June 2023
230th Edition

SIRC MYSURU CHAPTER

e-Magazine

Vision
"To be a global leader in promoting good corporate governance"

Motto
सत्यं वद। धर्मं चर। speak the truth. abide by the law.

Mission
"To develop high calibre professionals facilitating good corporate governance"

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CS Phani Datta D N
CHAIRMAN
MYSURU CHAPTER

From the Desk of Chairman

Dear Professional Colleagues

Taking cue from the message of our President, Sri CS Manish Gupta ji, June is the month closest to the hearts of the practising professionals. It is this month which gave the recognition, responsibility and the accountability for Company Secretaries in Practise. Being a PCS myself, I take pride in working towards the upholding of the mission and the vision of ICSI.

Wishing all the Company Secretaries in Practise, a Very Happy PCS Day!

दुर्लभान्यपि कार्याणि सिद्यन्ति प्रोद्यमेन हि। शिलापि तनुतां याति प्रपातेनार्णसो मुहुः॥

The Impossible things can be accomplished with efforts. Like a hard rock gets thinner with repeated fall of water.

The path to excellence or the path of improvement always involves consistency and continuous effort. So are our efforts towards the betterment of the Chapter. Though this month did not see any tangible external programs due to Examinations, much of our effort were towards improvising on the internal processes. The effect of these steps can be seen in our upcoming stream of programs.

The Chapter is all set to host its flagship Annual Members Program '**Manthan 2023**' by the end of June 2023 and is also all geared up to present its students with a host of activities and competitions as a part of the Students' Month from 01st July 2023. I request the Members and the Students to take part in these programs in good numbers and get benefitted by the same.

The Institute has also mandated the obtaining of CPE hours for the Renewal of Membership and COP. I request the members to take benefit of the extension provided and complete the mandatory requirements at the earliest to ensure the continuity of your Membership.

Celebrating the fervour of spirit behind PCS day, ICSI is celebrating the same with much fanfare in its 24th National Conference of Practising Company Secretaries scheduled on 16th and 17th of June 2023 at Vishakhapatnam. Looking forward to see all my fellow PCS in the conference!

I would like to thank all our readers and all the stakeholders for your continued patronage for our e-magazine, which is not only keeping it steadily growing but also has been turning out to be an inspiration for many other chapters to start their own e-newsletters.

Happy to meet you all yet again and share my thoughts with you.

सर्वे जनाः सुखिनो भवन्तु | *May all live Happily*

Thank you

THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

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CS Phani Datta D N (Chairman)
CS Parvati K.R
CS Ajay Madhaiah
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Support team

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Toastmasters

ICSI Mysuru RoyalPro Toastmasters Club

What are pathways?

Lailah Gifty Akita once said "There are different paths to your destination. Choose your own path"

When we were young academic students, we were always given a boundary as to what needs to be studied to move on to the next level in academics. This goes good as well when we travel – the itinerary becomes our roadmap. As the saying goes, what is full planned is half done, when we know what the next step to be taken is, we are sure of reaching our destination, despite all odds.

Toastmasters are not different. Toastmasters helps to fix a goal for our personal enrichment and lays down the path in which we have to follow. This roadmap in toastmaster journey is called "Pathways"

Pathways are the curriculum for a toastmaster. In toastmasters all the toastmaster has to do is to go on completing the projects which are prescribed in the pathways and give a speech for usually about 5- 7 mins on that project. The projects are flexible and can be easily completed at individual's speed. No due dates for competing the pathways. When we finish all the level of one particular pathway we are embark upon the next. These pathways contain the preassessment test on a particular project, guide you how to complete the project – step by step and then provides to a platform where you can measure how you have progressed in that particular project.

Why pathways are?

The following are the various pathways available in Toastmaster journey:

Sl. No.	Pathway name	What it achieves
1	Dynamic Leadership	Build Strategic Leadership and conflict resolution skills. This path helps you build your skills as a strategic leader. These projects emphasize the development of strategies to facilitate change in an organisation group.
2	Effective Coaching	Build interpersonal communication, leadership and coaching skills. This path helps you build your skills as a positive communicator and leader. It focuses on understanding and building consensus, contribution to the development of others by coaching, and establishing strong public speaking skills.
3	Engaging Humour	This path helps you build your skills as an accomplished public speaker.

4	Innovative planning	This project on this path focusses on developing strong connection with audience members when present, speech writing and speech delivery. This project contributes to building an understanding of the steps to manage project as well as create innovative solutions.
5	Leadership Development	Here focus is on learning how to manage time, as well as how to develop and implement a plan.
6	Motivational strategies	Here focus is on learning strategies for building connection with people around you, understanding motivation, and successfully leading small groups to accomplish tasks.
7	Persuasive influence	Here focus is on learning how to negotiate a positive outcome together with building strong interpersonal communication and public speaking skills.
8	Presentation Mastery	Here focus is on learning how an audience responds to you and improving your connection with audience members.
9	Strategic relations	Here focus is on understanding diversity, building personal and/or professional connections with a variety of people, and developing a public relations strategy.
10	Team Collaboration	Here focus is on active listening, motivating others, and collaborating with a team.
11	Visionary Communication	Here focus is on developing skills for sharing information with a group, planning communications and creating innovative solutions.

The pathways cover the following core competencies:

1. Public Speaking
2. Interpersonal communication
3. Strategic leadership
4. Management
5. Confidence

Every path has required and elective projects. Path recognition is achieved when a member completes 14 projects across all five levels—a combination of 10 required projects and four elective projects chosen from a comprehensive list covering various subjects. Most projects include at least one speech that will receive an evaluation. Though members are required to complete four elective projects, they have the option to complete as many as they would like.

How to choose?

The first step for toastmaster journey is to choose the pathways which you want to pursue. The pathways will be accessible in tab "base camp" in toastmaster international website. VP Education of your club will guide you more. Please contact her/him once you register yourself as toastmaster.

Author tip: To begin with take up the one which want to excel at. Later, choose the pathway which you find it to be challenging. For ex: I wanted to become a motivational speaker hence choose motivational strategies to begin with. I am in Level 3 and already reaping the benefits out of it. Now, I am finding difficulty in including humour during my talks. Moving forward, I may take up Engaging Humour.

CS Pavitra Madhvesh
Email ID: charuzelawat@gmail.com

2nd International conference held at London on 11th and 12th May, 2023. K. Sarina Chouta Harish, Past Chairperson of Mysuru Chapter and Himaan Harish participated

AI and Corporate Governance: Enhancing Decision-Making in the Digital Era

Introduction

In today's rapidly evolving business landscape, artificial intelligence (AI) is revolutionizing various industries and transforming the way corporations operate. AI-powered technologies are being used to automate tasks, improve decision-making, and gain insights into customer behavior. As AI becomes more pervasive in the business world, it is also having a significant impact on corporate governance. As organizations strive to make informed decisions, improve transparency, and mitigate risks, AI technology offers immense potential. This article explores the intersection of AI and corporate governance, discussing the benefits, challenges, and implications of integrating AI into governance practices.

I. Understanding Corporate Governance

To comprehend the role of AI in corporate governance, it is essential to understand the concept of corporate governance itself. Corporate governance refers to the system of rules, practices, and processes through which a company is directed and controlled. It involves the relationships between stakeholders, such as shareholders, management, employees, customers, and the wider society. The primary objective of corporate governance is to ensure that companies are managed in a responsible, ethical, and accountable manner.

Corporate governance includes a number of key elements, such as:

- Board of directors: The board of directors is responsible for overseeing the company's management and ensuring that it is run in a responsible and ethical manner.
- Audit committee: The audit committee is responsible for overseeing the company's financial reporting and ensuring that it is accurate and reliable.
- Internal controls: Companies must have effective internal controls in place to prevent fraud and ensure that the company's assets are protected.
- Risk management: Companies must identify and manage the risks that they face, such as financial risks, operational risks, and compliance risks.

