

National Foundation For Corporate Governance

**National Conclave on Corporate Governance in India:
Transforming Business Environment
30th July 2007: New Delhi**

**Theme Address: Mr. Anurag Goel,
Secretary, Ministry of Corporate Affairs**

Hon'ble Minister of Corporate Affairs, Shri Prem Chand Gupta, CII President Shri Sunil Bharti Mittal, Shri Arun Maira, Lt. Gen. Mehta, Distinguished Guests, Ladies and Gentlemen. A very Good Morning to you.

It gives me immense pleasure to welcome you to this National Conclave on Corporate Governance in India being organized by the National Foundation on Corporate Governance on the theme of 'Transforming Business Environment.'

The theme is topical and covers a host of issues which impact the Indian Corporates as well as the economic growth of the country. These issues range from globalization international trade competition, technology, legal framework regulation to corporate culture, corporate social responsibility, leadership and management styles etc.

I have no doubt that these issues will receive comprehensive treatment in the key note address by Shri Sunil Mittal, and an overview from the Government's perspective would be provided by the Hon'ble Minister in his inaugural address, to guide the deliberations of the Conclave. I would, therefore, limit myself in what I would speak about, so as to avoid duplication, and would like to apprise this August gathering about the vision that is guiding the Ministry of Corporate Affairs under the dynamic leadership of Hon'ble Minister Shri Prem Chand Gupta, to help create a business environment which encourages, nurtures and supports the established, as well as new business to flourish, prosper and contribute to our economy achieving the double-digit growth rate and from the papers today looks that we have already achieved this.

As we are aware, India today is regarded very highly around the world, and everyone wants to engage with India. This is an opportunity we have created for ourselves nobody gave it to us it is this country that has created this opportunity and it is for us to fully capitalizing this opportunity. The business in India today is capable, confident and aggressive all round the world we see that. Indian management skills are recognized as superior, and more and more Indians, and people of Indian origin abroad, are being invited to occupy important positions on the Boards of world's biggest companies. Sometimes it is said, half jokingly, that you cannot really have a top class Board without having an Indian on – board.

The precarious position of early 90s has been reversed. This has been made possible due to foresight of those who brought in liberalization, and the capability and dynamism of those who made full use of the

new environment. In fact, this partnership between the Government and the Corporate, fully supported by professionals, continues to be one of the most important forces in transforming the business environment in the country.

I can say with full confidence that the Ministry of Corporate Affairs attaches the highest importance to this partnership, and is working for strengthening it all the time. This is reflected, first and foremost, in the new vision of the Ministry, which you can see on the screen. You will note the key words 'partner' and 'effective corporate functioning' in the statement. The Ministry would like to be available to the corporate, for lending a helping hand in any way that helps to make corporate even more effective vehicles of economic growth, and catalyses India's rise to the status of an economic super power.

Hon'ble Minister Shri Prem Chand Gupta has been emphasizing to us the need for greater trust, transparency disclosures and self-regulation. He has also tasked us to look at possible future scenarios for Indian business environment, and provide the necessary legislative and policy framework in a proactive manner in advance because we have recognized from our experience of recent legislative initiatives that it takes three to five years for us to come out finally with a legislation with all the process when we feel the need. He says, look this is not good enough, you have to see tomorrow and you prepare for tomorrow. You have to give legislative and policy framework to the business before even they ask for it. In fact, he has said look what I want to happen is that when somebody in a conference or somewhere else say look Minister, I need this – he can say well my dear it is already there, why don't you find out.

That is what the vision is he has set for us. Of course, he recognizes that nobody can see tomorrow and more so in the very uncertain world of today to really anticipate what will be the business requirements tomorrow, but the fact remains that the Ministry has been tasked and is turning itself, re-grouping itself to be able to not understand only the today's requirements of business, and also to that we help the business of today and help shape the business of tomorrow and we help transform the business environment, that is the culture, that is the buzzwords that is going on in the Ministry at the moment.

