MCA Updates

- Revised e-forms and regulations

SEBI Updates

- Portfolio of “Liquid Schemes” and nomenclature of “Liquid Plus” schemes
- SEBI Committee on Disclosures and Accounting Standards (SCODA) meets in Mumbai
- Indicative Portfolios and Yields in Mutual Fund schemes
- Establishment of Connectivity with both depositories NSDL and CDSL – Companies eligible for shifting from Trade for Trade Settlement (TFTS) to normal Rolling Settlement
- SEBI makes it mandatory to disclose details of shares pledged by the promoters

RBI Updates

- Diligence Reporting in Banks for Lending under Consortium Arrangement / Multiple Banking Arrangements
- Highlights of third quarterly review of RBI's monetary policy

Disclaimer: - CS Update contains government notifications, case laws and contributions received from the members. Due care and diligence is taken in compilation of the CS Update. The Institute does not own the responsibility for any loss or damage resulting from any action taken on the basis of the contents of the CS Update. Anyone wishing to act on the basis of the contents of the CS Update is advised to do so after seeking proper professional advice.
MCA UPDATES

- Revised e-forms and regulations
Revised e-forms and regulations

- **Form 21** i.e. Notice of the court or the company law board order or any other competent authority and **Form 23** i.e. Registration of resolution(s) and agreement(s) are revised vide Notification No.: 872(E) dated 23-12-08 will come into force from **15th February, 2009**. All Stakeholders are requested to use new version w.e.f. **February 15, 2009 (6.00 AM)**.

- Companies (Central Government’s) general rules and forms are amended vide notification no. G.S.R. 876(E) dated December 24, 2008 to **insert new e-form 67**. This e-form is to be filed as an addendum with the Ministry of Corporate Affairs in respect of any further information called for, in respect of an application or e-form or document, filed electronically, on its website. New Form 67 for filing Addendum will come into force from **15th February, 2009**.

- Vide notification no. G.S.R. 888(E) dated December 24, 2008, **Regulation 17 of Companies Regulations, 1956 has been substituted**. The revised regulation 17 will come into force from **15th February, 2009**.

As per the substituted Regulation 17(1), the Registrar shall examine, every application/ e-form/ document required/authorized/filed required to be filed with or delivered to, in the electronic form, the Ministry of Corporate Affairs on its website for approval and registration or taking on record or rectification by the Registrar. On examining, if it finds it necessary to call further information or finds the document defective/incomplete, he shall direct him to furnish such information or to rectify the defects or incompleteness or re-submit the e-form/application/document.


The above notifications are available at the website of Ministry of Corporate Affairs i.e. [www.mca.gov.in](http://www.mca.gov.in).
• Portfolio of “Liquid Schemes” and nomenclature of “Liquid Plus” schemes
• SEBI Committee on Disclosures and Accounting Standards (SCODA) meets in Mumbai
• Indicative Portfolios and Yields in Mutual Fund schemes
• Establishment of Connectivity with both depositories NSDL and CDSL – Companies eligible for shifting from Trade for Trade Settlement (TFTS) to normal Rolling Settlement
• SEBI makes it mandatory to disclose details of shares pledged by the promoters
DEPUTY GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT

SEBI/IMD/CIR No.13/150975 / 09
January 19, 2009

All Mutual Funds Registered with SEBI
Association of Mutual Funds in India (AMFI)

Sir/ Madam,

Sub: Portfolio of “Liquid Schemes” and nomenclature of “Liquid Plus” schemes

A. Guidelines on portfolio of Liquid Scheme

1. Please refer to SEBI circular dated October 11, 2006 on “Uniform cut-off for applicability of NAV of mutual fund schemes/plans”, wherein the characteristics of liquid scheme and plan portfolio have been defined in Schedule I.

2. The characteristics of liquid schemes were discussed in the Advisory Committee of Mutual Funds. It was felt that there is a need to reduce the tenure of the securities held in the portfolio of liquid schemes from the current requirement of one year.

3. Accordingly, the circular no 11/78450/06 dated October 11, 2006 shall stand modified as under:
   i. The definition of ‘liquid fund schemes and plans’ as mentioned in clause 2(1) (e) of aforesaid circular, shall read as under: ‘liquid fund schemes and plans’ shall mean the schemes and plans of a mutual fund as specified in the guidelines issued by SEBI in this regard’
   ii. Schedule I of aforesaid circular stands withdrawn.

4. The ‘liquid fund schemes and plans’ shall:
   i. With effect from February 01, 2009 make investment in /purchase debt and money market securities with maturity of upto182 days only.
   ii. With effect from May 01, 2009, make investment in /purchase debt and money market securities with maturity of upto 91 days only.

Explanation:
   a. In case of securities where the principal is to be repaid in a single payout the maturity of the securities shall mean residual maturity. In case the principal is to be repaid in more than one payout then the maturity of the securities shall be calculated on the basis of weighted average maturity of security.
b. In case of securities with put and call options (daily or otherwise) the residual maturity of the securities shall not be greater than 182 days w.e.f February 01, 2009 and 91 days w.e.f May 01, 2009.
c. In case the maturity of the security falls on a non-business day then settlement of securities will take place on the next business day.

5. The above requirements shall be disclosed in the offer document and shall form part of the investment allocation pattern. Any deviation from these requirements shall be viewed as violation of investment restrictions.

6. Inter-scheme transfers of securities having maturity upto 365 days and held in other schemes as on February 01, 2009 shall be permitted till October 31, 2009. With effect from November 1, 2009 the requirements stated at paragraph 4 (ii) above shall apply to such inter-se scheme transfers also.