II. Corporate Governance in News

The Securities and Exchange Board of India (SEBI) is planning to introduce new rules to improve corporate governance in listed companies. The new rules are likely to cover areas such as board composition, independent directors, and shareholder rights. In recent years, there have been several high-profile cases of corporate fraud and mismanagement. The Adani Group is an Indian multinational conglomerate headquartered in Ahmedabad, Gujarat. It is one of the largest conglomerates in India, with interests in a wide range of sectors, including

> **“AI technology holds tremendous potential to enhance corporate governance practices in several ways. AI-powered analytics can process vast amounts of data, providing valuable insights for informed decision-making. By analyzing financial data, market trends, and customer behaviour. AI algorithms can assist boards and executives in making more accurate and data-driven decisions.”**

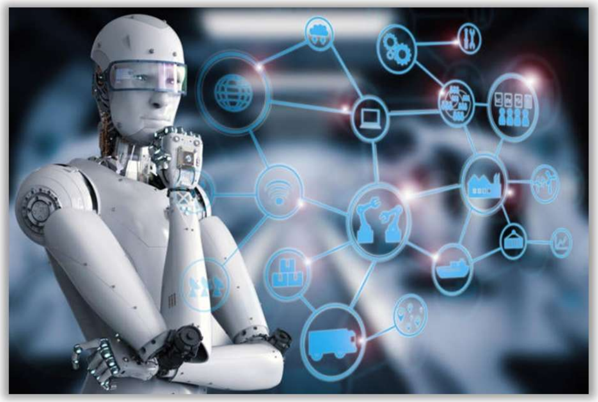
CS Charu Zelawat
(Ph.d Scholar)
Email ID: charuzelawat@gmail.com

Article

energy, resources, logistics, and infrastructure. In January 2023, a short-seller research firm, Hindenburg Research, published a report alleging that the Adani Group had engaged in a number of fraudulent and unethical practices, including stock manipulation, improper use of tax havens, and environmental destruction. The report caused the share prices of Adani Group companies to plummet and led to a number of investigations by regulators.

The Adani Group has denied all of the allegations in the Hindenburg report. However, the scandal has raised serious questions about corporate governance in India. The report has also highlighted the need for stronger regulations and enforcement of those regulations to protect investors and ensure that companies are held accountable for their actions.

Some of the key corporate governance issues raised by the Adani Group scandal include:



- The lack of transparency and accountability in the Adani Group's business dealings.
- The close relationship between the Adani Group and the Indian government.
- The potential for conflicts of interest between the Adani Group's various businesses.
- The lack of independent oversight of the Adani Group.

The Adani Group scandal is a reminder that corporate governance is essential to protect investors and ensure that companies are held accountable for their actions. Stronger regulations and enforcement are needed to prevent future scandals and protect the integrity of India's capital markets. In addition to the above, here are some other specific corporate governance issues that have been raised in relation to the Adani Group:

- The role of the Adani family in the company. The Adani family owns a controlling stake in the Adani Group, and Gautam Adani, the group's chairman, is one of the richest men in India. This concentration of ownership raises concerns about the potential for conflicts of interest.
- The company's use of related party transactions. The Adani Group has been accused of using related party transactions to benefit the Adani family and other insiders. Related party transactions are those that involve a company and another party that is related to it, such as a subsidiary, a parent company, or a related individual. These transactions can be used to hide conflicts of interest and to enrich insiders at the expense of shareholders.
- The company's environmental record. The Adani Group has been accused of environmental damage, such as the destruction of forests and wetlands. Environmental damage can have a negative impact on the company's reputation and its ability to attract investment.

The Adani Group scandal is a serious matter that has raised important questions about corporate governance in India. Stronger regulations and enforcement are needed to prevent future scandals and protect the integrity of India's capital markets.

III. The Promise of AI in Corporate Governance

AI technology holds tremendous potential to enhance corporate governance practices in several ways. AI-powered analytics can process vast amounts of data, providing valuable insights for informed decision-making. By analyzing financial data, market trends, and customer behaviour. AI algorithms can assist boards and executives in making more accurate and data-driven decisions. It can play a crucial role in improving risk management within the organizations. Machine learning algorithms can detect patterns, identify anomalies, and predict potential risks in real-time. This proactive approach allows companies to mitigate risks before they escalate, ultimately safeguarding the organization's reputation and financial stability. Furthermore, AI can facilitate compliance with regulatory requirements. By automating compliance processes, such as monitoring transactions, detecting fraud, and ensuring adherence to legal frameworks, AI can minimize human error and enhance the effectiveness of compliance efforts.

AI-powered technologies can be used to:

- Identify and assess risks: AI can be used to identify and assess risks to the company, such as financial risks, operational risks, and compliance risks. This information can then be used by the board of directors to make informed decisions about how to mitigate these risks.
- Help companies comply with regulations: AI can be used to help companies comply with regulations, such as those governing financial reporting, environmental protection, and data privacy. This can help to reduce the risk of fines and penalties, and can also help to improve the company's reputation.
- Make better decisions: AI can be used to help boards of directors make better decisions. For example, AI can be used to analyze large amounts of data to identify trends and patterns that would not be visible to the naked eye. This information can then be used by the board to make more informed decisions about the company's strategy, operations, and investments.
- Improve transparency: AI can be used to improve transparency in corporate governance. For example, AI can be used to track and analyze corporate spending, which can help to identify potential conflicts of interest. This information can then be made available to shareholders, employees, and the public.

IV. The Benefits of AI for Corporate Governance

The use of AI in corporate governance has a number of potential benefits. These benefits include:

- Improved risk management: AI can help companies to identify and assess risks more effectively, which can help to prevent fraud and financial losses.
- Increased compliance: AI can help companies to comply with regulations more effectively, which can help to avoid fines and penalties.
- Better decision-making: AI can help boards of directors to make better decisions by providing them with access to more data and insights.
- Increased transparency: AI can help to improve transparency in corporate governance by making it easier for shareholders, employees, and the public to see how companies are run.

V. Challenges and Considerations

While the integration of AI into corporate governance offers significant advantages, it also presents several challenges and considerations. These risks include:

- **Bias**: AI systems can be biased, which can lead to unfair decisions. If AI systems are trained on biased data, they may inadvertently perpetuate discriminatory practices or decisions. It is crucial for organizations to ensure that AI models are developed and monitored with fairness, transparency, and ethical considerations in mind. For example, an AI system that is used to assess employee performance may be biased against women or minorities.

- **Opacity**: AI systems can be opaque, which means that it can be difficult to understand how they make decisions. This lack of explain ability in AI decision-making and AI algorithms, particularly those based on deep learning and neural networks, often operate as "black boxes," making it difficult to understand the reasoning behind their decisions. This lack of transparency raises questions about accountability and the ability to challenge AI-generated outcomes. This can make it difficult for boards of directors to hold AI systems accountable for their decisions.
- **Ethical Implications**: The use of AI in corporate governance also raises ethical implications that must be carefully addressed. For instance, there is a concern about the impact of AI on the workforce. Automation and AI-driven decision-making may lead to job displacement or biased hiring practices. It is crucial for organizations to consider the ethical dimensions of implementing AI technology and ensure that its deployment aligns with the principles of fairness, diversity, and inclusivity.

Moreover, the integration of AI in corporate governance requires a significant investment in infrastructure, talent, and cyber security. Additionally, privacy concerns arise when AI systems collect, process, and analyse vast amounts of personal and sensitive data. Organizations must prioritize data privacy and security to safeguard sensitive information and prevent unauthorized access or misuse of AI systems. Striking a balance between utilizing AI for improved governance and protecting individuals' privacy rights is paramount.

VI. Conclusion

In conclusion, the integration of AI in corporate governance presents both opportunities and challenges. By leveraging AI-powered analytics, organizations can make more informed decisions, enhance risk management practices, and streamline compliance efforts. However, careful consideration of biases, explain ability investment requirements, and ethical implications is essential to ensure the responsible and effective implementation of AI technology. Corporate governance frameworks need to adapt to the digital era, incorporating AI into their practices while upholding transparency, fairness, and accountability. Ultimately, the successful integration of AI in corporate governance can lead to more efficient and effective decision-making processes, driving organizations toward sustainable growth in the dynamic and competitive business landscape of the 21st century.

Business Responsibility and Sustainability Report

...... Continued from 229 edition

New Reporting requirements

In terms of amendment to regulation 34 (2) (f) of LODR Regulations vide Gazette notification no. SEBI/LAD-NRO/GN/2021/22 dated May 05, 2021, it has now been decided to introduce new reporting requirements on ESG parameters called the Business Responsibility and Sustainability Report (BRSR). The BRSR is accompanied with a guidance note to enable the companies to interpret the scope of disclosures.