Having said, let me mention some of the initiative of the Ministry in recent times, a lot of them fructified, in fact, most of them have started only under the leadership of the Hon'ble Minister and many of them have been started during the last 18 months.

Now, let me begin with the legislative initiatives first, because that is something only Government can do, nobody else can do. Other things perhaps, others could also do.

Tribute to the Professionals: Amendment to the Acts governing the Professional Services and Institutes. The professionals such as Chartered Accountants, Cost Accountants and Company Secretaries, who provide a range of services to corporate entities, play an important role in the functioning. In order to ensure that, not only the entities are regulated properly, but the professionals also carry out their responsibilities under the Companies Act in diligent manner, the Ministry introduced three Amendment Bills to the Acts governing three respective professional bodies in the parliament. These Bills were considered and passed in March, 2007, what happens after an Act is passed, it becomes effective after

only the rules, regulations have taken place. This is where we have again moved very fast and the rules and regulations governing the three professions were also notified quickly, and as a result of this the councils have been broad-based and elections have been held under the new rules. Only a bureaucrat will realise how much work must have gone into in doing this so quickly. These amendments have led to providing an institutionalized disciplinary mechanism, greater accountability of the members, setting up of Quality Review Boards and brought about increased transparency in the affairs of the institutes. They also enable the members of the institutes to form multi-disciplinary firms and offer multi-professional services in a competitive manner.

Notification of Accounting Standards: Accounting standards provide for a common business language which translates corporate happenings into financial terms and enable comparative analysis. The Accounting Standards have been developed by NACAS and notified by the Ministry of Corporate Affairs in December 2006 after following a process of wider consultations with the stakeholders. The objective has been to map the Indian Accounting systems with the international accounting standards and practices, and strengthen the disclosures in line with good corporate governance practices.

Revision of the Company Law: Following the recommendations of the Irani Committee, the legislative drafting of the revised Company Law is finally nearing completion. It is a huge task. I know that there has been some impatience in the corporate world and even within the Ministry why is it taking so long. We have been asked a question – have we lost interest? Actually, if you look at it – the companies Act, 1956 is the biggest piece of legislation in the country – to change the 50-year-old document, the legislative drafting has to be very good - it has taken us long because we try to do a very good job. My Joint secretary has spent half the time of one year only on this and that received huge allocation resources for the purpose. We hope and expect that the quality of the final product would mature our expectations. We hope to introduce this Bill during the Winter Session of the Parliament.

Another interesting initiative has been the **Limited Liability Partnership**. The official record says that people have been waiting for more than thirty years. The first committee recommended it in 1972.

The Minister has introduced the LLP Bill in the Parliament in December 2006. The Bill referred to the Standing Committee. I have already given the evidence before the committee, as of many others, we are hopeful that the committee will give its recommendation soon. As you know the LLP is a new corporate form that combines the limited liability feature of the companies with the internal operational flexibility of firms. This would, inter-alia, enable professional & technical expertise and initiative, to combine with financial risk taking capacity, in an innovative and efficient manner and also help small and modern enterprises and entrepreneurs in general.

The most recent thing which has happened is the **Review and Amendment of Indian Depository Receipts (IDR) Rules**. The IDR Rules have been amended on July 11th, 2007 with a view to provide a liberalized facility for issue of Indian Depository Receipts by foreign companies. Modification of the eligibility conditions for issuing IDR, so as to provide for net-worth and market capitalization ceilings, continuous trading record on a stock exchange in the parent country, and time bound procedure for

approval are some of the key features of the changes made in the IDR Rules. The purpose behind this exercise is to provide foreign companies with a means to raise funds from the Indian Capital market, and at the same time provide an opportunity to the Indian investors to invest in the foreign companies.

