

# Secretarial Audit Reports: *Trends & Practices in 2015*

*Different - Distinct - Diverse*



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**General Information:** CimplifyFive has prepared this report to identify new trends, practices and lessons emerging out of Secretarial Audit Report introduced by the Companies Act, 2013, with the intent of disseminating it to all Corporates in general and the CSs and CAs in particular. This report is not intended to act as a recommendation or condemnation of any practice, company or firm covered in this report.

**Risk Warning:** CimplifyFive shall not be responsible for any loss or damage arising for anyone using any information contained in this report.

**Source of Information:** CimplifyFive has used the information contained in Annual Reports of the Companies in the pdf form as found on their website.

**Limitations:** Competent professionals with adequate experience have undertaken this study. Further, a due process of checks and verifications to ensure accuracy of this report has been followed. This should have eliminated errors from this report. If any points in the nature of error are brought to our notice and we agree with the same, CimplifyFive will rectify the report at the earliest and have the revised report available on its website [www.cimplifyfive.com](http://www.cimplifyfive.com). CimplifyFive does not accept any loss or damage caused to any individual, company, professional or institution by use of this Report.

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## **1 Editor's Note: Why, What & Who**

Dear reader,

Secretarial Audit is a new concept introduced by the Companies Act, 2013. This audit became mandatory for bigger companies<sup>1</sup> having their financial year commencing on or after April 1, 2014. Annual Reports produced by these companies in 2015 had for the first time Secretarial Audit Reports (SAR) indicating the state of compliance in these companies.

A unique feature of these SARs is that secretarial auditors had limited material for guidance with many of them facing situations that were not only unique to their company, but also had no precedence of how these situations could be dealt with, either in India or elsewhere in the globe. In contrast to the Statutory Audit Reports that evolved over the last two hundred years and had the opportunity to benefit from multiple consultations, SARs are in their maiden year. We believe that SARs do not need hundreds of years or even a decade to reach maturity. Instead a thorough study of the different, distinct and diverse practices in SARs in their first year could accelerate its maturity. It is this idea that has inspired us to conduct this study, prepare this report and offer our suggestions for consideration.

We have considered S&P BSE 500 Companies as the sample for this study of SARs in their inaugural year. Companies constituting this index are located in different parts of India in addition to coming from 15 different sectors. Further the number is large enough to give us a fair representation of the varied practices in SARs across the country. Our findings are captured under the four heads: the Auditee, the Auditor, the Report and the Mandates.

Our study takes into account the suggestions made by the Report of the Companies Law Committee, February 2016. In this report, the concept of SAR itself is not undergoing any fundamental change as the Committee reiterated in page 103, para 13.3, quote '*The Committee took the view that no change in these prescriptions [pertaining to SAR] is required.*'

This study is undertaken by CimplifyFive Corporate Secretarial Services Private Limited, a company with the vision to 'leverage research and technology to eliminate procedural non-compliance for entities incorporated under the Companies Act, 2013.' We look forward to your feedback to enrich this study. Please share your feedback with us at [contact@cimplifyfive.com](mailto:contact@cimplifyfive.com).

Yours sincerely,

***Shankar Jaganathan***

Founder & Chief Executive

CimplifyFive Corporate Secretarial Services Private Limited

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<sup>1</sup> Bigger companies defined to include listed companies and all public companies having a paid-up share capital of fifty crore rupees or more, or turnover of two hundred and fifty crore rupees or more.

## 2 Executive Summary: Top Ten Takeaways

### Sample for this Report

1. S&P BSE 500 was considered for this study. Of the 500 companies spread across 15 sectors, only 463<sup>2</sup> companies had Secretarial Audit Reports in their Annual Report published in the calendar year 2015. We have analysed all the 463 reports issued, of which 335 (72%) reports did not have qualifications, while the balance 128 (28%) of the reports contained one or more qualifications.

### Company Secretary Profile

2. Company Secretaries of listed companies are now designated as the Chief Compliance Officer, in addition to being a Key Managerial Personnel. Given this responsibility and statute our analysis of the annual compensation paid to Company Secretaries show that in 59% of the companies, they earned less than Rs.50 lakhs. Further in 31% of the companies, the annual compensation was less than Rs.25 lakhs.
3. Women Company Secretaries were found only in 61 (12%) companies.

### Secretarial Auditors

4. 272 Secretarial Auditors audited 463 companies. Mumbai/Thane accounted for 160 (35%) of the Secretarial Auditors, with New Delhi 90 (19%), Pune 36 (8%), Kolkata 32 (7%) and Bangalore 31 (7%) being the top five locations for Secretarial Auditors.
5. Based on the number of audits undertaken, the top ranked Secretarial Auditor conducted 17 (4%) audits, while the top 5 auditors conducted 64 (14%) and the top 10 auditors conducted 100 (22%) audits.

**Table 2.1 Top 5 Secretarial Auditors based on the number of Audits undertaken**

Rank	Classification	# of Companies	% of BSE500 Companies
1	Dr.KR Chandratre, Pune	17	3.7%
2	Parikh & Associates, Mumbai	16	3.5%
3	Chandrashekar & Associates, New Delhi	13	2.8%
4	BNP Associates, Mumbai	9	1.9%
5	Rathi and Associates, Mumbai	9	1.9%

<sup>2</sup> The balance 37 companies did not publish SAR as 19 were nationalized banks not coming under the ambit of Companies Act and the remaining 18 were companies with calendar year 2014 as their financial year and hence were not required to publish SAR in the Annual Report published in 2015.

6. Women Secretarial Auditors conducted the audit only in 42 (9%) companies out of the 463 companies analysed.

### **Secretarial Audit Report**

7. In 5 (1%) companies the SAR was addressed to the Board of Directors, whereas the mandate is for the report to be addressed to the Members of the Company.

We believe that this could be a reflection of the current system of appointment by the Board of Directors combined with the report being routed through them, which could dilute the accountability of Secretarial Auditors to the Members of the Company.

8. Secretarial Audit Report format, Form MR-3 is very specific and contains details that may not stand the test of time, which is required for a statutory report. Review of the Secretarial Audit Reports in 2015, the very first year, shows the need for the audit report format to be significantly modified for use. Predominant areas of modification were in making reference to the Companies Act, SEBI Regulations and Secretarial Standards. These detailed references are at a point of time and will change over time. Hence, there is a need for making the report more generic and less detailed to stand the test of time.
9. Secretarial Auditors have adopted different methods in dealing with compliance with respect to financial laws, mainly direct and indirect taxes. While 329 (71%) of the audit reports did not distinguish between financial laws and non-financial laws, 82 (18%) removed it from their audit scope and the remaining 52 (11%) relied on other professionals for compliance on these laws.
10. 460 mandates were listed in the 463 SARs reviewed. It comprised of 241 (51%) Acts, 89 (19%) Rules, 52 (11%) Regulations and 78 (17%) others consisting of Circulars, Codes, Conventions, Directions, Guidelines, Orders, Policy, Schemes and Standards.

With a list of 274 mandates and a clean report, Mindtree Limited was the most compliant company in our study.

### 3 Key Findings: Different, Distinct & Dissimilar

#### 3.1 Auditees

##### 3.1.1 Companies

S&P BSE 500 is a representative sample of the 'bigger companies' for whom SAR is mandated. This index was constituted with effect from August 9, 1999, to represent the changing pattern of the economy and that of the market. The companies in the index account for more than 90% of the market capitalization for companies in India.

Of the S&P BSE 500 companies selected, we could analyse the SAR for only 463 companies. The balance 37 companies did not have a SAR, as 19 were banks not incorporated under the Companies Act and hence were not required to undergo Secretarial Audit. The remaining 18 companies had calendar year as their financial year and hence their Annual Report published in 2015 did not contain SAR.

**Table 3.1.1: The Companies Analysed**

<b>Narration</b>	<b># of Companies</b>
<b>Constituents of S&amp;P BSE 500</b>	<b>500</b>
Banks not incorporated under the Companies Act <sup>3</sup>	19
Companies having financial year starting other than April 1 <sup>4</sup>	18
<b>Companies whose SAR is not available for analysis</b>	<b>37</b>
<b>Companies whose SAR is analysed</b>	<b>463</b>

As practiced, the mandate for Secretarial Audit requires the auditor to state compliance with all laws as may be applicable to the company. As the application of laws to the company varies with the industry in which they operate, S&P BSE 500 provides a diverse representation by covering 15 broad sectors. Each of these sectors have their own industry specific laws to comply with in addition to generic laws applicable to all business covering Mercantile, Labour, Fiscal, Environmental, Health and Safety laws.

<sup>3</sup>Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, Indian Bank, Indian Overseas Bank, Orient Bank of Commerce, Punjab National Bank, State Bank of Bikaner and Jaipur, State Bank of Travancore, State Bank of India, Syndicate Bank, UCO Bank, Union Bank of India, Vijaya Bank.

<sup>4</sup>ABB India, Advanta, Alok Industries, Castrol India, Clariant Chemicals, Eicher Motors, Fag Bearings Limited, Gammon Infrastructure Projects, Glaxosmithkline Pharmaceuticals, Hexaware technologies, Honeywell Automation India, ITD Cementation India, KSB Pumps, Merck, MRF, Sanofi India, SFK India, Videocon Industries.

From a sector perspective, Chemicals, Financials, Healthcare and Metals are the more legislated sectors.

**Table 3.1.2: Sectorwise<sup>5</sup> Distribution**

Sl no.	Sector	# of Cos.	%
1	Automobile	30	6%
2	Chemicals	34	7%
3	Communication	8	2%
4	Consumer Durables	12	2%
5	Construction	68	14%
6	Diversified	9	2%
7	Energy	32	6%
8	Engineering	42	8%
9	Financials	76	15%
10	FMCG	38	8%
11	Healthcare	34	7%
12	Metals	27	5%
13	Services	51	10%
14	Technology	22	4%
15	Textiles	17	3%
	<b>Total</b>	<b>500</b>	<b>100%</b>

### 3.1.2 Company Secretary

The importance of CS in a company is acknowledged in the Companies Act, 2013 by recognizing them as Key Managerial Personnel (KMP). Further the listing agreement with stock exchanges requires the CS to be designated as the Chief Compliance Office of the Listed Companies. Given this pivot role, this section analyses the profile of CS by classifying them on the basis of their compensation, designations and gender.

Mandates remain on paper unless they are backed by action. The translation of the importance that compliance has gained in recent time and the role of Chief Compliance Officer given to CS can be seen in the annual compensation paid to CS, which is reflected in Table 3.1.3.

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<sup>5</sup> S&P BSE 500 only provides industry categories and does not use Sectorwise classification. We have classified the companies into sectors based on the classifications used by equity analysts.

**Table 3.1.3: Compensation for Company Secretaries**

Sl no.	Narration	Amount in Rs. Lakhs, annual compensation	Company Name
1	Average Compensation	49.61	
2	Highest Compensation	496.00	Bharti Airtel
3	Lowest Compensation	3.45	Treehouse Education & Accessories

The average annual compensation of Rs.50 lakhs reflects the increasing importance for compliance among S&P BSE 500 companies. However, this importance accorded is not uniform across all the companies analysed as reflected in 31% of the companies where the CS gets less than rupees twenty-five lakhs and another 28% of the companies where they earn less than rupees fifty lakhs, see Table 3.1.4.

**Table 3.1.4: Distribution of Companies by Compensation to Company Secretaries**

Sl no.	Range of Average Annual Compensation	# of Companies	%
1	0-25 lakhs	155	31%
2	25+ to 50 lakhs	142	28%
3	50+ to 100 lakhs	103	21%
4	100+ lakhs	50	10%
5	Not reported	50	10%
	<b>Total</b>	<b>500</b>	<b>100%</b>

Designations used by the CS reflect their role and position in their corporate hierarchy. Company Secretary was the most popular designation, with 59% having it. The role of company secretary was in many cases combined with the role of General Counsel and legal affairs as reflected in 13% of the designations. In 11% of cases, the stipulated role of Chief Compliance Officer was reflected in their designations. In 14% of cases, the designation of Company Secretary was amplified by a prefix reflecting their standing in the corporate hierarchy as illustrated: President & Company Secretary, Group Company Secretary, Senior V. P.& Company Secretary, General Manager & Company Secretary, Manager & Company Secretary.