Decoding the BRSR format:

Section A – General Disclosure

Section B – Management and Process Disclosures

Section C – Principle wise performance Disclosures

- Essential indicators (Mandatory)
- Leadership indicators (Voluntary)

Secretarial point of view:

> "Business Responsibility and Sustainability Report is an important tool for companies to demonstrate their commitment to ESG issues and sustainability. By providing transparency and accountability to stakeholders, companies can build trust and credibility and drive positive change in the world around them"

Dharma Chiranjeevi Raju
FCS and LL.B
Senior Manager – Coromandel International Limited
Email ID

Article

Applicability	Some of the disclosures sought under the BRSR may not be applicable to certain industries, say the service industry. In such cases, the entity can state that such disclosure is not applicable along-with reasons for the same.
Reporting Standards	Companies must follow the reporting standards and guidelines issued by recognized international organizations like the Global Reporting Initiative (GRI) or the Sustainability Accounting Standards Board (SASB) or Task Force on Climate Related Financial Disclosures (TCFD) or Integrated reporting (IR).
Reporting framework	• Data sought in the reporting format if already disclosed in the annual report, the listed entity can provide a cross-reference to the same. Need not disclose the same information twice in the annual report. • Report should be prepared based on internationally accepted reporting framework (as mentioned above).
Reporting Period	"Reporting period" refers to the financial year for which BRSR is being prepared.
Reporting boundary	Reporting is done for the entity on a stand-alone or consolidated basis. Listed entities shall ensure consistency in reporting boundary across the report.
Highest authority responsible for decision making on sustainability related issues, implementation and oversight of the Business Responsibility policy (ies)	• In case an Individual is the highest authority - the name & designation of that individual • In case of Director, DIN and category (Chair / ED / NED / ID) shall be disclosed. • In case a Committee is the highest authority, then the composition of the committee shall be disclosed, including the name of individuals & designation. • In case, different authorities are responsible for the implementation of different policies, the same may be indicated. • Details of review undertaken by Director / Committee of the Board/ Any other Committee • Frequency of the Meeting – Annually, Half yearly, Quarterly/ Any other
Independent verification	Companies may choose to obtain independent verification of their BRSR from a third-party assurance provider to ensure the accuracy and completeness of the report.
Details of Business activities	The details of business activities shall be in line those given in Form MGT-7 prescribed by MCA.
Statement by director responsible for the	The listed entity shall include a statement from the director who is responsible for preparation of the report, highlighting the relevance of sustainability to the organization.

report for to highlight ESG issues.	Such statement may include the following: • The overall vision and strategy of the organization for the short-term, medium-term, and long-term, with respect to managing the significant environmental and social impacts that the organization causes, contributes to, or that are directly linked to its activities, products or services The listed entity can place this disclosure at the beginning of the report or under Section B.
General disclosures	• Company details like CIN, Reg.Offce, Email, Tel etc. • The entity shall disclose the top products manufactured or services provided by the listed entity that account for 90% of its turnover (in descending order) along-with the individual contribution of such products / services to the total turnover.
Gender	• Participation / inclusion / Representation of women (including differently abled) in Board and as a KMP • Disclosures relating to gender, the format specifies male and female, however in case the entity has employed persons who have not disclosed gender or belong to any other gender, a separate column of "Other" may be added for such disclosures.
Companies	• Details of Holding, Subsidiary, Associate and JV's • % of shares held by listed entity
CSR	• Applicability of CSR
Complaints / Grievances	• Communities, Investors (other than shareholders), Shareholders, Employees and workers, Customers, Value Chain Partners, Others. • The information sought on complaints in the format are accompanied with a column of "Remarks" where entities can explain reasons for pending complaints (if any) or can give a brief on the nature of the complaints, wherever required.
Details of fines / penalties /punishment/ award/ compounding fees/ settlement amount	Under this field, the entity shall make disclosures on the basis of materiality as specified in Regulation 30 of SEBI (Listing Obligations and Disclosure Obligations) Regulations, 2015 and as disclosed on the entity's website.

Details of anti-corruption or anti-bribery policy	The disclosure on the anti-corruption or anti-bribery policy may include the following: • Risk assessment procedures and internal controls • Mechanism to deal with complaints on bribery / corruption • Coverage of trainings on anti-corruption issues
Processes to avoid/ manage conflict of interests involving members of the Board/ KMPs	• Conflict of interest refers to a situation where an individual is confronted with choosing between the requirements of his or her function and his or her own private interests. • details of such processes.

Human Resource point of view:

Details of employees and workers	• The entity shall disclose the total number of employees and workers, along-with the associated break-up by gender (male / female) and into permanent / other than permanent, differently abled, Male, female, turnover rate of permanent employees and workers • "Employee" is defined under Sec 2(l) of the Industrial Relations Code, 2020 • "Worker" is defined under Sec 2(zr) of the Industrial Relations Code, 2020 • Except apprentice as defined under Apprentices Act, 1961.
Measures for well-being of employees and workers	• In case the entity desires to disclose any benefits other than those specified in this field, additional columns may be added for such disclosures.
Accessibility of workplaces	• Accessibility refers to physical accessibility such as wheelchair ramps, braille signage and accessible restrooms, and digital accessibility, where information and communication technology is accessible to all and/or compatible with assistive technology devices.
Return to work and Retention rates of permanent employees / workers that took parental leave.	• maternity and paternity leave. • formulas to calculate return to work rate, for each category of employee (male / female / others)

Details of Training imparted to the employees and workers on health & safety measures and on skill up gradation.	• internal training courses and funding support for external training or education.
Health and safety management system	• Details of safety related incidents • Processes used to identify work-related hazards and assess risks on a routine and non-routine basis.
Disclosure of complaints made by employees and workers on sexual harassment, discrimination at workplace, Child Labour, Forced Labour/Involuntary Labour, Wages or other human rights related issues	Sexual Harassment' includes any one or more of the following unwelcome acts or behaviour (whether directly or by implication) namely: i. physical contact and advances ii. a demand or request for sexual favours iii. making sexually coloured remarks iv. showing pornography v. any other unwelcome physical, verbal or non-verbal conduct of sexual nature

Businesses point of view:

Operations / Markets served	• Locations of number of plants, offices – National & International
Policies & Management processes	• Entity's policies covering each principle and its core elements of NGRBCs (National Guidelines on Responsible Business Conduct). • Businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements.
Materiality	• Companies must identify and disclose the material ESG issues that are relevant to their business operations and explain how they are addressing these issues • material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity to business and mitigation of risk along-with its financial implications.
Principles	

Principle 1	• Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.
Principle 2	• Businesses should provide goods and services in a manner that is sustainable and safe.
Principle 3	• Businesses should respect and promote the well-being of all employees, including those in their value chains.
Principle 4	• Businesses should respect the interests of and be responsive to all its stakeholders.
Principle 5	• Businesses should respect and promote human rights.
Principle 6	• Businesses should respect and make efforts to protect and restore the environment.
Principle 7	• Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
Principle 8	• Businesses should promote inclusive growth and equitable development.
Principle 9	• Businesses should engage with and provide value to their consumers in a responsible manner.

Sustainable Development Goals (SDGs):

S.No.	Sustainable Development Goal	Applicability of Principles
1.	No Poverty	3, 4, 8
2.	Zero Hunger	2,6,7,8,9
3.	Good Health and Well-being	3,6,8
4.	Quality Education	3,8,9
5.	Gender Equality	3,4,5,8
6.	Clean Water and Sanitation	2,6,8
7.	Affordable and Clean Energy	2,6,7
8.	Decent work and Economic growth	2,3,5,8
9.	Industry, Innovation and Infrastructure	2,6,7

10.	Reduced Inequalities	2,6,7
11.	Sustainable Cities and Communities	3,4,7,8
12.	Responsible Consumption and Production	2,6,9
13.	Climate Action	2,6,7,8
14.	Life below water	2,6,7,8,9
15.	Life on land	2,6,7,8,9
16.	Peace, Justice and Strong Institutions	1,3,4,5,8
17.	Partnerships for the Goals	1,7,8

Over 95% of Global population have absolutely no awareness of ecological disaster building around them. It is always a battle between economy and ecology, every time economy is winning, at least now we see that it should be a Win-Win situation.

Conclusion:

In conclusion, a Business Responsibility and Sustainability Report is an important tool for companies to demonstrate their commitment to ESG issues and sustainability. By providing transparency and accountability to stakeholders, companies can build trust and credibility and drive positive change in the world around them. However, producing a BRSR requires a significant investment of time and resources, and companies must be committed to prioritizing ESG issues and making changes to become more sustainable. It is not just Business responsibility; it is every Human being responsibility.