Having tasked of legislative initiatives let me talk about the other aspects which are receiving focused attention of the Ministry at the highest levels, pertain to those of effective service delivery and efficient administrative structures. At the leading edge of these initiatives has been our e-Governance project called MCA-21, which has won the Dataquest IT Path-breaker Award for 2006. A CFO survey commissioned by Ernst & Young, MCA 21 received whole hearted applause by 92% of the CEOs / CFOs surveyed, and they demanded more e-initiatives of this kind. Most CEOs / CFOs hailed MCA-21 as a revolutionary step in the right direction. Since all of you have help made this project a success, I would not take much time of this august gathering giving at this time further details of what has been achieved. I would only like to mention that much more is in store, and we are working on some exciting ideas, which we would share and discuss with you in due course.

We have restructured our field offices for streamlining their functioning, and also refurnished them to make the physical infrastructure and environment in tune with what our corporate and professional visitors are used to. This has been done under '**New look MCA**' initiative launched by the Hon'ble Minister, and the results are quite visible. We are now in the process of building combined office complexes of the Ministry in different field locations, which are being called 'Corporate Bhavans'. The foundation of the Jaipur Corporate Bhavan has been laid and in August in Kalikat and then at Chandigarh and so on.

Building up our knowledge infrastructure has been another priority area. We recognize that in the present competitive business environment, all stakeholders must have easy access to knowledge and information, when and where they need it, and in a manner which is easily comprehensible and usable. We are, therefore, in the process of working out, and introducing, a sophisticated knowledge management structure in the Ministry. It would initially serve the ministry headquarters and field offices, but would gradually expand to meet the requirements of all other stakeholders also.

Top quality knowledge infrastructure also requires institutional support, and state-of-the-art, research and training facilities. This need is being met through establishment of an institute by the Ministry. Named the '**Indian Institute of Corporate Affairs**' (IICA), this institute would be a think-tank for the Ministry, and would provide high quality training to its officials. The intention is to make it a world-class institute, and we are working towards developing partnerships with some of the best institutes in the world. Some institutes and universities in Europe and USA have already shown interest in partnering with the institute. Premier Indian institutes are also being approached. In terms of the subject matter, the institute would aim to cover all important areas which impinge on the effectiveness of the corporate functioning, including corporate laws, economics, accounting, emerging technologies etc. The focus would be on action learning and applied knowledge. IICA would also have Centers exclusively tasked with issues relating to partnership with corporate, corporate governance, investor protection etc.

I am happy to report to you that the IICA has already been included in the 11th Five Year Plan, with an estimated cost of Rs.211 crore. An amount of Rs.47 crore has been provided in the current year's budget. The location has been decided, and earmarked in consultation with the local authorities.

All these efforts of the Ministry would be in vain, if we did not have human resources, with the right kind of mind-set and capabilities. A very special effort has, therefore, been taken up to completely rebuild the Indian Company Law Service. This is being done in a project mode. What we hope to deliver, over the next few years is a set of officials in the Ministry and its field offices, who are experts in their respective fields, fully appreciate the business environment and corporate requirements, and are positive and responsive in their approach. To my mind, this would be a major contribution of the Ministry, in helping and supporting the process of transforming the business environment.

I have spoken perhaps longer than what I had originally intended, though even now I have not been able to mention many of our initiatives. However, I hope that I have been able to convey some sense of commitment and responsibility that this Ministry feels in assisting the very dynamic Indian Corporate World in transforming the business environment, and at the same time following the highest ethical standards and corporate social responsibility practices.

I would like to particularly thank the Hon'ble Minister for providing visionary leadership to this Ministry for making all these initiatives possible. I am equally thankful to the corporate and professionals for the strong partnership that they have provided so far, and which I am confident would continue even with greater enthusiasm in future, to make this joint venture, in the Public-Private Partnership mode, a real success in terms of transforming the business environment in India.

Thanks are also due to CII for being actively engaged in organizing this particular Conclave.

I would like to conclude by requesting the participants from the industry, and members from the professional institutes, to give their free and frank feedback on the various initiatives, which would also be the subject of discussion in the subsequent sessions, in which my two Joint Secretaries would be participating. This would further help us to walk on the path of economic growth, in partnership with our stakeholders, in tune with their perceptions and needs.

I wish the Conclave great success. Thank you,