Further, in 3% of cases numbering 16, the office of the CFO was combined with the role of Company Secretary. In 10 cases, we found the Company Secretary was also an Executive Director of the Company.

**Table 3.1.5: Company Secretaries by Designation#**

Rank	Narration	Numbers	%
1	Company Secretary	304	59%
2	Company Secretary with legal function combined (different designations used)	67	13%
3	Company Secretary & Chief Compliance Officer	54	11%
4	CFO & Company Secretary	16	3%
5	Others	71	14%
	<b>Total</b>	<b>512</b>	<b>100%</b>

# Nos. of designations is more than the nos. of companies, as some companies had more than one individual holding the position of CS during the year. In some cases, they had different designations.

One of the reasons for the above average compensation could be that the role of CS is combined with other managerial roles that enhance their value to the company. In addition to the combination of CFO role which is seen in 16 companies, Table 3.1.6 tabulates some other unique job responsibilities combined.

**Table 3.1.6: Company Secretaries with Unique Job Combinations**

Sl no.	Designation	Company
1	Deputy CEO, CFO & Company Secretary	Gateway Distriparks Ltd
2	Executive VP-Company Secretary & Strategic Advisor	Escorts Ltd
3	Company Secretary & Chief Strategy Officer	Magma Fincorp Ltd
4	Chief GRC, General Counsel & Company Secretary	Asahi India Glass Ltd
5	CFO, Company Secretary & President-Industrial JVs	Asian Paints Ltd
6	Company Secretary, Chief Investor Relations and Compliance Officer	Gati Ltd
7	Company Secretary cum Finance Controller	Vinati Organics Ltd
8	VP Taxation, Legal and Company Secretary	Volts Ltd
9	Head Legal and Compliance and Company Secretary and VP Internal Audit	TV Today Ltd
10	Chief Risk, Compliance Officer & Company Secretary	Infosys Technologies Ltd

In the BSE 500 companies, only 495 companies had a CS on its year-end date. Five banks namely, Oriental Bank of Commerce, SBBJ, SBT, State Bank of India and Vijaya Bank did not have a CS on their yearend date. Hence the gender analysis is done for only 495 companies.

**Table 3.1.7: Company Secretaries Classified by Gender#**

Sl no.	Classification by Gender	# of Companies	% of BSE500 Companies
1	Female	61	12%
2	Male	434	88%

#Gender is considered as on year-end date where there were more than one Company Secretaries during the year

## 3.2 Secretarial Auditors

Secretarial Audit is a mechanism to give comfort and assurance to all stakeholders including the management, shareholders, lenders and regulators on the state of compliance by a company to the applicable laws and the presence of adequate systems and process to monitor it. Given the diverse nature of companies across the country amplified by their presence in different sectors and different states<sup>6</sup> the profile of auditors who have undertaken the first SAR is analysed. We have captured the geographical presence of these auditors along with the number of audits they have undertaken.

The findings in this report may have a validity that could be representative of the practices across the country as it considers 463 SARs done by 272 Secretarial Auditors spread across the length and breadth of India.

Being the commercial capital of India, Mumbai<sup>7</sup> tops the location where the Secretarial Auditors are based. At a distant second is New Delhi<sup>8</sup>, followed by the cluster of five cities: Pune, Kolkata, Bangalore, Chennai and Hyderabad. This distribution is in line with the number of Registered and Active companies in India as of March 2015, where Maharashtra tops the list, followed by New Delhi, West Bengal, Tamil Nadu, Karnataka and Telangana.

**Table 3.2.1: Geographical location of Secretarial Auditors**

Rank	Narration	# of Companies	%	# of Secretarial Auditors	%
1	Mumbai/Thane	160	35%	89	33%
2	NCR/New Delhi	90	19%	55	20%
3	Pune	36	8%	13	5%
4	Kolkata	32	7%	15	5%
5	Bangalore	31	7%	24	9%
6	Chennai	26	6%	13	5%
7	Hyderabad	26	6%	16	6%
8	Ahmedabad /Gandhinagar	21	5%	14	5%
9	Coimbatore	10	2%	6	2%
10	Vadodara	8	2%	6	2%
11	Others	23	5%	21	8%
	<b>Total</b>	<b>463</b>	<b>100%</b>	<b>272</b>	<b>100%</b>

<sup>6</sup> Given the mandate to provide assurance with compliance on all laws, which include central, state and local municipal laws, presence across multiple states is essential for getting a representative sample.

<sup>7</sup> Given its proximity, we have included Thane under Mumbai

<sup>8</sup> Likewise, in New Delhi we have included the NCR region

Even though 272 Secretarial Auditors have conducted the audit of 463 companies, the distribution of work among them is not uniform. The top Secretarial Auditor conducted 17 Secretarial Audits (3.7%) and the top five auditors conducted 64 Secretarial Audits (14%) and the top ten auditors conducting 100 (22%).

**Table 3.2.2: All India Ranking of Secretarial Auditors**

Rank	Classification	# of Companies	% of BSE500 Companies
1	Dr.KR Chandratre, Pune	17	3.7%
2	Parikh & Associates, Mumbai	16	3.5%
3	Chandrashekar & Associates, New Delhi	13	2.8%
4	BNP Associates, Mumbai	9	1.9%
4	Rathi and Associates, Mumbai	9	1.9%
6	Agarwal and Associates, New Delhi	8	1.7%
6	SVD and Associates, Pune	8	1.7%
8	SN Ananthasubramanian & Co., Thane	7	1.5%
8	Vinod Kothari & Co., Kolkata	7	1.5%
10	R Sreedharan & Associates, Chennai	6	1.3%
	<b>Total of Top 5</b>	<b>100</b>	<b>22.0%</b>

**Table 3.2.3: Top Secretarial Auditor in each location**

Rank	Narration	Top Secretarial Auditor	# of Companies
1	Mumbai/Thane	Parikh & Associates	16
2	NCR/New Delhi	Chandrashekar & Associates	13
3	Pune	Dr.KR Chandratre	17
4	Bangalore	Sudhir V Hulyalkar	4
5	Kolkata	Vinod Kothari & Co.	7
6	Hyderabad	DVM Gopal & Associates	4
7	Chennai	R Sreedharan & Associates	6
8	Ahmedabad /Gandhinagar	MC Gupta & Co	5
9	Coimbatore	KSR & Co, Company Secretaries LLP	4
10	Vadodara	Samdani Shah & Associates	3
11	Others		<b>386</b>
	<b>Total</b>		<b>463</b>

Based on designation, 19% of the companies were signed by Associate members, with the balance 81% signed by Fellow members of the ICSI.

**Table 3.2.4: Classification of Secretarial Auditors by their Designation**

Sl no.	Qualification	# of Companies	%
1	ACS	87	19%
2	FCS	376	81%
	<b>Total</b>	<b>463</b>	<b>100%</b>

Analysed by gender, 9% of the Secretarial Auditors were female and the balance 91% male.

**Table 3.2.5: Classification of Secretarial Auditors by Gender**

Sl no.	Qualification	# of Companies	%
1	Female	42	9%
2	Male	421	91%
	<b>Total</b>	<b>463</b>	<b>100%</b>

### 3.3 Secretarial Audit Report

The word 'report' is derived from the Latin word *reportare*<sup>9</sup>, which stands for an impersonal presentation of facts by the author to the intended readers who are decision makers. Given the critical use which reports serve, they have a few distinctly defined features:

1. A clearly defined audience
2. A structured and defined format
3. Pre-defined scope
4. Independent and objective observations

In this section of our report, we have followed the structure of stating the mandate, listing the different practices followed by the S&P BSE 500 companies and stating CimplifyFive's learnings arising from the practices.

#### 3.3.1 Defined Audience

##### **Mandate:**

Secretarial Auditors are appointed by the Board of Directors<sup>10</sup> and are required to address their report to the Members of the Company which is routed through the Board. The Board in turn is required to annex the Secretarial Audit Report received by them to their Board of Directors Report attached to the financial statements which is placed at the Annual General Meeting. Form MR-3 for SAR stipulates the Secretarial Auditor to address their SAR to 'The Members of the Company' and the SAR is only routed through the Board of Directors to reach their shareholders.

##### **Practice:**

- In a few instances we came across the SAR being addressed to the Board of Directors of the Company, instead of the Members of the Company.
  - **Ambuja Cements Limited**
  - **Geometric Limited**
  - **Jyoti Limited**
  - **Ingersoll-Rand (India) Limited**
  - **Obero Realty Limited**
- In one instance we came across a SAR which reported that they, the Secretarial Auditor, had not been given access to the Minutes of the meeting of Independent Directors on the grounds of confidentiality
  - **JBF Industries Limited:** Quote 'We further report that the Company has compiled as to holding a separate Meeting of Independent Director once in a year, as per the provisions of section 149(7) read with rule VII of Schedule IV of the Companies Act, 2013, however the meeting being confidential the minutes of the same were not made available us for audit.'

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<sup>9</sup>*Reportare* is made up of two part *re* meaning back and *portare* meaning carrying something

<sup>10</sup> Section 179 (3) (k) of the Companies Act, 2013 read along with Rule 8, clause (4) of the Companies (Meeting of Board and its Powers) Rules, 2014.

**CimplifyFive's Learnings:**

The appointment of Secretarial Auditor differs from the Statutory Auditor appointment, in that while the shareholders appoint the latter, the Board of Directors appoints the former. Even though the process of appointment is different, their primary responsibilities are the same, which is to provide assurance or highlight their observations to the shareholders.

Could appointment of Secretarial Auditors by the Board of Directors dilute their responsibility to shareholders? There is a view held by a significant portion of management that SAR is an input to the Board of Directors to assure themselves of compliance with all laws prior to their reporting to the shareholders. This view is in contrast to SAR being a report to the shareholders on the systems and processes used by the Board of Directors to assure themselves of compliance with all laws.

The process of appointment and routing of SAR through the Board of Directors has the potential to create confusion not only in the minds of general public and lay investors, but also among qualified professionals, as evidenced by the SAR being addressed to the Board of Directors in a few cases and the Secretarial Auditor being denied access to the minutes of the meeting on the grounds of confidentiality.

**CimplifyFive's Recommendation**

Amend the Companies Act, 2013 to provide for the appointment of Secretarial Auditor to be made by a members' resolution at the Shareholders meeting, on the same lines as the appointment of a Statutory Auditor.

**3.3.2 Structured and defined format****a) Report format****Mandate:**

The format of SAR given in Form MR-3 is clearly defined and contains ten paragraphs, with reference to five statutes, SEBI regulations, Secretarial Standards and listing agreements. The format also identifies the two places where specific non-compliance, observations, audit qualifications, reservations or adverse remarks are to be reported.

**Practice:**

SAR format substantially modified

- **PNC Infratech Limited:** The company got listed in the BSE on May 26, 2015. In the SAR attached to the Directors Report for the year ended March 31, 2015, the format prescribed in Form MR-3 has substantial modifications.

- **Ingersoll-Rand (India) Limited:** The SAR attached to the Directors Report uses the form MR-3 with substantial modifications and additions. An illustration is quote, “There were no prosecutions initiated and no fines or penalties were imposed during the year under review under the SEBI Act, SCRA, Depositories Act, Listing Agreement and Rules, Regulations and Guidelines framed under these Acts against the Company, its Directors and Officers.’
- Positive affirmation that no prosecution initiated and no fines or penalties imposed
- **HCL InfoSystems Limited:** Quote ‘There was no prosecution initiated and no fines or penalties were imposed during the year under review under the Companies Act, 2013, Depositories Act and Rules, Regulations and Guidelines framed under these Acts against/ on the Company, its Directors and Officers.’
- **HEG Limited:** Quote ‘During the year under review the Company has filed periodical return and has not received any show cause notice and has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.’
- **DCM Shriram Limited:** The annexure to the SAR given in ICSI guidelines is incorporated in SAR of the Company, which contains six points that defines the responsibility of Secretarial Auditor and outline the process followed. Further the report contains a paragraph detailing the business portfolio along with the installed capacity. To quote ‘The business portfolio of the company comprises primarily of the followings...’
- **Astral Poly-Technik Limited:** SAR of the Company is divided into three parts under the following headings in bold letters:
  - Management’s Responsibility
  - Secretarial Auditor’s Responsibility
  - I further report that:
- **Gabriel India Ltd:** SAR of the Company is divided into three parts under the following headings in bold letters:
  - Management Responsibility for Secretarial Compliance
  - Auditors Responsibility
  - Opinion
- **The Orissa Minerals Development Company Limited:** SAR of the Company is divided into five parts with the following headings in bold letters:
  - Management Responsibility
  - Our Observation
  - Observations based on assumptions
  - Matters of Emphasis
  - Recommendations for compliance(qualification reported under the heading Recommendations for compliance)

**CimplifyFive's Learnings:**

Statutory formats prescribed like form MR-3 for SAR are usually not subject to modification, addition or deletion unless warranted by specific circumstances of the case. The modifications and additions made that we have seen above can be attributed to the following three reasons:

- i. Better communication: Bold headings in the report
- ii. Positive affirmations: Indicating absence of non-compliances
- iii. Additional information: like business description and influence of events like listing of securities in the stock exchange

As this is the first year for SAR to be issued, we could take the positives from the practice and enrich the quality of form MR-3. Audit Reports are based on the principle of exception reporting. Given this, reporting the absence of prosecution and non-levy/ payment of penalties and fines add to the length of the report without adding commensurate value.

