



**Shri Naved Masood, IAS  
Secretary to Government of India  
Ministry of Corporate Affairs  
Shastri Bhawan  
New Delhi**

Dear Sir,

**Sub: Draft rules regarding Annual Return under the Companies Act, 2013**

Section 92(2) of the Companies Act, 2013 provides that the annual return, filed by a listed company or by a company having such paid-up capital and turnover as may be prescribed, shall be certified by a company secretary in practice in the prescribed form, stating that the annual return discloses the facts correctly and adequately and that the company has complied with all the provisions of this Act. The draft rule 7.9(2), however, provides that the annual return, filed by a listed company or a company having paid-up share capital of five crore rupees or more and turnover of twenty five crore rupees or more, shall be certified by a company secretary in practice.

2. We submit the following in this regard:

- a. The Companies Act, 2013 consciously provides a liberalized regulatory framework for small companies and one person companies because the concerns of public interest are minimum in such companies. A rigorous framework is applicable in bigger companies where potentially such concerns are high.
- b. Under the Companies Act, 1956, a company having paid-up capital of Rs.10 lakh was required to obtain a Compliance Certificate from a Practicing Company Secretary. Such certification has been dispensed with. Therefore, a professional oversight on governance and compliance on such companies is not available.
- c. In realization of the need for governance and compliance, a larger number of companies is subject to professional oversight in the form of financial audit, internal audit, etc.
- d. The requirement proposed in draft rules would keep 99% of the companies out of purview of section 92(2) of the Act.

3. Section 92(2) focuses on correct and adequate disclosure and also compliance with the applicable laws. This can't be overlooked for a company which has say less than Rs.5 crore of capital or Rs.20 crore of turnover, where the stake of the society is very high. Government may not currently have the capacity (in terms of scale) to supervise such huge number of companies directly. It can get the oversight done through competent and regulated professionals. It can't depend on discovery of

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non-compliance through occasional inspection or investigation which would be far and wide.

4. In the interest of governance, transparency and compliance, the rules may provide that the Annual Return filed by a listed company or a company having a paid-up share capital of fifty lakh rupees or more or a turnover of two crore rupees or more shall be certified by a Company Secretary in practice.

Thanking You,

Yours faithfully,

*M. S. Sahoo*  
(CS M. S. Sahoo)  
Secretary