

Standing committee calls MCA officials to discuss Companies Bill

The parliamentary standing committee on finance, which had given its suggestions on the Companies Bill, 2011, has called some officials from the ministry of corporate affairs (MCA) on Tuesday to discuss the draft law, said two persons familiar with the matter, who declined to be named.

The Bill, which was introduced in Parliament in the winter session, was referred back to the committee to suggest further changes after the main opposition, the Bharatiya Janata Party (BJP), opposed the draft law.

The standing committee, headed by BJP leader and former finance minister Yashwant Sinha, had given its report in August 2010. "The committee's main contention was that some of its recommendations were not incorporated in the final Bill that was introduced in Parliament in December," said an MCA official. "Accordingly, we are preparing a list of recommendations made by the committee, those taken as part of the Bill fully or partially and those not taken."

The Bill was earlier introduced in Parliament in 2009. Since Parliament was dissolved because of general elections in the same year, the Bill had lapsed.

MCA has been struggling to reintroduce the Bill since the Congress-led United Progressive Alliance came back to power in 2009. Meanwhile, MCA introduced changes in 2011, most of which were based on the recommendations of the standing committee under Sinha.

In December, the BJP, in a meeting with finance minister Pranab Mukherjee, had said that some recommendations made by the standing committee were not incorporated by the ministry.

"This is not true. Most of its recommendations were accepted and, therefore, the 2011 Bill is an update on the one introduced in 2009," said the other MCA official.

There are no major deviations in the draft law from the recommendations made by the standing committee, according to Pavan Kumar Vijay, managing director of Corporate Professionals India Pvt. Ltd, which advises professionals and companies on corporate governance issues. "Out of the 167-odd suggestions made by the committee, more than 155 have been accepted and incorporated in the Companies Bill, 2011. And it was unfair to stall the passage of the Bill for minor issues in the last session of Parliament," said Vijay.

Work on a new Companies Bill started in 2004 when MCA appointed J.J. Irani, a former director with Tata Steel and Tata Sons, to head the expert group to draft the new Companies Bill.

According to Vijay, some of the recommendations of the committee, which were partially accepted, included increasing minimum paid-up capital for incorporating a public company.

The committee's recommendation that disclosure of the time of payment of the first dividend and the expected rate of dividend should be provided in the prospectus has not been accepted by the ministry.

Again, while the standing committee had suggested rotation of auditors to be provided in a particular clause, the Bill has said classes of companies, where the auditor shall retire after a fixed period, will be prescribed.

In case of directors of publicly traded companies, while the standing committee has said that a person can represent not more than five companies, MCA has not provisioned for any such limit but has said shareholders can impose such a restriction.

Corporate affairs minister Veerappa Moily is optimistic about introducing the Bill in the budget session, which according to Mukherjee will start in March.

"They (standing committee members) have told me that they will send it back in a month's time and allow me to present it in Parliament in the budget session," Moily said last week on the sidelines of a conference on corporate social responsibility.

Sinha could not be immediately reached for comments.