**CimplifyFive's Recommendation**

- In form MR-3, add the three bold headings of **Management's Responsibility, Secretarial Auditor's Responsibility** and **Our Opinion** at the appropriate places.
- In ICSI Secretarial Audit Guidelines, discourage the reporting of absence of prosecution and non-levy /payment of penalties and fines, as audit reports are exception report required to highlight only non-compliances.

**b) Company Reference****Mandate:**

Form MR-3 requires the Secretarial Auditor to address the Members of the auditee company by referring to the Company name. In practice the auditors have referred to the company with a lot more details than just its name.

**Practice:**

In addition to the company's name, the following particulars were used:

- Address of the Registered Office
  - **Kewal Kiran Clothing Limited**
  - **NHPC Limited**
  - **Jagran Prakashan Limited**
  - **Jyoti Limited**
- CIN Number of the Company

- **Automotive Axels Limited**
- CIN number and Registered office address of the Company
  - **Radico Khaitan Ltd**
  - **Gabriel India Limited**
  - **Sundaram Fastners Limited**
- CIN number, Registered office address and Authorised & Paid up capital of the Company:
  - **Ingersoll-Rand (India) Ltd**

**CimplifyFive's Learnings:**

Section 12 of the Companies Act, 2013 stipulates that where the name of the company is mentioned in all official communications, it should be accompanied by the address of its registered office, CIN and telephone number. Probably in line with this, a few Secretarial Auditors have seen the company's name to be an inadequate descriptor and supplemented it with additional information ranging from CIN, Registered Office address and Authorised and Paid-up Capital.

**CimplifyFive's Recommendation**

In form MR-3, while addressing the Members of a Company, the Company's name to be followed with CIN and Registered office address.

**c) Audit process followed****Mandate:**

Quote MR-3: "Based on my /our verification of the .....(name of the company's) books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit."

**Practice:**

- a. **Flexituff International Limited:** The above paragraph was supplemented with the following words, quote 'I further report that based on the information, representation and reports provided by the Company, its Board of Directors, its designated officers, and authorized representatives during the conduct of audit and also review on the quarterly compliance reports submitted by the department heads and taken on record by the Board of Directors of the Company, in my opinion, adequate systems and processes and control

mechanism exist in the Company to monitor and ensure compliance with applicable laws, rules and regulations and happening of events etc. to the Company.'

- b. **Ambuja Cements Limited:** Two annexures were added to the SAR to list out the documents verified (seventeen) and the second annexure contains the location of Registered Office, Corporate office and Plants along with the laws applicable.
- c. **Visagar Polytex Limited:** Two annexures were added to the SAR to list out the documents verified (ten) and the second annexure contains the location of Registered and Corporate Office and Textile factory along with the list of applicable laws.
- d. **Geometric Limited:** Two annexures were added to the SAR to list out the documents verified (27 documents) and the second annexure lists 87 acts applicable to the Company under five distinct heads.

### **CimplifyFive's Learnings:**

The words/ phrases mandated in form MR-3 is not seen as giving adequate comfort to some Auditors who have supplemented it with additional reinforcements by mentioning in particular the Board of Directors and in presenting an exhaustive list of the documents verified.

### **CimplifyFive's Recommendation**

In the ICSI Secretarial Audit Guidelines, discourage adding additional words and the practice of listing of documents verified on the ground that this is a matter of detail relevant only to a professional in the conduct of peer review and not of value to the members of the Company or other stakeholders who are the primary audience of the report.

### **d) Reference to Statutes**

#### **Mandate:**

The form MR-3 lists five Acts, eight regulations/guidelines issued by SEBI and the Secretarial Standards issued by ICSI, in addition to the Listing Agreement.

#### **Practice:**

- Memorandum and Articles of Association added along with the list of Acts
  - **Gati Limited**
  - **Suven Life Sciences Limited**
  - **Natco Pharma Limited**
  - **IFCI Limited**
  - **LANCO Infratech Limited**
- Reference made to both the Companies Act, 1956 and the Companies Act, 2013 and the rules made thereunder, by around 20 companies, a select list given below

- **Ambuja Cements Limited**
- **Bhushan Steel Limited**
- **Bosch Limited**
- **Mindtree Limited**
- **Gujarat Pipapav Ports Limited**
- **Mahindra Holidays & Resorts India Limited**
- **Mahindra & Mahindra Financial Services Limited**
- **The Ramco Cements Limited**
- **Sundaram Fastners Limited**
  
- Different practices followed in reporting the SEBI Regulations listed in form MR-3
  - **Based on Applicability:** Reported based on the applicability of the regulation to the Company, irrespective of the Regulation itself not being triggered by any action of the company
    - **The Ramco Cements Limited**
  - **Based on Applicability and Triggers:** Segregated the Regulation which were applicable to the entity from those which were not applicable to the entity for the financial year
    - **Visagar Polytex India Limited:** Initially identified all Regulations applicable to the Company for the year and subsequently identified all the Regulations that were not applicable to the company for the financial year, under the sentence, quote, '[which were not applicable to the Company under the financial year under report: -](#)'.
    - **Suven Life Sciences Limited:** Initially all the SEBI regulations are listed and in a subsequent place the list is repeated with all the SEBI regulations reproduced followed by specific comments on whether the regulation was triggered or not, as an illustration, quote '[\(d\) The Company has not delisted any of its securities, during the period, therefore, the compliance of the Securities and Exchange Board of India \(Delisting of Equity Shares\) Regulations, 2009, does not arise.](#)'
  - Reproduce the Regulations with the words not applicable given in bracket
    - **Jagaran Prakashan Limited**
    - **Thomas Cook (India) Limited**
    - **PVR Limited**
  - Reproduce the Regulations with the sentence being struck off where it was not applicable
    - **Omaxe Limited**
  - **Based on Regulations Triggered:** Report only if the regulation is triggered by any action of the Company
    - **Trent Limited:** Removed all references to regulations and guidelines which were not triggered during the year and retained only two regulations pertaining to Substantial Acquisition of Shares and Takeovers and Prohibition of Insider Trading Regulations.

- Reference to Secretarial Standard, given that the Standards were mandated only from July 2015
  - Complied with
    - **Cholamandalam Investment & Finance Company Limited:** ‘The Secretarial Standards on General and Board Meetings issued by the Institute of Company Secretaries of India as recommendatory in nature have been complied with.’
  - The para with reference to Secretarial Standards is omitted
    - **Bharat Earth Movers Limited**
  - No comments, but words/ phrases of form MR-3 retained
    - **Aurobindo Pharma Limited**
  - Comment to the effect that it is not notified/ in force
    - **Jagaran Prakashan Limited**
    - **Jyoti Limited**
    - **PVR Limited**
    - **The Ramco Cements Limited**
    - **Visagar Polytex Limited**
    - **Trent Limited**
    - **Thomas Cook (India) Limited**

### **CimplifyFive’s Learnings**

The words/ phrases in form MR-3 is too specific and may not be appropriate at all times. For example:

- In the financial year 2015-16, parts of both the Companies Act, 2013 and the Companies Act, 1956 were in force, requiring the Secretarial Auditors to rightly mention compliance with both the Acts.
- the SEBI Regulations on Employee Stock Option scheme and Employee Stock Purchase Scheme, 1999 was applicable for a part of the year,
- Certain provisions of SEBI being event specific would be triggered only on the happening of an event, even though the Regulation itself is applicable to the company, and
- Secretarial Standards were mandated only from July 2015 and the companies were reporting for the financial year ended March 31, 2015

Given this, if the current practice of listing all applicable Acts and Regulations in MR-3 is followed annual revision will be required to have correct representation of the changes made during the year, failing which the sanctity of MR-3 will be lost.

**CimplifyFive's Recommendation**

In MR-3 format, modify the wordings by replacing references to specific Acts with the wordings 'I/we have examined the books, papers, minute books, forms and returns filed and other records maintained by .....(the Company) for the financial year ended on ..... according to the provisions of:

- (1) The corporate law and rules in force
- (2) The laws relating to Securities, Depositories, Foreign ownership and SEBI regulations prevailing during the financial year
- (3) The Secretarial Standards issued by The Institute of Company Secretaries of India, and
- (4) The listing agreement signed by the Company, where it is listed

**e) Reference to all Other Applicable Laws****Mandate:**

Quote '(vi) .....[Mention the other laws as may be applicable specifically to the Company]

**Practice:**

- **Unable to identify specific major law/ regulations applicable to the company**
  - **Alstom India Ltd:** Quote '(vi) The operations of the Company include a composite range of activities viz. engineering, procurement, manufacturing, construction and servicing of power plants and power equipment. In our opinion, the Company being operating in the aforesaid diversified activities, various laws/ regulations are applicable to it. In the absence of any identifiable specific major law/regulation under which the sector and the Company operates, we are not in a position to identify and report the same in our report.'
- **Deleted the reference to other laws as may be applicable specially to the company and in another place mentioned Special Economic Zone Act, 2005 as the only law applicable.**
  - **Praj Industries Ltd:** The para '(vi) .....(Mention the other laws as may be applicable specially to the company)' from the SAR is deleted. In another place a new para introduced, Quote: 'Having regard to the compliance system prevailing in the company and on the examination of the relevant documents, form and records in pursuance thereof, on test check basis, the Company has complied with the Special Economic Zone Act, 2005 and the rules made thereunder, as applicable for SEZ units of the Company, being the law applicable specifically to the company.'

- **For other laws audit limited to labour laws**
  - **Cox & Kings Limited:** For other laws the audit was limited to labour laws and for compliance with labour law, relied on inspection report from the office of commissioner of labour. Quote: '(vi) For other applicable laws our audit was limited to
    1. The Payment of Wages Act, 1936
    2. The Minimum Wages Act, 1948
    3. Employees State Insurance Act, 1948
    4. The Employees Provident Fund and Miscellaneous Provisions Act, 1952
    5. The Payment of Bonus Act, 1965
    6. The Payment of Gratuity Act, 1972
    7. The Maternity Benefit Act, 1961I report that for Labour laws that I rely on the inspection report from the office of the commissioner of labour.'
  
- **Generally complied with the provisions of the law**
  - **TD Power Systems Limited:** 'The Company has filed all the forms and returns as required under the Companies Act, 2013. The Company is generally regular in filing the forms and returns within the prescribed time.'
  - **United Breweries Limited:** 'The Company has filed all the forms and returns as required under the Companies Act, 2013 and is generally regular in filing the forms and returns within the prescribed time.'
  - **Yes Bank Limited**
  - **Ultratech Limited**
  - **HDFC Bank Limited**
  - **Tata Motors Limited**
  - **National Thermal Power Corporation Limited**
  - **HEG Limited**
  
- **Based on representations provided by the management and legal opinion obtained**
  - **CEAT Limited:** Generally, and legal opinion Quote 'During the period under review and as per the representations and clarifications made by the management and as per the legal opinion obtained, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above.'
  
- **Reliance on management representation**
  - **Trent Limited:** Quote 'Other laws applicable to the Company as per the representation given by the Company.'
  