Reference:

- SEBI (LODR) Regulations
- SEBI Amendments
- SEBI Circulars
- SEBI Guidance Note
- Ministry of Corporate affairs Circulars
- SDG Index
- Google

Social Stock Exchange and Social Enterprises

Securities Exchange Board of India has announced a framework for registration of Non Profit Enterprises and for facilitating them to raise capital to meet their project funding requirements.

Current Scenario in India: Foundations in India have been receiving donations both from internal and international donors and these have only been on a raising trend. Internal funding has been going up because of overall economic development of the country in the last decade along with mandated corporate funding of CSR activities. External funding is also increasing because of International philanthropic funding due to greater global interest in supporting the country's development. Growing population of Ultra High net-worth Indians both within and outside of India also augurs well for the Social Sector.

However, 'the philanthropic sector in India is not regulated by a single government agency and there is no private or public organization that consolidates information for all philanthropic organizations, nor an association of these organizations that performs this role. Moreover, the Indian philanthropic ecosystem has no reporting standards. While the United States, for example, has the Internal Revenue Service (IRS) 990 forms that compel all foundations to report their activities annually, there is no equivalent standard in India, resulting in the absence of data about private philanthropy in terms of allocation, sectors targeted, geographical distribution, or the ultimate impacts of these expenditures'. – (OECD -2019, "India's Private Giving: Unpacking Domestic Philanthropy and Corporate Social Responsibility", OECD Development Centre, Paris).

Also there is no consolidated reliable data available on financial resources, investments and spending by foundation in India. However the appetite for giving and receiving private donations for charitable purposes is ever increasing. For example trusts and charitable institutions claiming exemption under Income Tax Act increased from 1, 47,483 in a.y. 2014-15 to 6,89,011 in a.y.2017-18 (Refer Report of the Comptroller and Auditor General of India for the year ended 31st March 2021, presented to The President of India).

Philanthropy in India continues to grow. In fiscal year 2020, private-sector funding totaled about INR 64,000 crore—close to 23% more than in fiscal year 2019 (~INR 52,000 crore). Private-sector funding stems from four sources: foreign, corporate, retail, and high-net-worth individuals (HNIs) or families. Foreign contributions account for a quarter of all funding.

> "New fund raising for projects through issue of non-interest bearing, zero coupon or other instruments will become order of the day. It is not clear if instruments issued by NPOs and listed in SSE will be allowed to be traded thereby creating a ready entry and exit market for funding social projects."

CS B S Iyer
Retired Vice President
(Company Secretary and Legal Counsel) of Bosch Ltd
Email ID: bsiyer49@gmail.com

Article

Domestic corporation donations—also known as Corporate Social Responsibility (CSR) funding—account for 28% of funding. Retail investors (<INR 5 crore donations each) account for another 28%. The balance (about 20%) comes from family philanthropy. Despite this growth in funding, the social sector remains underserved. Compared with other BRICS countries, India underspends on the social sector—reflected in its relatively poor ranking (117th) on the Sustainable Development Report. To meet the burgeoning demand and do well on social indicators, India needs to significantly increase social sector expenditure: (Refer India Philanthropy Report 2021, BAIN & Company)

Global Situation: Few countries like Brazil, Portugal, South Africa, the UK, Canada and Singapore have established SSE but not all of them have fared well. India in the cusp of rapid economic development and hence is differently placed to succeed in this new initiative. With benefit of learning from experience of other countries India can do better to make SSE a purposeful instrument of social change. (Recommended Reading: Report on Social Stock Exchanges from 7 Countries by Samhita Social Ventures)

We need to examine both the SEBI and the Stock Exchange listing regulations for registration, listing of securities as well as reporting by charitable trusts in the above context and in the light of immense potential to raise funds for social purposes.

Social Enterprise (SE)

SE may be a Non-Profit Organization (NPO) or For Profit Social Enterprise (FPSE). NPO may seek registration with SSE without raising funds are for raising funds. Those SEs seeking to raise funds may do so through Zero Coupon Zero Principal (ZCZP) instruments or by donations under mutual fund scheme or in any other manner as specified by SEBI.

FPSE shall meet the eligibility requirements for the main board or SME platform or Innovators growth platform as applicable and shall further seek listing of equity or debt or any other instrument as specified by SEBI.

Framework for SSE:

The SEBI vide its circular reference SEBI/HO/CFD/PoD-1/P/CIR/2022/120 dated 19th September 2022 announced a Framework on Social Stock Exchange ("SSE"). A Non-Profit Organization (NPO) meeting the eligibility standards as set out in the said circular can qualify for registration on the SSE. The circular outlines draft fund raising document and minimum disclosures required to be submitted by entities desirous of raising funds through issuance of Zero Coupon Zero Principal or other Instruments in terms of Regulation 292K(1) of the ICDR Regulations the SSE.

Annual Disclosure:

The SEBI circular requires an Annual disclosure by NPOs on SSE which have either raised funds through SSE or are registered with SSE in terms of Regulation 91C of the LODR Regulations. The disclosures have to be made on an annual basis within sixty days of the close of the Financial Year.

This forms the crux of oversight by SSE on NPOs registered with SSE. These include:

1. Disclosures on General aspects:

i. Name of the organization (legal and popular name)
ii. ii.Location of headquarters and location of operations
iii. iii.Vision / Mission / Purpose
iv. Iv. Organizational goals, activities, products and services

v. outreach of organization (Type and number of direct, indirect and institutional beneficiaries / stakeholders reached)

vi. vi. Scale of operations (Including Employee and Volunteer strength)

vii. vii.Details of top donors or investors of organisation -List of Top 5 donors or investors (budget wise)

viii. viii.Details of top 5 programs in disclosure period -List of Top 5 interventions/programs (budget wise)

2. Disclosures on Governance aspects:

i. Ownership and legal form

ii. Ii. Governance Structure (outlines board and management committee structures, mandates, membership, charters, policies and internal controls)

iii. Details of governing body including names of the members of the body

iv. Executives with key responsibilities

v. v. Number of meetings by governing body and other committees formed by them along with attendance and the process of performance review

vi. Organisation level potential risks and mitigation plan.

vii. Reporting of related party transactions.

viii. Mechanisms for advice and concerns about ethics, along with conflict of interest and communicating other critical concerns

ix. Remuneration Policies

x. stakeholder grievance, process of grievance redressal and number of grievance received and resolved

xi. Compliance management process and statement of compliance from senior decision maker

xii. xii. Organization registration certificate and other licenses and certifications (12A, 80G, FCRA, GST, etc.)

3. Disclosures on Financial aspects:

I. Financial Statement (Balance Sheet, Income statement and Cash Statement). Also program wise fund utilization for the year

II. Auditors report and auditor details

Annual Impact Report (AIR):

ALL Social Enterprises (SEs) including NPO registered without listing any security will have to provide duly audited Annual Impact Report (AIR) to SSE within 90days from the end of Financial Year. The AIR shall capture the qualitative and quantitative aspects of the social impact generated by the entity and where applicable, the impact that is generated by the project or solution for which funds have been raised on SSE. The AIR shall be audited by Social Auditors and the SEs shall disclose the report of the Social Auditor along with AIR.

Statement of Utilization of Funds:

In terms of 91F of the LODR Regulations Listed NPO shall submit statement of utilization of funds to SSE, as mandated under Regulation 91F of the LODR Regulations, within 45 days from the end of quarter till the time the issue proceeds have been fully utilized or the purpose for which they were raised, has been achieved

Guidance Notes: Annexure I to the SEBI circular contains Guidance notes for listed/registered NPOs on disclosures of general, governance and financial aspect. Annexure II contains Guidance notes for all Social Enterprises (SEs) on AIR. (Annexures are not reproduced)

Social Audit: The Institute of Chartered Accountants of India has brought out an exhaustive framework that defines and describes the elements and objectives of a social audit performed by social auditors. It provides a frame of reference of (a) Social auditors when performing social audit i.e., social impact assessment of project/ program executed by social enterprises and (b) The responsible party, the engaging party, if any, and other stakeholders who are the intended users of social audit report.

