SUCCESS
HAVE TO PASS THROUGH
HARD WORK
BOULEVARD
AT SOME POINT

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