- **No laws that are specifically applicable to the company as informed and certified by management**
  - **Gitanjali Gems Limited:** Quote '(vi) As informed and certified by the management, there are no laws that are specifically applicable to the company based on their sector/ Industry.'

- **Reliance on representation made by the Company**
  - **Lanco Infratech Limited:** Quote: ‘Other laws applicable to the Company as per the representations made by the Company.’
  - **Kansai Nerolac Paints Limited:** ‘We have relied on the representation made by the Company and its Officers for systems and mechanism formed by the Company for compliances under other applicable Acts, Laws and Regulations to the Company.’
  
- **Reliance on compliance certificates issued by the Company Secretary and Departmental heads**
  - **Gati Limited:** Quote ‘With reference to the compliance of Industry Specific Acts of the company, we relied upon Compliance Certificates issued by the Company Secretary of the Company to the Board of Directors and also Compliance Certificates issued by the respective Department Heads. Our report of compliance would be limited to their reporting and subject to the observations and comments made by them in their report, if any.’
  
- **Representation made by management that there are no such laws which are specifically applicable**
  - **Future Consumer Enterprises Ltd:** Quote ‘Based on the representation given by the Management of the Company, it is observed that there are no such laws which are specifically applicable to the business of the Company. It is confirmed by the Management that the Company has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.’
  - **Astral Poly-Technik Limited:** Quote ‘The Management has confirmed that no specific laws are applicable to the company.’
  
- **Reference to generic heads of laws**
  - **Atul Limited:** Omnibus reference to all other laws, Quote: ‘ (vi) Other laws as applicable specifically to the Company broadly covering product laws, pollution laws, manufacturing laws, safety laws and other general and commercial laws including industrial laws, labour laws and tax laws.’
  
- **There are no other laws specifically applicable to the company**
  - **The Ramco Cements Limited:** Quote ‘We are also informed that for the year, there were no other laws, specifically applicable to the company, the books, papers, minute books, forms and returns of which were required to be examined by us for the purpose of this report.’
  - **WABCO India Limited and TVS Motors Limited:** Quote ‘(ii) There are no other laws specifically applicable to the company the books, papers, minute books, forms and returns of which were required to be examined by us for the purpose of this report.’
  
- Three distinct methods of reporting on compliance with respect to the Financial laws (direct and indirect taxes) were observed in practice

**Table 3.3.1: Different treatment of Financial Laws (Direct & Indirect taxes)**

Description	# of SARS	%
No specific reference to financial laws	329	71%
Mentioned but removed from ambit	82	18%
Mentioned and commented	52	11%
<b>Total</b>	<b>463</b>	<b>100%</b>

- Financial laws mentioned but removed from ambit, an illustration
  - **JBF Industries Limited:** Quote ‘We do not report on Financial laws like Tax Laws, Customs Act, Banking, Financial Transactions, default in repayment of any loans/ debts or deposits / interest thereon, if any as the same is either carried out by the Statutory Auditors/Internal Auditors, designated professional.’
  - **Shipping Corporation of India Limited:** Quote ‘I further report that the Compliance by the Company of applicable financial laws like direct and indirect tax laws has not been reviewed in this audit since the same has been subject to review by statutory financial audit and other designated professionals.’
  
- Financial laws mentioned and compliance reported based on other professionals, an illustration
  - **Atul Limited:** Following this para, a new sentence added, quote ‘I have relied on the report of Internal as well as the Statutory Auditors of the Company for compliance system relating to direct tax, indirect tax and other tax law.’
  - **Visagar Polytex Limited:** Quote: ‘6. In the case of Direct and Indirect Tax Laws like Income Tax Act, Service Tax Act, Excise & Customs Act, I have relied on Reports given by the Statutory Auditors of the Company.’

### **CimplifyFive’s Learnings:**

This part of the report has seen the most diverse practice. It ranges from inability to identify the applicable laws to deletion of this clause in SAR, from limiting the audit to labour laws to relying on the representation made by the management of the company.

In an interesting interpretation, the SAR of one company (**WABCO India Limited**) states that there are no other laws specifically applicable to the company. This interpretation stands supported if Section 204 of the Companies Act, 2013 is read along with the Form MR-3, which is contained in the rules to the Act. Given the terminology used of ‘Secretarial Audit’ and the placement in MR-3 of the clause ‘(vi)..... (Mention the other laws as may be applicable specifically to the company)’ between SEBI regulations and Secretarial Standards, an appropriate inference is of other laws related to the entity or the regulator or capital markets.

It is only in the ICSI Guidance note on Secretarial Audit (Release 1.2) that clarification is provided on this clause which requires all applicable laws to an industry to be covered.

The treatment with regard to compliance status on financial laws including direct and indirect taxes saw three different treatments. Some excluded it from the purview of the report, some other relied on the opinion of statutory auditors and other professionals while the remaining offered no specific comments on how this was dealt with.

Probably recognizing these diverse practices, The Report of the Company Law Committee, February 2016, para 13.3 recommends that '13.3. The Committee also deliberated on the requirements for reporting on the compliance with company and other laws as part of Secretarial Audit. It felt that the Secretarial Auditor being an expert in corporate laws couldn't be expected to report compliance on other laws applicable to the company. Keeping this in view, it is expected that the Secretarial Auditor has to, therefore, satisfy himself that there are appropriate board processes as well as systems in the Company to monitor and ensure compliance with applicable laws. The reporting is accordingly prescribed in MR-3. The Committee took the view that no change in these prescriptions is required.'

#### **CimplifyFive's Recommendation**

- In MR-3 format, remove clause (vi) from its current placement and simultaneously add the word 'all' in the paragraph reproduced below, which is in the final third of the MR-3
- 'I/we further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.'

#### **f) Qualification to the Opinion**

##### **Mandate:**

Quote: MR-3 "During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above subject to the following observations: *Note: Please report specific non compliances/ observations/ audit qualifications, reservations or adverse remarks in respect of the above para wise.*

##### **Practice:**

- Of the 463 SARs reviewed in this report around three fourths had an unqualified opinion on the status of compliance, with only a fourth being qualified opinion with one or more qualifications.

**Table 3.3.2 Secretarial Audit Reports –Classified by Nature**

<b>Sl no.</b>	<b>Narration</b>	<b># of Companies</b>	<b>%</b>
1	Clean Audit Reports	335	72%
2	Qualified Audit Reports	128	28%
	Total	463	100%

- SARs drew reference to matters already covered in the financial statements and/or Statutory auditor's report
  - **Dredging Corporation of India Limited:** 'I further report that the NSE advised the Company to restate the financial statements pertaining to the financial year 2012-13 on the qualifications raised by the statutory auditors that the company has not recognized impairment of long term investments of Rs.3000 lakhs in M/s. Sethusamudram Corporation Limited which is not in accordance with para 17 of "AS-13 Accounting for Investments" as prescribed under sub-section 3 c of Section 211 of the Companies Act, 1956. In response, Company has filed review petition with the NSE to review this decision. I was informed that SEBI has given personal hearing on the review petition filed by DCI and decision from SEBI is awaited, hence the provision for diminution is not made'
  - **Financial Technologies India Ltd:** Drawn reference to the Notes to Accounts disclosed. Quote 'We have not separately reported certain important developments affecting the Company as the same are disclosed vide Note nos.45 to 62 to the Notes forming part of the Standalone Financial Statements for the year ended on 31<sup>st</sup> March 2015.'
- SARs commented on compliance by using the words, generally complied with Laws:
  - **HDFC Bank Limited:** 'During the period under review the Bank has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.'
  - **Lanco Infratech Limited:** 'The Company has in our opinion, generally complied with the provisions of the Companies Act, 1956, Companies Act, 2013 and the Rules made under that Act as notified by the Ministry of Corporate Affairs and the Memorandum and Articles of Association of the Company.'
  - **Kewal Kiran Clothing Limited:** 'During the year under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above.'
- Qualification preceded by the words emphasis of matter:
  - **GVK Power and Infrastructure Limited:** 'During the period under review, the Company has complied with all the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. mentioned above except, to the extent mentioned below, as an emphasis of matter: 'qualification follows
- Qualifications reported under the heading Recommendation for Implementation:
  - **The Orissa Mineral Development Company Limited:** 'Recommendations for Compliance:
    1. The Company is required to fill the vacancy of women director caused by virtue of resignation of the existing women director w.e.f. 14<sup>th</sup> February, 2015 not later than the next Board Meeting or three months from the date of vacancy, whichever is later, to ensure compliance with the provisions of Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 (II) (A)(1) of Listing Agreement.'
- Unable to report on compliance
  - **Kitex Garments Limited:** 'In the absence of adequate information/records, I am unable to report whether the Company has complied with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. However, the Company has adopted the prescribed code of conduct under the Regulations.'

- **Kewal Kiran Clothing Limited:** ‘We have relied on the representation made by the Company and its officers and state that in absence of any laws, rules/ regulations specifically applicable to the industry under which the Company operates, we are unable to report on the compliance of the same.’

**CimplifyFive’s Learnings:**

The following practices pertaining to qualification need deliberation for a consensus to emerge on how to deal with them:

- Should a matter of qualification/reservation that is already dealt with in the financial statement as a note to the accounts or as a qualification in the Statutory Auditors Report be repeated, or referred to or ignored?
- The use of the word generally complied with. Is this practice to be encouraged or should it be discouraged with a requirement that the non-compliances be listed out. In financial reports the concept of materiality is recognized due to which the word generally complied with is used to indicate non-compliance that does not have material financial impact. In legal compliance reports is the concept of materiality valid, given that compliance with all laws is required and not just material laws that affect the companies operations.
- Can qualifications be reported under the head Recommendations for Implementation?
- To what extent can the auditor rely on representations made by the management, without verification of their own?
- Should all qualifications be treated equally or should some qualifications like ‘unable to report on the compliance’ be given more prominence than other qualifications of non-compliance.

**CimplifyFive's Recommendation**

ICSI Guidelines on Secretarial Audit could specifically provide guidance as detailed herein under:

1. Do not reproduce qualifications/ reservations already dealt with in the financial statement or in Statutory Auditors Report, but wherever required draw reference to it.
2. Discourage the use of the word generally complied with or generally filed in time, with a specific requirement that the exceptions be listed either in the report itself or in a separate annexure or quantify the exceptions. For example, "Three of the thirty-two reports were filed after the due date for filing".
3. Discourage the use of words 'relied on management representation' with a clear communication that it is not a substitute for independent verification and does not absolve the auditor of their responsibility to verify.
4. Encourage listing of the qualifications, where there are more than one in the order of importance, with the first place being given to the qualification where the auditor is unable to report compliance.

**g) Constitution of the Board, Notice & Conduct of Board Meetings****Mandate:**

**Quote form MR-3:** "The Board of Directors is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act."

"Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while dissenting member's views are captured and recorded as part of the minutes."

**Practice:**

- Practice of listing the board composition as an annexure to support the opinion the board is duly constituted.
  - **Oil India Limited**
- Usage of the words 'adequate notice' for Board Meeting instead of the specific requirement of 7-daynotice
  - **Bharat Earth Movers Limited:** 'proper advance notices for Board and Committee meetings were issued to the Directors during the year; such notices accompanied detailed notes on agenda items and draft minutes of respective

- meetings; the Company adopts a system to enable Directors to seek and obtain required information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.’
- **Apollo Hospitals Limited:** ‘Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were delivered and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meetings.’
  - Meeting called at a shorter notice and the presence of independent directors at the meeting:
    - **Aurobindo Pharma Limited:** ‘Except in case of Board Meetings held on April 22 2014, October 29, 2014, November 25, 2014, December 10, 2014 and March 12, 2015 adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaning participation at the meeting.’
    - **Financial Technologies India Ltd:** ‘The Board Meetings were called at shorter notice to transact business which were considered urgent by the management. However, independent directors were present at such meetings as provided in Section 173(3) of the Act.’
  - Capturing the dissenting view of the members
    - Decisions approved unanimously
      - **Kitex Garments Limited:** ‘All decisions of the board were unanimous and the same was captured and recorded as part of the minutes.’
      - **Jagaran Prakashan Limited:** ‘All decisions at the Board Meeting and Committee Meeting have been carried out unanimously as recorded in the minutes of the meetings of the Board or Committee of the Board as the case may be.’
      - **Trent Limited:** ‘Decisions at the Board Meetings were taken unanimously.’
    - Decisions approved by majority, no dissenting view is captured in minutes
      - **Kewal Kiran Clothing Limited:** ‘Decisions at the meetings of the Board of Directors of the Company were carried though on the basis of majority. There were no dissenting views by any member of the Board of Directors during the period under review.’
      - **Dhanlaxmi Bank Limited:** ‘Majority decision is carried through and recorded as part of the minutes. We understand that there were no dissenting views for being captured in the minutes.’
    - Decisions approved by majority and dissenting views are captured in the minutes
      - **GVK Power & Infrastructure Limited:** ‘Majority decision is carried through while the dissenting member’s views are captured and recorded as part of minutes.’
      - **Idea Cellular Limited:** ‘All decisions in the Board is carried through while the dissenting members’ views, if any, in general meetings are captured and recorded as part of the minutes.’
      - **Thomas Cook (India) Limited:** ‘Majority decision is carried through and proper system is in place which facilitates/ ensures capturing and recording, the dissenting members views, if any, as part of the Minutes.’