Social Audit is different from financial or statutory audit which is a freeze shot of the state of affairs as on a particular date. While embarking on Social Audit, the institution that is audited gets an opportunity to streamline its procedures and processes to qualify for a good report. It is an evolving exercise. The very first Social Audit Report is only a first step to those that would follow every year helping the NPO to improve its societal impact year after year. In that sense it is a continuous improvement exercise.

Social Auditor: ICAI Framework of Social Audit Standards defines a Social Auditor as an individual registered with Self-Regulatory Organisation (SRO) under the Institute of Chartered Accountants of India (ICAI) or such other agency, as may be specified by the Securities and Exchange Board of India (SEBI), who has qualified a certification program conducted by National Institution of Securities Market (NISM) and hold a valid certificate. (Company Secretaries in Practice can carve out a niche for themselves in this area of practice. The Institute should lobby with SEBI to get this area of practice for the Company Secretaries.)

Three Party Relationships:

Social audit engagements involve three separate parties: social auditor, responsible party and intended users. The responsible party and the intended users may be from different entities or the same entity.

Responsible Party is the person/s who is/are responsible for the subject matter. Generally, social enterprise is the responsible party. The responsible party may or may not be the party who engages the social auditor (the engaging party). Intended Users are the person, persons or class of persons for whom the social auditor prepares the social audit report. The responsible party can be one of the intended users, but not the only one.

Stakeholders and Users: ICAI framework recognizes Stakeholders as those people or organizations that affect or are affected by the activities of the social enterprise or possess information, resources and expertise needed for the social audit. The stakeholders / users may include Social enterprise (FPE / NPO), Beneficiaries, Risk Investors, Impact Investors, Outcome Funder, Third Party Evaluator, Intermediaries, Regulators, Society at large, Vendors, Third party agencies, Governments, Funds providers, Trustees, Directors etc.

Social Audit Report: The Social Audit Reports are expected to be stakeholder friendly, timely, comprehensive, convincing and balanced. It should be in writing and should contain a clear expression of Social Auditor's findings.

Social Audit Standards:

The ICAI has published the final set of its "Social Audit Standards (SASs)". These include sixteen Social Audit Standards (SASs), which correspond to the sixteen subject areas specified by SEBI. Social Auditors are required to follow the Standard, as appropriate according to the activity of the NPO while conducting social audits commencing on or after January 14, 2023. These sixteen standards are:

i. SAS 100: Eradicating hunger, poverty, malnutrition and inequality:
ii. SAS 200: Promoting health care (including mental health) and sanitation; and making available safe drinking water
iii. SAS 300: Promoting education, employability and livelihoods
iv. SAS 400: Promoting gender equality, empowerment of Women and LGBTQIA+ communities
v. SAS 500: Ensuring environmental sustainability, addressing climate change including mitigation and adaptation, forest and wildlife conservation
vi. SAS 600: Protection of national heritage, art and culture
vii. SAS 700: Training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports
viii. SAS 800: Supporting incubators of social enterprises
ix. SAS 900: Supporting other platforms that strengthen the non-profit ecosystem in fundraising and capacity building
x. SAS 1000: Promoting livelihoods for rural and urban poor including enhancing income of small and marginal farmers and workers in the non-farm sector
xi. SAS 1100: Slum area development, affordable housing, and other interventions to build sustainable and resilient cities
xii. SAS 1200: Disaster management, including relief, rehabilitation and reconstruction activities
xiii. SAS 1300: Promotion of financial inclusion
xiv. SAS 1400: Facilitating access to land and property assets for disadvantaged communities
xv. SAS 1500: Bridging the digital divide in internet and mobile phone access, addressing issues of misinformation and data protection
xvi. SAS 1600: Promoting welfare of migrants and displaced persons

These almost would exhaust the universe of activities of most NGO/NPO.

Significance of Registering and or Listing in SSE: It is expected that going forward donors will be more forthcoming to contribute to NPO registered with SSE than those not so registered. Funding agencies, national and international will lead the way. Corporates may be reluctant to donate to funds which are not registered or listed with SSE. New fund raising for projects through issue of non-interest bearing, zero coupon or other instruments will become order of the day. It is not clear if instruments issued by NPOs and listed in SSE will be allowed to be traded thereby creating a ready entry and exit market for funding social projects. Also tax considerations will need to be clarified. Funding by government agencies may mandate registering / listing with SSE. Online Donation platforms are more likely to recommend institutions registered or listed with SSE. The whole scenario of CSR contribution by corporates is expected to undergo revolutionary change. Stakeholders will feel more comfortable associating with registered/listed NPO. Landlords may more readily grant lease and renew lease of property to charitable institutions registered with SSE. NPO that are listed with SSE will be able to resort to crowd funding as a means of financing their projects.

Development authorities that allot land for civic amenity and public purposes are more like to prefer those registered as SSE. A silent revolution is on the horizon for the Social Sector for good. The revolution will weed out NPOs which are not ready to professionalize their systems, procedures and management.

Process of Qualifying to Register and for Listing:

Registering and or listing with SSE is not going to be an overnight exercise for NPOs. It requires a lot of preparation in terms of cleaning the existing process of management, decision making, financial audit, delegation, human relations, employee compensation, project selection and implementation, measuring social impact, communication, performance measurement, reporting etc.,. NPOs will need to retain the services of experts in the field to hand hold them until the NPOs reach a certain level of excellence and competence for a consistent marked improvement year after year.

Top NPOs of India: The top Section 8 Companies like Infosys Foundation, Reliance Foundation, and The Tata Trusts may also go for registering their foundation with SSE and may even contemplate listing at a future date for raising funds required in future.

Who are all the NPOs?: Eligible Charitable trusts and Foundations, Clubs and associations, Chambers of Commerce, cricket clubs, Turf Clubs, Educational Institutions, Hospitals, Hostels, Research Institutions, major sports and recreation clubs, retirement homes, co-operative societies etc., could consider registering with SSE to lend respectability and credibility to their activities.

Impetus to Governance: Activism demanding accountability and proper use of funds, reporting and transparency in operations of NPO will get a fillip. Today many donors are passive and all foundations do not send any report on their performance to the donors and stake holders. This is expected to change. There will be greater display of work done and disclosure of operational details as though the society at large is the stake holder. Foundations will have to respond to information sought by stakeholders and there will always be right of approaching SSE to inquire into. NPOs which are opaque and non-stakeholder friendly may have to face rough weather including governmental action. The registering bodies like Charity Commissioner, Income Tax authorities, Registrar of Societies and Section 8 Companies will be more vigilant and effective in their oversight. Employees of foundations will seek better treatment as they have one more avenue to seek relief or at-least generate healthy public opinion. Foundations will hold meetings more often, discuss important affairs, trustees will become participative as they will be held accountable for their decisions. Trusts themselves will be better managed. More Knowledgeable and law respecting trustees will come on board and professional management will make inroads into many trusts. Trustees will be appointed more by election and less by nomination. Perpetuation of trustees will become a thing of the past. Trusts will file their tax returns and meet tax obligations in time and claim only legitimate exemptions.

Financial auditors will take their assignments more seriously than before and will highlight lacunas or deficiencies for the benefit of all stakeholders. More Social and Financial auditors will accept assignments as they would be better remunerated commensurate with breadth and depth of activities and risks involved. A new breed of Social Auditors will come into being.

Consequent to all these, Society will stand to benefit enormously. Social Sector will be more respected and looked forward to for fulfilling societal, economic gaps. Anew dawn is about to rise.

(Summary in 150 words) to : ak.sil@icsi.edu

SEBI has announced the frame work for setting up of Social Stock Exchange (SSE) as also issued guidelines for Annual Information Report (AIR) and Social Audit Report (SAR). SSE will enable charitable foundations (for profit and for Non Profit) to register with SEBI as well as to raise funding through issue of different instruments to social investors for financing their projects.

Registering and or listing with SSE is expected to bring about a significant change in the functioning and reporting by these NPOs. The Regulations recognize a whole range of stakeholders who are expected to benefit from AIR and SAR. SSE affords a world of opportunity to Social Auditors to participate in this countrywide welfare effort. Company Secretaries being governance professionals are uniquely placed to render expertise in the areas of registering, listing, preparation of AIR as well as to take up assignment asSocial Auditors.

The Art of Valuing Software as a Service: Unleashing the True Worth

Introduction:

The software as a service (SaaS) industry has experienced exponential growth in recent years, transforming the way businesses operate and creating new opportunities for entrepreneurs and investors alike. As the demand for SaaS solutions continues to rise, accurately valuing these companies becomes crucial for strategic decision-making and investment purposes. In this article, we will explore the intricacies of valuing SaaS companies, examining the key factors that influence their worth and the methodologies used to determine their valuation.