- Decisions approved by majority and no comments made on whether dissenting views are captured
  - **Visagar Polytex Limited:** ‘Majority decision is carried through and recorded as part of the minutes.’

**CimplifyFive’s Learnings:**

Giving the list of the Board of Directors to support the opinion that the board is duly constituted with proper balance, is a matter of detail and the opinion of an expert can be accepted without this.

SAR of a few companies have reported the fact that some board meetings were called by giving notice of less than seven days. Further the presence of an independent director as required under the Act for validating a meeting called at shorter notice is also reported. Given that this is in compliance with the Act, can the reporting on Board Meeting called at shorter notice which is in compliance with the Act, be done away with?

The idea of capturing dissenting views in the minutes of the Board Meeting is a commendable initiative. However, the varied methodology of capturing this practice is quite inadequate. Given this, an alternative method to inform the Directors of their right to have their dissent captured is required where they could themselves judge its accurate recording in the minutes, when it is approved in the subsequent meeting.

**CimplifyFive’s Recommendation**

- ICSI guidelines to discourage giving the details of the Board of Directors from being reproduced in the SAR either as a part of the Report or as an annexure to the Report.
- Secretarial Standard-1 (Meeting of the Board of Directors) issued by the ICSI should have a new provision which shall mandate to contain the following sentence in the standard format of the agenda, ‘Directors have the right to ask for their dissent to be captured in the minutes of the meeting against any or all resolutions to which they do not wish to give their consent.’

**h) Systems and Process to ensure compliance:****Mandate:**

Quote Form MR-3: “I/we further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.”

**Practice:**

- **Apollo Hospitals Limited:** ‘We further report that, based on the information provided by the Company, its officers and authorized representatives during the conduct of the audit and also on the review of quarterly compliance reports by respective department heads/ Company Secretary taken on record by the Board of Directors of the Company, in our opinion, adequate systems and processes and control mechanisms exist in the Company to monitor and ensure compliance with applicable other general laws including Industrial Laws, Environmental Laws, Human Resource and Labour Laws.’
  
- **Thomas Cook (India) Limited:** ‘Based on the representation made by the Company and its Officers explain to us in respect of internal systems and mechanisms established by the Company to ensure compliances of other Acts, Laws and Regulations applicable to the Company. We report that.....’

**CimplyFive’s learning:**

This is a very critical part of the report where the auditor is required to give their opinion on the adequacy of systems and processes in the company to ensure compliance. Given its importance, the auditor to base their opinion on the representation made by the company or any other representative or expert in our view defeats the very purpose of Secretarial Audit and therefore needs to be avoided.

**CimplyFive’s Recommendation**

ICSI Guidance Notes on the Secretarial Audit should discourage members from relying, basing or referring to the Management or the Board of Directors when giving their opinion on the adequacy of systems and processes for compliance with laws.

**i) Reporting on specific events/ actions****Mandate:**

Quote MR-3: “I/we further report that during the audit period the company has.....  
(Give details of specific events/ actions having a major bearing on the company’s affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above).

**Practice:**

- Reporting practice if there are no specific events
  - **Suven Life Sciences Limited:** ‘During the audit period, there were no specific events / actions having a major bearing on the Company’s affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. as referred to above.’

- Listing of specific events in the body of the report
  - **Thomas Cook (India) Limited:** Listed all special resolutions passed at the shareholders' meetings in addition to filing an application for a Composite Scheme of Arrangement and Amalgamation and conversion of preference shares pursuant to another Scheme of Amalgamation approved by the High Court.
- Listing of specific event given in an Annexure:
  - **Dewan Housing Finance Corporation Limited**
  - **Gabriel India Limited**
- Some of the unusual events reported by an isolated company include, Change in control of the company, Special resolution to sell the undertaking, Subsidiary company put under liquidation, Relinquishment of office by the Executive Chairman.
- Some of, what in our view were routine activities reported by the companies under this head of 'specific activities/events having a major bearing on the affairs of the company's affairs include, Obtaining Credit Rating, Accepting Deposits, Availing terms loans, etc.
- Nature of Events Listed: The top ten events reported by the companies is given in Table 3.3.3.

**Table 3.3.3 Nature of Events Listed by the Companies**

Rank	Event
1	Enhancement of borrowing limits of the company
2	Approval, issue and allotment of different types of securities
3	Creation of charge, mortgage, hypothecation
4	Issue of Debentures
5	Approval for and/or allotment of shares under ESOP
6	Merger, de-merger, acquisition or arrangement
7	Loans, investments, guarantees in related party/ other entities
8	Redemption, buy-back or reduction of share capital
9	Amendment to clauses of Articles of Association
10	Sale of investment/ shares held in other entities

**CimplifyFive's Learnings:**

The nature of specific events which were reported varies widely and includes mundane and routine events like availing of term loan, creation of charge, obtaining credit ratings and special resolutions approved by the members.

**CimplifyFive's Recommendation**

ICSI Guidance Notes on Secretarial Audit can discourage the practice of reporting on mundane and routine events like availing term loan, creation of charge, obtaining credit ratings and approvals of special resolutions.

**3.3.3 Pre-defined scope****Practice**

The scope of the SAR was enhanced in the following companies

- Considered compliance action taken after the year end but before the date of SAR.
  - **WABCO India Limited:** Quote in Annexure I to SAR '6. While forming an opinion on compliance and issuing the secretarial audit report, we have also taken into consideration the compliance related action taken by the Company after 31<sup>st</sup> March, 2015 but before the issue of the Report.'
- Reporting on the compliance status of subsidiary companies:
  - **Jyoti Structures Limited:** 'We have also examined compliance with the applicable Laws, Acts, Rules, Regulations, Guidelines, Standards, etc. complied by the following subsidiaries of the Company:
    - a) JSL Corporate Services Limited
    - b) Jyoti Energy Limited'
- Reporting on the compliance status of subsidiary companies which have merged with the company:
  - **Glenmark Pharma Limited:** 'We have also examined compliance with the applicable Laws, Act, Rules, Regulations, Guidelines, Standards etc., complied by Glenmark Generics Ltd., and Glenmark Access Ltd., the subsidiaries company, which has been amalgamated with Company as per order dated 20 March 2015 issued by Hon'ble High Court of Judicature at Bombay, Mumbai.'
- Recommendations made by the Secretarial Auditor included in the report:
  - **Kitex Garments Limited:** 'I further report that there is scope to improve the systems and processes in the company and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.'
  - **IIFL Holdings Limited and Monsanto India Limited:** 'In the course of our audit, we have made certain recommendations for good corporate practices, separately placed before the Board, for its necessary consideration and implementation by the Company.'

**CimplifyFive's Learnings:**

There is a question of contention: should compliance action taken after the financial year but before the SAR is finalized be taken in to consideration for the purpose of reporting qualification?

SAR of two companies have reported the compliance status in subsidiary companies, one as a routine and another consequent to the merger of subsidiary company with the parent. Could this be a step in the right direction as the stakeholders including the shareholders are protected from non-compliance costs that can erode shareholders value?

The recommendations for improvement of the compliance system, should they form a part of the audit report? These recommendations being in the nature of long form reports to the Board of Directors given by statutory auditor, a better option is for the Secretarial Auditor to give these recommendations directly to the Board of Directors, instead of to the shareholders, who have no significant role in implementing these recommendations.

#### **CimplifyFive's Recommendation**

The Companies Act should be amended to mandate the Secretarial Auditor of holding companies to report on the compliance status of their subsidiary companies and joint ventures.

ICSI Guidance Notes on Secretarial Report should

1. Recommend the practice of taking into account compliance action taken by the company after the financial year end but before date of the report.
2. Encourage the practice of Secretarial Auditors giving their recommendations for improvement of the compliance system to the Board of Directors, while discouraging the practice of including it in their Audit Report to members.

### **3.3.4 Independent and objective assurance or Clear and unambiguous qualification**

#### **Practice:**

- **Nature of qualifications reported**
  - **Qualifications seen across more than one company**

The nature of classifications that were seen across more than one company can be classified into Governance related issues and other issues which include not adhering to laws related to women, procedural non-compliance and matters pertaining to financial issues.

**Table 3.3.4: Qualifications Across Multiple-Companies: Related to Governance matters**

<b>Sl no.</b>	<b>Nature of Qualification</b>	<b># of Cos</b>	<b>Illustrative Companies</b>
1	Audit sub-committee of the Board: Improper constitution, not having the required independent members	<5	NALCO/ NTPC
2	Board evaluation related	< 5	Engineers India / Power Finance Corporation

3	Matters related to independent directors: Separate meeting not held, training program not conducted	<5	BHEL/ Dhanlaxmi Bank
4	Improper constitution of Nomination and Remuneration Committee	<5	Neyveli Lignite Corporation/ IOC /Rashtriya Chemicals and Fertilizers
5	Evaluation of independent directors not done	<5	BHEL/Automotive Axels, Engineers India, Balmer Ltd
6	Not appointing CFO/KMP/Co Sec	<5	Dhanlaxmi bank / MMTC
7	Nomination, remuneration and evaluation policy and board diversity: not framed	<5	Hindustan Copper/ Orissa Minerals Development Company Ltd
8	Qualification related to Related Party Transactions	<5	Financial Technologies India Limited/ Hindustan Copper/ Coal India
9	Women director not appointed as required by the listing requirement	>20	BPCL/ GAIL/ L&T/ NTPC/ ONGC

**Table 3.3.5: Qualifications across Multiple companies: Related to Others**

Sl no	Nature of Qualification	# of Cos	Illustrative Companies
1	Delay in filing forms with MCA	10 +	InfoEdge (India), Kitex Garments, Sun TV Networks, Unitech
2	Delay in filing forms with RBI	< 5	IFCL, Persistent Systems, Sonata Software
3	Proxy forms not as per statutory format	<5	Persistent Systems/ Bhushan Steels
4	Annual Performance Report of overseas subsidiaries not filed with RBI	<5	Persistent Systems Ltd/ Sonata Software
5	Payment in excess of managerial remuneration limits	<5	Thomas Cook, United Spirits, Balrampur Chini
6	Delay/ Non publication of financial results as per listing agreement	<5	United Spirits, Tata Communications
7	Default in repayment of Debentures / delay in repayment of due and interest to banks and FIs and FD	<3	Unitech/ Jaiprakash Associates
8	Non transfer of funds to IEPF	<3	Tata Steel,
9	Non-compliance with Sexual Harassment Act	2	InfoEdge India Limited / Kitex Garments

- **Unique Qualifications**

- We have analysed the unique qualifications that are generic in nature and classified them under ten different heads, which is presented in Table 3.3.6

**Table 3.3.6: Generic Qualifications Unique to a Company**

Sl no.	Nature of Non compliance	A few Illustrations
1	Governance related	Absence of independent directors in board sub-committees, Non-compliance with insider trading code, delay in conducting AGM, Board approval not taken for auditors to perform other services
2	Company law related	Pending compounding application, interim dividend payment and preference share redemption not as per Companies Act, matters pending before the Company Law Board
3	Transparency related	Shareholding changes not filed with MCA, record date for dividend and bonus shares not sent to all stock exchanges, foreign subsidiaries not consolidated
4	Penalty /Compounding fees paid	Compounding fees and penalties paid under different laws
5	Procedural non-compliance	Delay in informing stock exchange, compliance statement not placed before board meeting
6	Incomplete records	Incomplete registers and satisfaction of charge not updated in RoC records
7	Labour law non-compliance	Apprentice Act requirement not met and OT hours not compiled as per Factories Act
8	Financial Default	Default in payment of statutory dues
9	Minor non-compliance	Name board of the company not in local language a requirement as per Shops and Establishment Act
10	Non-compliance with financial legislation	FEMA regulations

We have analysed unique qualifications that are industry specific and tabulated them in Table 3.3.7.

**Table 3.3.7 Industry Specific Unique Qualifications**

Sl. no.	Nature of Non compliance	A few Illustrations
1	Finance Sector: non-compliance with law	National Housing Board and Money Laundering Act requirements not met
2	Finance Sector: procedural non-compliance	Delay in filing returns

3	Penalty payment	Levied by RBI and Competition Commission
4	Software Exports: Reports not filed	SEZ/ STP requirements
5	Brewery: Environment Related	Pollution Board order not complied with

- **Obscure reporting**

- References to sections and rules without stating the substance
  - **NDTV India:** 'The Company has informed that it has received a show cause notice from SEBI for alleged violation of Clause 36 of the listing agreement and the adjudication proceedings are underway.'
- Qualification sandwiched between two positive statements
  - **Reliance Power Limited:** 'The Board of Directors of the Company is duly constituted with proper balance of Non-Executive Directors and Independent Directors. The Company did not have any Executive Director. During the Audit period the changes in the Composition of the Board of Directors that took place during the period under review were carried out in Compliance with the provisions of the Act.'
- Vague wording of absence of independent directors and women directors in the report with details in Annexure of non-compliance, not having adequate number of independent directors and women director as required.
  - **MMTC Limited:** Quote: 'We further report that The Board of Directors of the Company is duly constituted *except* with proper balance of Executive Directors, Non-Executive Directors and Independent Directors as detailed in Annexure 'B'. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.'
- Indirect reference to qualifications
  - **NHPC Limited:** 'The Company could not fully utilize the budget allocated towards CSR during the financial year 2014-15.'
  - **Hindustan Petroleum Corporation Limited:** 'The Corporation has complied with the requirements of Corporate Governance as provided under Clause 49 of the Listing Agreement and DPE Guidelines on Corporate Governance, with the exception of appointment of Independent Directors to the extent of 50% of the total strength of the Board. It is clarified by the Corporation that the matter is being pursued with the Administrative Ministry for appointing required number of Independent Directors on the Board.'
  - **VRL Logistics Limited:** 'As claimed by management, no show cause notices were received from Statutory Authorities during the year under consideration, though civil/criminal proceedings were pending disposal with appropriate authorities / courts mainly under specific and other laws applicable to the Company as mentioned in Draft Red Herring Prospectus filed with SEBI and RHP/ Prospectus filed with ROC during the current year.'
- Reference to future events in a qualification
  - **NHPC Limited:** 'The evaluation criteria for the Members of the Board as prescribed and applicable is yet to be finalized.'
  - **Kitex Garments Limited:** 'Form-5 INV for 2014 was filed after the due date while Form MGT-14 for investment decision, Form MGT-14 for borrowings, Form DIR-12 for the appointment of Chief Financial Officer, Form MGT-14 and Form MR-1 for appointment of Key Managerial Personnel (Company Secretary and Chief Financial Officer) is yet to be filed.'
  - **Linde India Limited:** 'We understand that the Company is in the process of finalizing and adopting whistle blower policy, remuneration policy and policy on related party transaction.'

- **Automotive Axel Limited:**
  - i. Evaluation of Independent Directors' is yet to be performed.
  - ii. Training programme is yet to be organized for Independent Directors.
  - iii. Risk Management Committee at the Board Level is not constituted in the current financial year however, the same is being proposed to be constituted at the ensuring Board Meeting.
  - iv. The Chairman of the Audit Committee has not attended the previous Annual General Meeting.
  - v. The procedures of the Committee are yet to be detailed out by the Board, however, the same is being proposed to be detailed out at the ensuring Board Meeting.'
- Explanation included in the qualification itself
  - **Den Networks Limited:** 'The Board of Directors of the Company had approved the appointment of Ms.Nandita Agarwal Parker ("Women Director") in Board Meeting dated August 13, 2014 subject to prior approval of Ministry of Information and Broadcasting ("MIB") in terms of FDI policy of Government of India dated April 17, 2014. The Company had filed the application with MIB on October 16, 2014. However, the approval of the MIB is awaited. Accordingly, Company does not have a Women Director as per Second Proviso to Section 149 (1).
- Reporting management response in the Audit Report itself
  - **Kitex Garments Limited:** 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has not constituted an internal complaints committee. However, the Company, being certified under Worldwide Responsible Accredited Production (WRAP), has a committee for prevention of sexual harassment of women at workplace.'
- Superfluous information
  - **K.C.P Limited:** 'The Company is in the process of effecting corrective steps to match the register of charges maintained by the Company and the register available on the electronic data base of the Registrar of Companies (ROC) office, which has arisen due to non-reflection of satisfaction of charges filed in earlier years in the electronic data base.'
  - **IDEA Cellular Limited:** 'The Company has not appointed small shareholders' director as given under Section 151 of the Companies Act, 2013 read with rule 7 of Companies (Appointment and Qualification of Directors) Rules 2014, since the same is not mandatory.'
  - **Jagaran Prakashan Limited:** 'The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999; (The Scheme previously launched has been discontinued by the Company during the period under Audit and the shares held by the trust constituted by the company have been disposed of and the proceeds utilized to pay the outstanding loan and interest accrued thereon.'

### 3.3.5 Shortfall in CSR spends: Treatment

#### Mandate

Section 135 of the Companies Act, 2013, contains the mandate on CSR. The requirement in case of shortfall in spending the stipulated amount is captured in subsection (5) second proviso<sup>11</sup> requires the Board to specify the reasons for not spending the amount.

#### Practice:

- **Unitech Limited:** ‘The Company has contributed towards CSR activities through UCF, the implementing agency, a wholly owned subsidiary of the company. UCF will spend the said amount in future after identification of the relevant area/project of spending.’
- **Himatsingka Seide Limited:** ‘The remaining amount has not been spent as the company was involved in engaging a credible agency and building a framework of CSR. The Company has subsequently shortlisted certain projects through its committee, for CSR and will expend the appropriate amount to facilitate the activity.’

In a few instances we have noted that shortfall in CSR spends have been reported as a qualification even though specific reason for not spending the required amount is given the Board of Directors Report as an explanation for it.

#### CimplifyFive’s Learnings

Given the specific provision of the Act that requires the Board to only specify the reasons for not spending the amount, shortfall in CSR spends should not be reported in the SAR if the Board Report provides the reason for such shortfall in spends.

#### CimplifyFive’s Recommendation

ICSI Guidance Notes on Secretarial Audit Report should clarify this matter and state that the SAR should refer to the shortfall in CSR spends only if the Board of Directors Report does not contain any reasons for the shortfall in spends.

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<sup>11</sup> ‘Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (o) sub-section (3) of section 134, specify the reasons for not spending the amount.’

### 3.4 The Mandates

By virtue of a clarification given by the ICSI in their Guidance note on Secretarial Audit Reports, SAR has gone beyond a Secretarial Audit Report to become the Compliance Audit Report covering all aspects of compliance. While the concept of a Compliance Audit Report to the Members is commendable, being a pioneering and unique concept, it raises a few fundamental issues, which is listed below:

1. **Only India or all countries:** Is compliance reporting restricted only to Indian legislations even if a company operates outside India? Or should the Audit report cover the laws of all the countries where a company operates? There is a case for covering all countries as stakeholder interests can be damaged due to non-compliance in any country.
2. **Only Legal entity or all subsidiaries and joint ventures included:** Should the compliance reporting be restricted only to the listed legal entity or should it cover all the subsidiaries, joint ventures and associate companies which are consolidated in the financial results presented to the shareholders and potential investors?
3. **Identification process:** Should there be an acceptable system for identification of all applicable Act to a company? If yes, what should the system be? Industry standards, Professional bodies recommendations or company specific initiatives?

#### Practice:

Differing practices among secretarial auditors has resulted in a large variance of the mandates listed and covered in SARs. While the average number of mandates reported across the 463 companies is only 5.5, the highest number of mandate was reported by **Mindtree Limited** of 274 Acts, Rules, Regulations, Guidelines, Standards, Codes, etc. The list of the top five companies in which the highest number of mandates was identified is given in Table 3.4.1

**Table 3.4.1: Top Five Companies listing the Highest number of Mandates**

Sl no.	Company Name	# of Mandates
1	Mindtree Limited	274
2	Geometric Limited	105
3	The Phoenix Mills Limited	80
4	JSW Energy Limited/ JSW Steel Limited	69
5	Hathway Cable and Datacom Limited	67

Factors contributing to this wide variance emanate from the following two different principles followed:

1. Regarding Acts, Rules and Regulations: We have seen differing practices followed:
  - a. Of some Reports listing only the Act,
  - b. Others listing the Act along with Rules and Regulations.

Given that Acts are mandates passed by the legislature, while Rules are prescriptions on how to comply with the provisions of the Act and Regulations are the process by which the implementation of an Act is monitored, should all the three be mentioned or is it sufficient to mention only the Act?

Reference to MR-3, Secretarial Audit Report for precedence does not provide a solution as it has adopted both the practice. For acts like the Companies Act and Foreign Exchange Management Act it lists only the Act. However, when it comes to Securities Exchange Board of India, in addition to the Act it lists specific Regulations.

**Table 3.4.2: Distribution of Acts, Rules & Regulations Reported by Companies**

Sl no.	Description	#s reported	%
1	Acts	241	53%
2	Rules	89	19%
3	Regulations	52	11%
4	Others*	78	17%
	<b>Total</b>	<b>460</b>	<b>100%</b>

\*Others include mandates in the nature of Circular, Code, Convention, Directions, Guidelines, Order, Policy, Scheme and Standards.

2. Regarding State level legislations: India being a Federal Republic, acts like Shops and Establishment Act, Professional Tax and Local Sales Tax Acts prevail in each state in which the company operates. We have notice diverse practice of listing of each and every act based on the states in which they operate, or the practice of making an omnibus reference to such laws like Shops and Establishment Act and Professional Tax Act that prevails across multiple states. Table 3.4.3 lists a few of state specific laws that have been reported in SARs.

**Table 3.4.3: Listing of State Specific Laws reported in SARs (Select list)**

Sl. no.	Description of the Law
1	Shops and Establishment Act
2	Stamps Act
3	Lifts Act
4	Labour Welfare Fund
6	Professional Tax Act
8	Local Sales Tax and Tax on Entry of Specified Goods

**CimplifyFive's Learnings**

Given the fact that The Report of the Company Law Committee, February 2016 para 9.9 recommends the Secretarial Auditor to check whether the company has proper systems and processes at the Board Level to ascertain compliance of applicable laws, stating it to be a reasonable requirement for the secretarial auditors to enquire into and report, ICSI could issue guidance on what constitutes a reasonable basis for stating that the company has proper systems and process in place to ascertain compliance with applicable laws.

**CimplifyFive's Recommendation**

ICSI could in a time bound manner prepare and disseminate a comprehensive list of Acts, Rules, Regulations and other mandates applicable to all Companies incorporated and operating in India, which could be termed Generic mandates and a list of Industry specific mandates for specific industries. They could prioritize Industries using the criteria of public interest and focus on industries that affect the largest number of people first.