Understanding the Unique Nature of SaaS:

Before delving into the valuation process, it is essential to grasp the distinctive characteristics of SaaS businesses. Unlike traditional software companies, SaaS providers offer their products and services on a subscription basis, typically accessed through the cloud. This subscription-based model grants users ongoing access to software functionalities, updates, and customer support. Consequently, SaaS companies often benefit from recurring revenue streams and high customer retention rates, providing stability and predictability to their financial performance.

Factors Influencing SaaS Valuation:

Monthly Recurring Revenue (MRR) and Annual Recurring Revenue (ARR):

MRR and ARR represent the cornerstone of SaaS valuation. MRR refers to the predictable revenue generated from monthly subscriptions, while ARR calculates the annualized version of this recurring revenue. These metrics allow investors to assess the growth trajectory and stability of a SaaS business, making them vital components in valuation models.

Customer Acquisition Costs (CAC) and Customer Lifetime Value (CLTV):

CAC measures the expenses incurred to acquire new customers, including marketing and sales costs. CLTV estimates the potential revenue generated from a customer throughout their entire relationship with the SaaS company. A favourable CLTV-to-CAC ratio demonstrates healthy customer acquisition economics, contributing to the overall value of a SaaS business.

"It is important to note that valuing SaaS companies is not a one-size-fits-all approach. Each company has its own unique characteristics and industry dynamics that must be taken into account. Valuation methods such as the multiple of revenue and discounted cash flow analysis provide frameworks for assessing the value of a SaaS company, but they should be used in conjunction with a thorough understanding of the company's specific circumstances."

CS Madhur N. Agrawal
B.Com, LLB, FCS, Registered Valuer
Email ID: madhurna@govpro.in

Article

Churn Rate:

Churn rate reflects the rate at which customers cancel their subscriptions. A low churn rate indicates strong customer satisfaction and loyalty, translating into sustained revenue and growth potential. Conversely, a high churn rate can erode the value of a SaaS company. Reducing churn through excellent customer support and continuous product innovation is crucial for long-term success and valuation.

Growth Rate and Market Potential:

The growth rate of a SaaS company directly impacts its valuation. Investors seek companies with a history of rapid growth and a compelling future outlook. Additionally, the market potential of the industry in which the SaaS company operates plays a significant role. A large and expanding addressable market suggests ample room for growth and increases the valuation prospects.

Valuation Methods:

Several valuation methods are commonly employed in assessing SaaS companies. Here are two widely-used approaches:

Multiple of Revenue:

This method involves multiplying the revenue (MRR or ARR) by a specific multiple. The multiple varies based on factors such as growth rate, industry trends, and risk associated with the business. Typically, high-growth SaaS companies command higher multiples, reflecting their potential for future earnings.

Discounted Cash Flow (DCF):

DCF calculates the present value of expected future cash flows generated by the SaaS business. This valuation approach takes into account revenue projections, operating expenses, and discount rates to estimate the net present value (NPV) of future cash flows. DCF analysis offers a more comprehensive view of a SaaS company's worth, considering the time value of money and the company's specific financials.

Conclusion:

Valuing SaaS companies requires a nuanced understanding of their unique business models and industry dynamics. By considering factors such as MRR/ARR, CAC/CLTV, churn rate, growth rate, and market potential, investors and decision-makers can make informed assessments of a SaaS company's worth. These factors provide insights into the company's financial performance, growth potential, customer acquisition economics, and market competitiveness.

It is important to note that valuing SaaS companies is not a one-size-fits-all approach. Each company has its own unique characteristics and industry dynamics that must be taken into account. Valuation methods such as the multiple of revenue and discounted cash flow analysis provide frameworks for assessing the value of a SaaS company, but they should be used in conjunction with a thorough understanding of the company's specific circumstances.

Furthermore, it is essential to keep abreast of industry trends and market conditions when valuing SaaS companies. The SaaS industry is dynamic and rapidly evolving, and factors such as technological advancements, competitive landscape, and regulatory changes can significantly impact a company's valuation.

In conclusion, valuing software as a service companies requires a comprehensive analysis of key financial and operational metrics, along with a deep understanding of industry dynamics. By considering these factors and employing appropriate valuation methodologies, investors and decision-makers can unlock the true worth of SaaS companies and make well-informed investment and strategic decisions.

Help Yourself

Food for Thought

Column

No Excuses

The Power of Self-Discipline

- Brian Tracy

***Disclaimer**: This article does not endorse any book and is not sponsored by any author or publication. Content shared here is for knowledge and learning purposes only.*

"You will never be always-motivated, so you must learn to be disciplined."

We all are in pursuit of at least one among these or all of the following- success, wealth, happiness and peace. Self-discipline is the key to all of the aforementioned goals or desires and by making self-discipline our permanent trait, it will not only bring what we aim for but lots more.

Brian Tracy, a Canadian motivational speaker and author is a very popular personality in the world of self-help. 'Eat that Frog' is another book by the same author that I have heard which is about overcoming procrastination, which I am about to pick up next.

'No Excuses' points out that for inculcating self-discipline, there is a significant amount of self-denial that is required. Denying short term pleasures is crucial in order to have any sort of lasting achievement in life. Without denial, that is, saying no to the wrong things, self-discipline does not last. This truth is brilliantly put forth in two quotes which I mention here verbatim as they are extremely simple yet very enlightening:

1. "Bad habits are easy to form and hard to live with. Good habits are hard to form and easy to live with."

2. "Every practice of self-discipline strengthens every other discipline. Every practice of indiscipline weakens every other habit."

The above two quotes, I'm sure, we all know by experience. As I am an enthusiast in gardening, let me give you a fun analogy. I often love to equate habits to plants, when I'm contemplating various things when I'm gardening and it makes wonderful sense. Let's equate good habits to the seeds of plants you wish and work to grow and so, on the other hand, we always have unwanted plants growing, also called weeds springing up alongside good plants. Let's equate these weeds to bad habits. Now, both the aforementioned quotes from the book hold good for plants and weeds:

1. Weeds grow very easily and disrupt the surrounding environment, therefore they are hard to live with. Good plants grow slowly but they nourish everything surrounding it.

2. If a pot has both plants and weeds, it does not take very long for the weeds to overpower the environment and deprive plants of nutrients and leave the plant in vain.

Therefore, what we water is what will grow strong and that is why we must water carefully. If you do not eliminate bad habits, they will grow so strong that they drain our energy, ultimately costing us our good habits and thereby our goals and dreams.

This book, 'No Excuses' will help you make self-discipline your permanent trait, thereby helping you to work towards all that you wish for. It explains 21 ways of self-discipline in different aspects of life, divided into three sections of seven chapters each. First section talks about harnessing personal potential, the second section talks about personal finance and the third section talks about self-discipline in personal life.

You may already know a lot of the things mentioned in the book as we hear advice from friends and family all the time. Then why should one read this book? Almost all self-help books for that matter may make you feel you already know these things. But when you read a book and are equipped with knowledge, the way you combat problems are drastically different. Reading is conversing with authors, so the next time you face any problem or challenge, your level of consciousness would have definitely heightened as you now have exposure to the experience of the author as well. You would be more creative in coming up with solutions and you are most likely to avoid mistakes that the author or the rest of the people would have made.

So, this column intends to impart byte sized knowledge from self-help books, biographies, autobiographies and other related genres, relevant specifically to corporate professionals and aspiring professionals.

Not every learning that a book enshrines can be fit in here, so writing a summary or a book review is not the aim of this column. The intent is to give you a touch of acquaintance to a book, in every issue of this e-magazine, hoping that it will make you want to grab it and read for yourself. So, help yourself with food for thought.

Columnist:

Aparna U
Executive Student
Email ID:aparnaukumar14@gmail.com

Regulatory Updates

Column

Companies Act, 2013

MCA has amended Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 which shall be known as Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2023.

These rules shall come into force from 15th day of June, 2023.

In the principal rule for sub-rules (5) and (6) of rule 25, the following sub-rules shall be substituted,

"(5) Where no objection or suggestion is received within a period of thirty days of receipt of copy of scheme under sub-section (2) of section 233, from the Registrar of Companies and Official Liquidator by the Central Government and the Central Government is of the opinion that the scheme is in the public interest or in the interest of creditors, it may, within a period of fifteen days after the expiry of said thirty days, issue a confirmation order of such scheme of merger or amalgamation in Form No. CAA.12:

Provided that if the Central Government does not issue the confirmation order within a period of sixty days of the receipt of the scheme under sub-section (2) of section 233, it shall be deemed that it has no objection to the scheme and a confirmation order shall be issued accordingly.

(6) Where objections or suggestions are received within a period of thirty days of receipt of copy of scheme under sub-section (2) of section 233 from the Registrar of Companies or Official Liquidator or both by the Central Government and –

(a) such objections or suggestions of Registrar of Companies or Official Liquidator, are not sustainable and the Central Government is of the opinion that the scheme is in the public interest or in the interest of creditors, it may within a period of thirty days after expiry of thirty days referred to above, issue a confirmation order of such scheme of merger or amalgamation in Form No. CAA.12.

(b) the Central Government is of the opinion, whether on the basis of such objections or otherwise, that the scheme is not in the public interest or in the interest of creditors, it may within sixty days of the receipt of the scheme file an application before the Tribunal in Form No. CAA.13 stating the objections or opinion and requesting that Tribunal may consider the scheme under section 232 of the Act:

Provided that if the Central Government does not issue a confirmation order under clause (a) or does not file any application under clause (b) within a period of sixty days of the receipt of the scheme under subsection (2) of section 233 of the Act, it shall be deemed that it has no objection to the scheme and a confirmation order shall be issued accordingly.”.

G.S.R. 367(E)

SEBI Act, 1992

Updates on Circulars

Comprehensive guidelines for Investor Protection Fund and Investor Services Fund at Stock Exchanges and Depositories

The SEBI has modified comprehensive guidelines for IPF and ISF, modified guidelines covers the following areas:

Investor Protection Fund

- Constitution and management of the IPF
- Contribution to IPF of stock exchange
- Contribution to IPF of depository
- Utilization of IPF and interest or income from IPF
- Deployment of funds of IPF by stock exchanges and depositories
- Review of IPF Corpus
- Timelines for declaration of default of a TM, processing of investor claims out of IPF and review of claims
- Manner of inviting claims by investors by stock exchanges
- Eligible claims
- Threshold limit for claims
- Determination of legitimate claims from IPF for clients of the defaulter TM
- Disbursement of claims from the IPF
- Disclosures

Investor services fund of stock exchanges

Miscellaneous

Applicability

The Circular also contains the Standard operating procedure (SOP) for handling of claims of investors from IPF of stock exchanges in case of default by TMs

SEBI/HO/MRD/MRD-PoD-3/P/CIR/2023/81

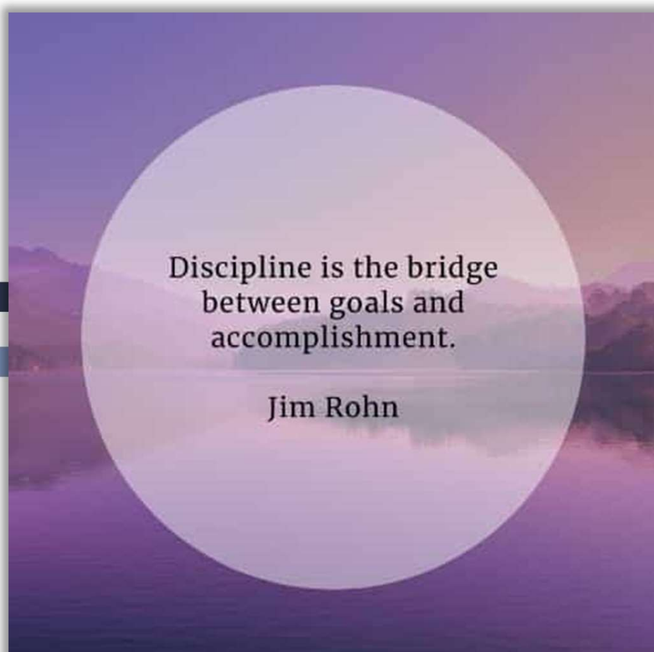
Dematerialization of securities of Hold Cos and SPVs held by Infrastructure Investment Trusts (InvITs)

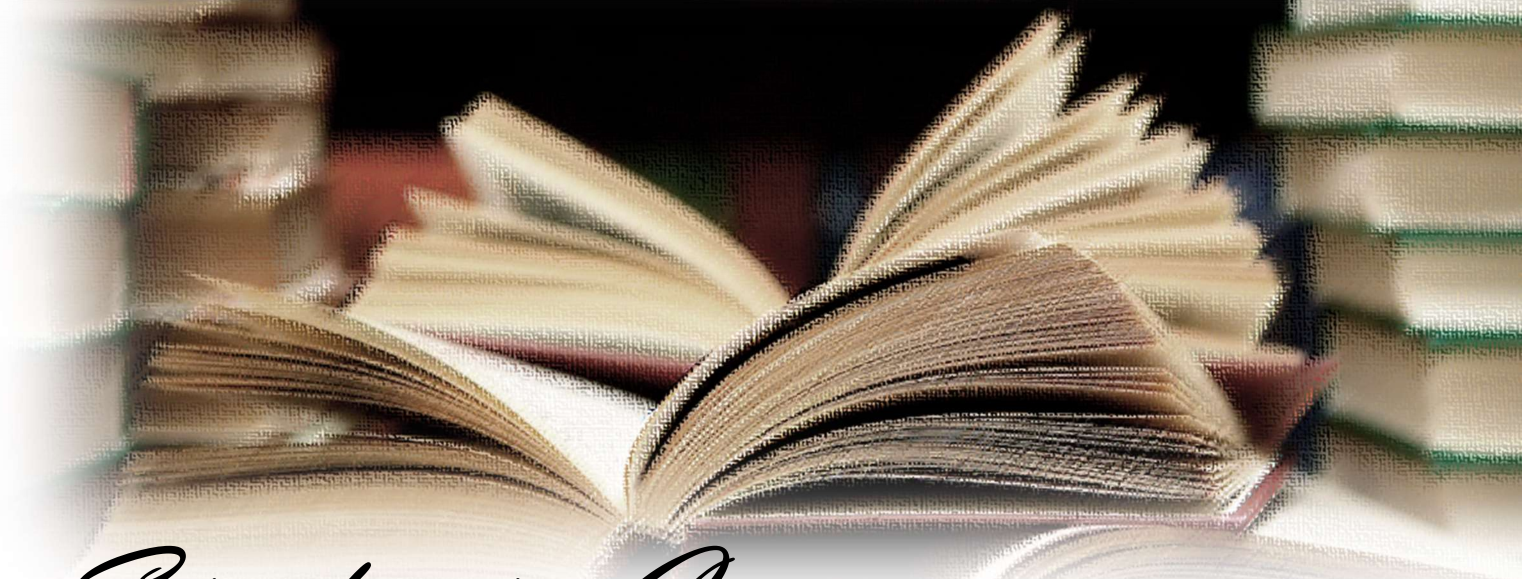
In order to promote dematerialization of securities, encourage ease of doing business, improve transparency in the dealings of securities of Hold Cos/ SPVs, it has been decided that InvITs shall henceforth hold the securities of Hold Cos and SPVs in dematerialized form only. The Investment manager of the InvIT shall ensure the same. Further, for existing securities holdings by InvITs in Hold Cos and SPVs in physical form, the Investment manager of the InvIT is directed to dematerialize the securities of Hold Cos and SPVs of the InvIT on or before June 30, 2023.

SEBI/HO/DDHS-PoD-2/P/CIR/2023/76

Compiled by:

Mathruka B M
Professional Student
Emal ID: mathruka30@gmail.com





Students Corner

Producer Companies under Company Law – what we must know

Ministry of Corporate Affairs (MCA) through introduction of the Companies (Amendment) Act, 2020 vide gazette notification id CG-DL-E-28092020-222070 dated 28.09.2020 has inserted a new Chapter XXIA which deals with the provisions regarding PRODUCER COMPANIES the *Companies Act, 2013 and the same has been notified on 11.02.2021 by the Central Government*, MCA, through a separate gazette notification id CG-DL-E-11022021-225115 (click here) dated 11th February, 2021.