## 4 S&P BSE 500 Companies

1	3M India Ltd.	45	Bajaj Electricals Ltd	88	Century Enka Ltd.
2	ABB India Ltd.	46	Bajaj Finance Ltd.	89	Century Plyboards (India) Ltd.
3	ABG Shipyards Ltd.	47	Bajaj Finserv Ltd.	90	Century Textile & Industries Ltd.
4	ACC Ltd.	48	Bajaj Hindusthan Sugar Ltd.	91	Chambal Fertilizers & Chemicals Ltd.
5	AIA Engineering Ltd.	49	Bajaj Holdings & Investment Ltd.	92	Chennai Petroleum Corporation Ltd.
6	Aarti Industries Ltd.	50	Balkrishna Industries Ltd.	93	Cholamandalam Investment and Finance Company Ltd.
7	Aban Offshore Ltd.	51	Ballarpur Industries Ltd.	94	Cipla Ltd.
8	Adani Ports and Special Economic Zone Ltd.	52	Balmer Lawrie & Co. Ltd.	95	City Union Bank Ltd.
9	Adani Power Ltd.	53	Balrampur Chini Mills Ltd.	96	Clariant Chemicals (India) Ltd.
10	Adlabs Entertainment Ltd.	54	Bank of Baroda	97	Coal India Ltd.
11	Advanta Ltd.	55	Bank of India	98	Colgate Palmolive (India) Ltd.
12	Agro Tech Foods Ltd.	56	Bata India Ltd.	99	Container Corporation of India Ltd.
13	Ajanta Pharmaceuticals Ltd.	57	Berger Paints India Ltd.	100	Coromandel International Ltd.
14	Akzo Nobel India Ltd.	58	Bharat Electronics Ltd.	101	Corporation Bank
15	Alembic Pharmaceuticals Ltd.	59	Bharat Forge Ltd.	102	Cox & Kings Ltd.
16	Allahabad Bank	60	Bharat Heavy Electricals Ltd.	103	Cummins India Ltd.
17	Allcargo Logistics Ltd.	61	Bharat Petroleum Corporation Ltd.	104	Cyient Ltd.
18	Alok Industries Ltd.	62	Bharti Airtel Ltd.	105	D B Realty Ltd.
19	Alstom India Ltd.	63	Bharti Infratel Ltd.	106	D.B.Corp Ltd.
20	Alstom T&D India Ltd.	64	Bhushan Steel Ltd.	107	DCB Bank Ltd.
21	Amara Raja Batteries Ltd.	65	Biocon Ltd.	108	DCM Shriram Ltd.
22	Ambuja Cements Ltd.	66	Birla Corporation Ltd.	109	DLF Ltd.
23	Amtek Auto Ltd.	67	Blue Dart Express Ltd.	110	Dabur India Ltd.
24	Anant Raj Ltd.	68	Blue Star Ltd.	111	Deepak Fertilisers & Petrochemicals Corp. Ltd.
25	Andhra Bank	69	Bombay Burmah Trading Corporation Ltd.	112	Delta Corp Ltd.
26	Apar Industries Ltd.	70	Bombay Dyeing & Manufacturing Co. Ltd.	113	Den Networks Ltd.
27	Apollo Hospitals Enterprises Ltd.	71	Bosch Ltd.	114	Dena Bank
28	Apollo Tyres Ltd.	72	Brigade Enterprises Ltd.	115	Dewan Housing Finance Corporation Ltd.
29	Arvind Ltd.	73	Britannia Industries Ltd.	116	Dhanlaxmi Bank Ltd.
30	Asahi India Glass Ltd.	74	CARE Ltd.	117	Dishman Pharmaceuticals & Chemicals Ltd.
31	Ashok Leyland Ltd.	75	CESC Ltd.	118	Divi's Laboratories Ltd.
32	Ashoka Buildcon Ltd.	76	CRISIL Ltd.	119	Dr. Reddy's Laboratories Ltd.
33	Asian Paints Ltd.	77	Cadila Healthcare Ltd.	120	Dredging Corporation of India Ltd.
34	AstraZenca Pharma India Ltd.	78	Cairn India Ltd.	121	Dynamatic Technologies Ltd.
35	Astral Poly Technik Ltd.	79	Camlin Fine Sciences Ltd.	122	E.I.D. Parry (India) Ltd.
36	Atul Ltd.	80	CanFin Homes Ltd.	123	EIH Ltd.
37	Aurobindo Pharma Ltd.	81	Canara Bank	124	ESAB India Ltd.
38	Automotive Axles Ltd.	82	Capital First Ltd.	125	Edelweiss Financial Services Ltd.
39	Axis Bank Ltd.	83	Carborundum Universal Ltd.	126	Eicher Motors Ltd.
40	BASF India Ltd.	84	Castex Technologies Ltd.	127	Electrosteel Castings Ltd.
41	BEML Ltd.	85	Castrol India Ltd.		
42	BF Utilities Ltd.	86	Ceat Ltd.		
43	Bajaj Auto Ltd.	87	Central Bank of India		
44	Bajaj Corp Ltd.				

128	Elgi Equipments Ltd.	170	Godrej Properties Ltd.	212	IIFL Holdings Ltd.
129	Emami Ltd.	171	Graphite India Ltd.	213	IL&FS Engineering and Construction Company Ltd.
130	Engineers India Ltd.	172	Grasim Industries Ltd.	214	IL&FS Transportation Networks Ltd.
131	Entertainment Network India Ltd.	173	Great Eastern Shipping Co. Ltd.	215	IRB Infrastructure Developers Ltd.
132	Eros Intl Media Ltd.	174	Greaves Cotton Ltd.	216	ITD Cementation India Ltd.
133	Escorts Ltd.	175	Gruh Finance Ltd.	217	IVRCL Ltd.
134	Ess Dee Aluminium Ltd.	176	Gujarat Alkalies & Chemicals Ltd.	218	Idea Cellular Ltd.
135	Essel Propack Ltd.	177	Gujarat Fluorochemicals Ltd.	219	India Cements Ltd.
136	Eveready Industries India Ltd.	178	Gujarat Industries Power Co. Ltd.	220	Indiabulls Housing Finance Ltd.
137	Exide Industries Ltd.	179	Gujarat Mineral Development Corporation Ltd.	221	Indiabulls Real Estate Ltd.
138	FDC Ltd.	180	Gujarat Narmada Valley Fertilizers and Chemicals Ltd.	222	Indiabulls Ventures Ltd.
139	Fag Bearings India Ltd.	181	Gujarat Pipavav Port Ltd.	223	Indian Bank
140	Federal Bank Ltd.	182	Gujarat State Fertilizers & Chemicals Ltd.	224	Indian Hotels Co. Ltd.
141	Federal-Mogul Goetze (India) Ltd.	183	Gujarat State Petronet Ltd.	225	Indian Oil Corporation Ltd.
142	Financial Technologies (India) Ltd.	184	Gulf Oil Lubricants India Ltd.	226	Indian Overseas Bank
143	Finolex Cables Ltd.	185	H.E.G. Ltd.	227	Indraprastha Gas Ltd.
144	Finolex Industries Ltd.	186	HCL Infosystems Ltd.	228	IndusInd Bank Ltd.
145	Firstsource Solutions Ltd.	187	HCL Technologies Ltd.	229	Info Edge (India) Ltd.
146	Flexituff International Ltd.	188	HDFC Bank Ltd.	230	Infosys Ltd.
147	Fortis Healthcare Ltd.	189	HSIL Ltd.	231	Ingersoll Rand (India) Ltd.
148	Future Consumer Enterprise Ltd.	190	HT Media Ltd.	232	Inox Leisure Ltd.
149	Future Lifestyle Fashions Ltd.	191	Hathway Cable & Datacom Ltd.	233	Inox Wind Ltd.
150	GAIL (India) Ltd.	192	Havells India Ltd.	234	Ipcal Laboratories Ltd.
151	GHCL Ltd.	193	Heritage Foods Ltd.	235	J.B. Chemicals & Pharmaceuticals Ltd.
152	GMR Infrastructure Ltd.	194	Hero MotoCorp Ltd.	236	J.K. Cement Ltd.
153	GTL Infrastructure Ltd.	195	Hexaware Technologies Ltd.	237	J.Kumar Infraprojects Ltd.
154	GVK Power & Infrastructures Ltd.	196	Himachal Fut Com Ltd.	238	JBF Industries Ltd.
155	Gabriel India Ltd.	197	Himatsingka Seide Ltd.	239	JK Lakshmi Cement Ltd.
156	Gammon Infrastructure Projects Ltd.	198	Hindalco Industries Ltd.	240	JK Tyre & Industries Ltd.
157	Gateway Distriparks Ltd.	199	Hindustan Construction Co. Ltd.	241	JM Financial Ltd.
158	Gati Ltd.	200	Hindustan Copper Ltd.	242	JSW Energy Ltd.
159	Gayatri Projects Ltd.	201	Hindustan Petroleum Corporation Ltd.	243	JSW Holdings Ltd.
160	Geojit BNP Paribas Financial Services Ltd.	202	Hindustan Unilever Ltd.	244	JSW Steel Ltd.
161	Geometric Ltd.	203	Hindustan Zinc Ltd.	245	Jagran Prakashan Ltd.
162	Gillette India Ltd.	204	Honeywell Automation India Ltd.	246	Jai Corp Ltd.
163	Gitanjali Gems Ltd.	205	Housing Development Finance Corporation Ltd.	247	Jain Irrigation Systems Ltd.
164	GlaxoSmithkline Consumer Healthcare Ltd.	206	Housing Development and Infrastructure Ltd.	248	Jaiprakash Associates Ltd.
165	Glaxosmithkline Pharmaceuticals Ltd.	207	I T C Ltd.	249	Jaiprakash Power Ventures Ltd.
166	Glenmark Pharmaceuticals Ltd.	208	ICICI Bank Ltd.	250	Jammu & Kashmir Bank Ltd.
167	Godfrey Phillips India Ltd.	209	ICRA Ltd.	251	Jaypee Infratech Ltd.
168	Godrej Consumer Products Ltd.	210	IDBI Bank Ltd.	252	Jindal Saw Ltd.
169	Godrej Industries Ltd.	211	IFCI Ltd.	253	Jindal Steel & Power Ltd.
				254	Jubilant Foodworks Ltd.

255	Jubilant Life Sciences Ltd.	299	Mangalore Refinery & Petrochemicals Ltd.	341	Oswal Chemicals & Fertilizers Ltd.
256	Justdial Ltd.	300	Marico Ltd.	342	PI Industries Ltd.
257	Jyothy Laboratories Ltd.	301	Marksans Pharma Ltd.	343	PNC Infratech Ltd.
258	Jyoti Structures Ltd.	302	Maruti Suzuki India Ltd.	344	PTC India Fin Serv Ltd.
259	K.P.R. Mill Ltd.	303	Mayur Uniquoters Ltd.	345	PTC India Ltd.
260	KCP Ltd.	304	McLeod Russell India Ltd.	346	PVR Ltd.
261	KNR Constructions Ltd.	305	Mercator Ltd.	347	Page Industries Ltd.
262	KPIT Technologies Ltd.	306	Merck Ltd.	348	Parsvnath Developer Ltd.
263	KRBL Ltd.	307	Metalyt Forgings Ltd.	349	Patel Engineering Ltd.
264	KSB Pumps Ltd.	308	MindTree Ltd.	350	Peninsula Land Ltd.
265	KSK Energy Ventures Ltd	309	Monsanto India Ltd.	351	Pennar Industries Ltd.
266	Kajaria Ceramics Ltd.	310	Motherson Sumi Systems Ltd.	352	Persistent Systems Ltd.
267	Kalpataru Power Transmission Ltd.	311	Motilal Oswal Financial Services Ltd.	353	Petronet LNG Ltd.
268	Kansai Nerolac Paints Ltd.	312	MphasiS Ltd.	354	Pfizer Ltd.
269	Karnataka Bank Ltd.	313	Munjal Showa Ltd.	355	Phoenix Mills Ltd.
270	Karur Vysya Bank Ltd.	314	Muthoot Finance Ltd.	356	Pidilite Industries Ltd.
271	Kaveri Seed Company Ltd.	315	NATCO Pharma Ltd.	357	Pipavav Defence and Offshore Engineering Company Ltd.
272	KEC International Ltd.	316	NCC Ltd.	358	Piramal Enterprises Ltd.
273	Kewal Kiran Clothing Ltd.	317	NDTV Ltd.	359	Power Finance Corporation Ltd.
274	Kitex Garments Ltd.	318	NHPC Ltd.	360	Power Grid Corporation of India Ltd.
275	Kolte-Patil Developers Ltd.	319	NIIT Ltd.	361	Praj Industries Ltd.
276	Kotak Mahindra Bank Ltd.	320	NIIT Technologies Ltd.	362	Prakash Industries Ltd.
277	L&T Finance Holdings Ltd.	321	NMDC Ltd.	363	Prestige Estates Projects Ltd.
278	LG Balakrishnan & Bros Ltd.	322	NOCIL Ltd.	364	Prism Cement Ltd.
279	LIC Housing Finance Ltd.	323	NTPC Ltd.	365	Procter & Gamble Hygiene & Health Care Ltd.
280	La Opala RG Ltd.	324	National Aluminium Co. Ltd.	366	Punj Lloyd Ltd.
281	Lakshmi Machine Works Ltd.	325	National Buildings Construction Corporation Ltd.	367	Punjab National Bank
282	Lakshmi Vilas Bank Ltd.	326	Nava Bharat Ventures Ltd.	368	Puravankara Projects Ltd.
283	Lanco Infratech Ltd.	327	Navneet Education Ltd.	369	Radico Khaitan Ltd
284	Larsen & Toubro Ltd.	328	Network18 Media & Investments Ltd.	370	Rain Industries Ltd
285	Linde India Ltd.	329	Neyveli Lignite Corporation Ltd.	371	Rajesh Exports Ltd.
286	Lupin Ltd.	330	Nitin Fire Protection Industries Ltd.	372	Rallis India Ltd.
287	MBL Infrastructures Ltd.	331	Noida-Toll Bridge Co. Ltd.	373	Rashtriya Chemicals & Fertilizers Ltd.
288	MMTC Ltd.	332	Oberoi Realty Ltd.	374	Ratnamani Metals & Tubes Ltd.
289	MOIL Ltd.	333	Oil & Natural Gas Corporation Ltd.	375	Raymond Ltd.
290	MRF Ltd.	334	Oil India Ltd.	376	Redington (India) Ltd.
291	MT Educare Ltd.	335	Omaxe Ltd.	377	Reliance Capital Ltd.
292	Magma Fincorp Ltd.	336	Opto Circuits (I) Ltd.	378	Reliance Communications Ltd.
293	Maharashtra Scooters Ltd.	337	Oracle Financial Services Software Ltd.	379	Reliance Industrial Infrastructure Ltd.
294	Maharashtra Seamless Ltd.	338	Orient Cement Ltd.	380	Reliance Industries Ltd.
295	Mahindra & Mahindra Financial Services Ltd.	339	Oriental Bank of Commerce	381	Reliance Infrastructure Ltd.
296	Mahindra & Mahindra Ltd.	340	Orissa Min Dev Co Ltd.	382	Reliance Power Ltd.
297	Mahindra Holidays & Resorts India Ltd.			383	Religare Enterprises Ltd.
298	Mahindra Lifespace Developers Ltd.				

384	Repcos Home Finance Ltd.	421	Sun TV Network Ltd.	461	Tribhovandas Bhimji Zaveri Ltd.
385	Rico Auto Industries Ltd.	422	Sundaram Finance Ltd.	462	Trident Ltd.
386	Rolta India Ltd.	423	Sundram Fasteners Ltd.	463	Tube Investments of India Ltd.
387	Ruchi Soya Industries Ltd.	424	Sunteck Realty Ltd.	464	UCO Bank
388	Rural Electrification Corporation Ltd.	425	Supreme Industries Ltd.	465	UFLEX Ltd.
389	S.E. Investments Ltd.	426	Supreme Infrastructure India Ltd.	466	UPL Ltd.
390	SKF India Ltd.	427	Supreme Petrochem Ltd.	467	UltraTech Cement Ltd.
391	SKS Microfinance Ltd.	428	Suven Life Sciences Ltd.	468	Unichem Laboratories Ltd.
392	SREI Infrastructure Finance Ltd.	429	Suzlon Energy Ltd.	469	Union Bank of India
393	SRF Ltd.	430	Swan Energy Ltd.	470	Unitech Ltd.
394	Sadbhav Engineering Ltd	431	Swaraj Engines Ltd.	471	United Breweries Ltd.
395	Sanofi India Ltd.	432	Symphony Ltd.	472	United Spirits Ltd.
396	Shanthi Gears Ltd.	433	Syndicate Bank	473	Usha Martin Ltd.
397	Shipping Corporation of India Ltd.	434	TD Power Systems Ltd.	474	Uttam Galva Steels Ltd.
398	Shoppers Stop Ltd.	435	TTK Prestige Ltd.	475	V.I.P. Industries Ltd.
399	Shree Cement Ltd.	436	TV Today Network Ltd.	476	VRL Logistics Ltd.
400	Shree Renuka Sugars Ltd.	437	TV18 Broadcast Ltd.	477	VST Industries Ltd.
401	Shrenuj & Co. Ltd.	438	TVS Motor Company Ltd.	478	VA Tech Wabag Ltd.
402	Shriram City Union Finance Ltd.	439	Tamil Nadu Newsprint & Papers Ltd.	479	Vaibhav Global Ltd.
403	Shriram Transport Finance Co. Ltd.	440	Tata Chemicals Ltd.	480	Vakrangee Ltd.
404	Siemens Ltd.	441	Tata Coffee Ltd.	481	Vardhman Textiles Ltd.
405	Simplex Infrastructures Ltd.	442	Tata Communications Ltd.	482	Vedanta Ltd.
406	Sintex Industries Ltd.	443	Tata Consultancy Services Ltd.	483	Vesuvius India Ltd.
407	Siti Cable Network Ltd.	444	Tata Elxsi Ltd.	484	Videocon Industries Ltd.
408	Sobha Ltd.	445	Tata Global Beverages Ltd.	485	Vijaya Bank
409	Sona Koyo Steering Systems Ltd.	446	Tata Investment Corporation Ltd.	486	Vinati Organics Ltd.
410	Sonata Software Ltd.	447	Tata Motors Ltd.	487	Visagar Polytext Ltd.
411	South Indian Bank Ltd.	448	Tata Power Co. Ltd.	488	Voltas Ltd.
412	Srikalahasthi Pipes Ltd.	449	Tata Sponge Iron Ltd.	489	WABCO India Ltd.
413	State Bank of Bikaner & Jaipur Ltd.	450	Tata Steel Ltd.	490	Welspun Corp Ltd.
414	State Bank of India	451	Tech Mahindra Ltd.	491	Welspun India Ltd.
415	State Bank of Travancore	452	Techno Elt & Eng Co. Ltd.	492	Wheels India Ltd.
416	Steel Authority of India Ltd.	453	The Ramco Cements Ltd.	493	Whirlpool of India Ltd.
417	Sterlite Technologies Ltd.	454	Thermax Ltd.	494	Wipro Ltd.
418	Strides Arcolab Ltd.	455	Thomas Cook (India) Ltd.	495	Wockhardt Ltd.
419	Sun Pharma Advanced Research Company Ltd.	456	Titan Company Ltd.	496	Yes Bank Ltd.
420	Sun Pharmaceutical Industries Ltd.	457	Torrent Pharmaceuticals Ltd.	497	Zee Entertainment Enterprises Ltd.
		458	Torrent Power Ltd.	498	Zensar Technologies Ltd.
		459	Tree House Education & Accessories Ltd.	499	Zydus Wellness Ltd.
		460	Trent Ltd.	500	eClerx Services Ltd.

# BLISS Benefits

## Board Leaders Integrated Software Solution



Comprehensive Coverage



Curated but Editable Resolutions



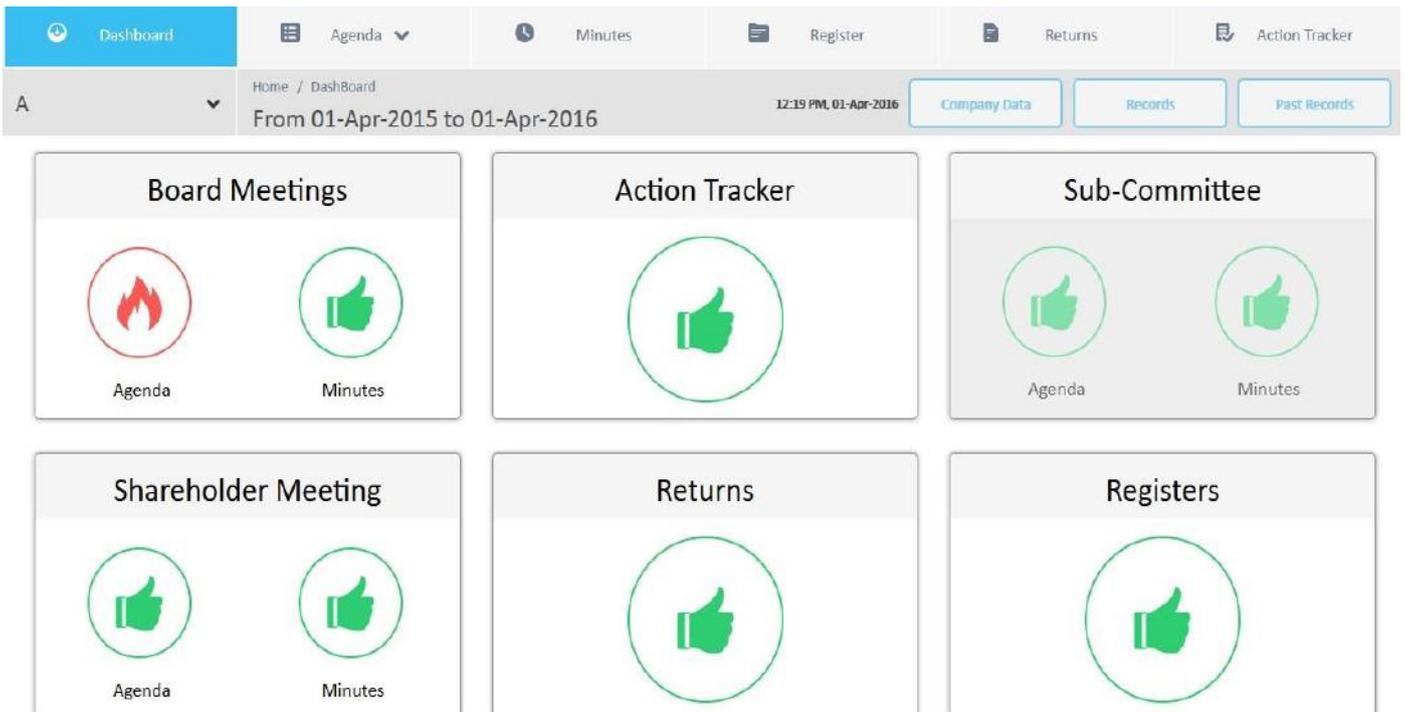
Fully Integrated Module



Timely Alerts & Reminders

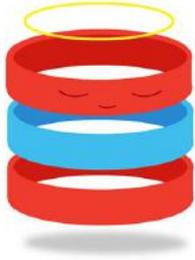


Real-time & Rich Dashboard



The screenshot displays the BLISS software dashboard. At the top, there is a navigation bar with tabs for Dashboard, Agenda, Minutes, Register, Returns, and Action Tracker. Below this, a header section shows the current page (Home / Dashboard), a date range (From 01-Apr-2015 to 01-Apr-2016), and the current time (12:19 PM, 01-Apr-2016). There are also buttons for Company Data, Records, and Past Records. The main content area is organized into a grid of six modules: Board Meetings, Action Tracker, Sub-Committee, Shareholder Meeting, Returns, and Registers. Each module contains icons for Agenda and Minutes, with thumbs-up icons indicating a positive status or completion.

## Board Leaders Integrated Software Solution



BLISS is a digital productivity tool that automates the routines, provides timely alerts, and a real-time dashboard, all aimed at ensuring compliance and good corporate governance. By doing so, it also provides complete peace of mind to the Board of Directors and assurance to Shareholders by providing them with real-time compliance status with respect to the Companies Act, 2013.



Companies Act Integrated Ready Reckoner [www.ca2013.com](http://www.ca2013.com) is a free to use website that provides the Indian Companies Act, 2013 at your fingertips. This site uses hypertexts to integrate the Act with Rules, Notifications, Orders and Circulars and provide a single point view of the law as it prevails. Updated real-time, this site is available 24 by 7 and can be accessed from your computer, laptop or your smartphone. This is a must have site for every Chartered Accountant, Company Secretary and Corporate Professional.