- **Define Producer Company under the Company Law:**

As per the Provisions: "Producer Company" means a body corporate having objects or activities specified in section 378B and registered as Producer Company under this Act or under the Companies Act, 1956;

In general, Producer Company can be defined a legal Body Corporate, registered under the Companies Act 2013 or under applicable provisions of the Companies Act 1956, as the case may be, and which includes farmers / agriculturists and is working with a vision / object to improve the standard of their living and ensure a good status of their available support, incomes and profitability.

Further "producer" means any person engaged in any activity connected with or relatable to any primary produce

- **List of Activities/objects to be carried out by Producer Company:**

A Producer Company can be established / registered for the lawful objects, related to improving the standard of living of those involved in the agricultural sector, specified under the provisions of Section 378B of the Companies Act, 2013, which includes the followings:

a) production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the Members or import of goods or services for their benefit, either by itself or through other institution.
b) processing including preserving, drying, distilling, brewing, vinting, canning and packaging of produce of its Members;
c) manufacture, sale or supply of machinery, equipment or consumables mainly to its Members;
d) providing education on the mutual assistance principles to its Members and others:
e) rendering technical services, consultancy services, training, research and development and all other activities for the promotion of the interests of its Members;

f) generation, transmission and distribution of power, revitalization of land and water resources, their use, conservation and communications relatable to primary produce;

g) insurance of producers or their primary produce;

h) or other activities which may promote the principles of mutuality and mutual assistance amongst the Members in any other manner;

- Key Points to be kept in mind while doing Incorporation of Producer Company:

1. Who can form a Producer Company?

i. Any 10 or more individuals, each of them being a producer or/

ii. ii) two or more Producer Institutions or/

iii. iii) a combination of ten or more individuals and Producer Institutions)

2. Objects: As mentioned above and can refer section 378B of the Companies Act, 2013.

3. Board Composition: Every Producer Company shall have at least 5 and not more than 15 directors

4. Type of Capital: The share capital of a producer company consists only of equity shares.

5. Name Style: The name of a producer company must end with the words 'Producer Company Limited'.

- **Registration Timeline:**

After successful submission of all the required documents and information with Ministry of Corporate Affairs (MCA), The authority will do a check. If satisfied that all requirements regarding registration have been complied with, the Concerned Registrar of Companies will register the memorandum, articles and other documents, if any, and issue a certificate of incorporation under the Companies Act 2013 within 30 days of receipt of the requisite documents.

- **Provisions related to Board Meeting of Producer Company**

Provisions	**Details**
Minimum no. of Meetings in a Financial Year	At least 4 meetings
Maximum gap between two Board Meeting	3 months
Notice of Board Meeting	Shall be given in writing to every director at his usual address in India atleast 7 days prior the date of meeting.
Quorum of the Board Meeting	Shall be one-third (1/3rd) of the total strength of directors, subject to a minimum of three directors.

- **Provisions related to Annual General Meeting (AGM)**

1. First AGM: Within a period of 90 days from the date of its incorporation, wherein the company must adopt its articles of association and appoint the directors of its board.
2. A producer company must hold an annual general meeting of its members every year.

3. Gap between two AGM's: not more than 15 months shall elapse between the date of one annual general meeting of a Producer Company and that of the next.
4. The quorum for a general meeting of a producer company is one-fourth of the total members, unless the articles of the Producer Company provide for a larger number
5. A general meeting of the Producer Company shall be called by giving not less than 14 days prior notice in writing.

- **Annual Compliance related to Producer Company**

Sl.	Particulars	Due Date	E- Form
1.	Appointment of Auditor	Within 15 days from the conclusion of AGM (ratification at every annual general meeting is not mandatory)	ADT-1
2.	Filing of financial statement and other documents with the ROC	Within 60 days from the conclusion of the AGM	AOC-4
3.	Filing of annual return by a company.	Within 60 days from the conclusion of AGM	MGT-7
4.	Director's KYC	For FY 2020-21 – 30.09.2021 DIN KYC through DIR 3 KYC Form is an Annual Exercise. Last date for filing DIR-3 KYC for Financial year 2020-21 is 30th September, 2021 Annual Exercise. Penalty after due date is Rs. 5000/-(one time)	E-Form DIR – 3 KYC (Web Based and E-form)

- **Some Important Provisions:**

Sl.	Provisions	Particulars
1.	Appointment of CEO	Every producer company must appoint a full-time CEO, to be chosen by the board from persons other than the members.
2.	Internal Audit	Every Producer Company shall have internal audit of its accounts carried out, at such interval and in such manner as may be specified in articles, by a chartered accountant as defined in section 2 (1) (b) of the Chartered Accountants Act, 1949.
3.	Liability of Members	The liability of its members are limited to the amount unpaid on the shares, if any.

4.	Company Secretary of Producer Company	Every Producer Company having an average annual turnover exceeding Rs. 500 Cr. or such other amount as may be prescribed in each of three consecutive financial years shall have a whole-time secretary, who possesses membership of the ICSI.
5.	No. of Directors more than 15	If an inter-State co-operative society incorporated as a Producer Company, such company may have more than fifteen directors for a period of one year from the date of its incorporation as a Producer Company.
6.	General Reserves	Producer companies must maintain a general reserve each financial year.

The Producer Companies Rules, 2021

Ministry of Corporate Affairs (MCA) vide Gazette ID No. CG-DL-E-11022021-225116 and F. No. 5 /1 /2020-CLI dated 11th day of February, 2021 has released the the Producer Companies Rules, 2021 in section 378H (4) and section 378ZL (1) read with section 469 (1) & (2) of the Companies Act, 2013, and in supersession of the Producer Companies (General Reserve) Rules, 2003, except as respects things done or omitted to be done before such supersession.

- Applicability:
  They shall come into force on the date of their publication in the Official Gazette i.e. w.e.f. 11.02.2021.
- To whom Applicable:
  These rules shall apply to a Producer Company as referred in clause (l) of section 378A.
- Key Highlights:

1. Key definition clause:

Rule 3 (1) (c) "co-operative society" means a society registered or deemed to be registered under any law relating to co-operative societies for the time being in force in any State.

Rule 3 (2) Words and expressions used in these rules but not defined and defined in the Act or in the Companies (Specification of Definitions Details) Rules, 2014, shall have the same meanings respectively assigned to them in the Act or in the said rules.

Rule 4. Change of place of registered office from one State to another.-

The rules 27, 30 and 31 of the Companies (Incorporation) Rules, 2014, including the forms stated therein shall be applied for the purpose of change of place of registered office of a Producer Company from one State to another.

Analysis:

Rule(s) under the Companies (Incorporation) Rules, 2014	Relevant Provisions Gist
27 Notice and Verification of Change of Situation of the Registered Office.-	The notice of change of the situation of the registered office and verification thereof shall be filed in Form No.INC.22 along with the fee and shall be attached to the said form, the similar documents and manner of verification as are specified for verification of Registered office on incorporation in terms of sub-section (2) of section 12.
30. Shifting of Registered office from one State or Union Territory to another state	(1) An application under sub-section (4) of section 13, for the purpose of seeking approval for alteration of memorandum with regard to the change of place of the registered office from one State Government or Union territory to another, shall be filed with the Central Government in Form No. lNC.23 along with the fee and shall be accompanied by the following documents required under this sub – rule. ………………… …………………. …………………….(read full read at http://ebook.mca.gov.in/Default.aspx?page=rules)
31 Certified Copy of Central Government's Order	The certified copy of the order of the Central Government, approving the alteration of the memorandum for transfer of registered office of the company from one State to another, shall be filed in Form No.INC.28 along with the fee as with the Registrar of the State within thirty days from the date of receipt of certified copy of the order.

Rule: 5. Investment of general reserves.-

A Producer Company shall make investments from and out of its general reserves in any one or in combination of the following, namely:-

a) in approved securities, fixed deposits, units and bonds issued by the Central Government or State Governments or co-operative societies or scheduled bank; or
b) in a co-operative bank, State co-operative bank, co-operative land development bank or Central co-operative bank; or
c) with any other scheduled bank; or
d) in any of the securities specified in section 20 of the Indian Trusts Act, 1882 (02 of 1882); or

e) in the shares or securities of any other inter-State co-operative society or any co-operative society; or

f) in the shares, securities or assets of public financial institutions specified under clause (72) of section 2 of the Act.

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Author:

CS Lalit Raput
Practising Company Secretary
Emal ID: lalitrajput537@gmail.com