B. Liquid plus schemes
The Advisory Committee of Mutual Funds also recommended that the nomenclature of “Liquid Plus Scheme” should be discontinued since it gives a wrong impression of added liquidity. It has been decided to accept the aforesaid recommendation of the Advisory Committee and accordingly, mutual funds are advised to carry out the change in the nomenclature of “Liquid Plus Scheme” and confirm compliance to SEBI within 30 days from the date of this circular.

This circular is issued in exercise of powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of regulation 77 of SEBI (Mutual Funds) Regulations, 1996 to protect the interests of Investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Ruchi Chojer
SEBI Committee on Disclosures and Accounting Standards (SCODA) meets in Mumbai

In the light of recent developments with respect to Satyam Computer Services Ltd., the SEBI Committee on Disclosures and Accounting Standards (SCODA) met today in Mumbai to discuss the course of action required to be taken by the regulatory agencies to boost the investor confidence in the financial disclosures made by listed entities.

In this context, after detailed deliberations, the SCODA recommended that a peer review of the working papers (relating to financial statements of listed entities) of auditors would be conducted in respect of the companies constituting the NSE – Nifty 50 and the BSE Sensex. Such a review would be in relation to the last quarterly results and the last audited annual financial results. For this purpose, a panel of auditors would be prepared by SEBI. This exercise would be taken up following the publication of 3rd quarter results and is expected to be completed by end of February 2009.

SEBI has accepted this suggestion. Some listed companies (on a random basis) outside the list of Nifty 50 and Sensex would also be covered in the exercise.

Mumbai
January 09, 2009
DEPUTY GENERAL MANAGER
INVESTMENT MANAGEMENT DEPARTMENT

SEBI/IMD/CIR No. 14/151044/09
January 19, 2009

All Mutual Funds Registered with SEBI,
Association of Mutual Funds in India (AMFI)

Sir/Madam,

Sub: Indicative Portfolios and Yields in Mutual Fund schemes

1. Advisory Committee of Mutual Funds discussed the practice of Mutual Funds offering indicative portfolios and indicative yields in their debt /fixed income products. There was a consensus that this practice should be prohibited as the indicative portfolio and indicative yield may be misleading to the investors.

2. It is, therefore, decided that the Mutual Funds shall not offer any indicative portfolio and indicative yield. No communication regarding the same in any manner whatsoever, shall be issued by any Mutual Fund or distributors of its products. The compliance of the same shall be monitored by the AMC and Trustees and reported in their respective reports to SEBI.

3. This circular is issued in exercise of powers conferred under section 11(1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of regulation 77 of SEBI (Mutual Funds) Regulations, 1996 to protect the interests of Investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Ruchi Chojer
The Executive Directors/Managing Directors
of all Stock Exchanges

Dear Sir/Madam,

Sub: Establishment of Connectivity with both depositories NSDL and CDSL
– Companies eligible for shifting from Trade for Trade Settlement (TFTS) to
normal Rolling Settlement

1. It is observed from the information provided by the depositories that the
companies listed in Annexure ‘A’ have established connectivity with both the
depositories during the month of November 2008.

2. The stock exchanges may consider shifting the trading in these securities to
normal Rolling Settlement subject to the following:
   a) At least 50% of other than promoter holdings as per clause 35 of Listing
   Agreement are in dematerialized mode before shifting the trading in the
   securities of the company from TFTS to normal Rolling Settlement. For
   this purpose, the listed companies shall obtain a certificate from its
   Registrar and Transfer Agent (RTA) and submit the same to the stock
   exchange/s. However, if an issuer-company does not have a separate
   RTA, it may obtain a certificate in this regard from a practicing company
   Secretary/Chartered Accountant and submit the same to the stock
   exchange/s.
   b) There are no other grounds/ reasons for continuation of the trading in
   TFTS.

3. The Stock Exchanges are advised to report to SEBI, the action taken in this
regard in Section II, item no. 13 of the Monthly/Quarterly Development Report.

Yours faithfully,

S V MURALIDHAR RAO

Encl: a/a

Annexure A

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Company Name</th>
<th>ISIN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Sanmitra Commercial Limited</td>
<td>INE896J01014</td>
</tr>
<tr>
<td>2.</td>
<td>Gorani Industries Limited</td>
<td>INE792J01015</td>
</tr>
<tr>
<td>3.</td>
<td>PI Industries Limited</td>
<td>INE603J01014</td>
</tr>
</tbody>
</table>
SEBI Board Meeting

SEBI makes it mandatory to disclose details of shares pledged by the promoters

To enhance the disclosure requirements, SEBI Board, in its meeting held today, decided to make it mandatory on the part of promoters (including promoter group) to disclose the details of pledge of shares held by them in listed entities promoted by them. Such disclosures shall be made as and when the shares are pledged (“event based disclosure”) as well as by way of periodic disclosures. Necessary steps to amend the relevant regulations and the listing agreement are being taken.

Details of pledge of shares and release/sale of “pledged shares” shall be made to the company and the company shall in turn inform the same to the public through the Stock Exchanges.

Satyam Computer Services Ltd.

The Board reviewed the progress made so far in the investigations in the matter of Satyam Computer Services Ltd.

Mumbai

January 21, 2009
RBI UPDATES

- Lending under Consortium Arrangement / Multiple Banking Arrangements
- Highlights of third quarterly review of RBI's monetary policy
January 21, 2009

Chief Executive Officer
All Primary Urban Co-operative Banks
(As per List)

Dear Sir,

**Lending under Consortium Arrangement / Multiple Banking Arrangements**

As you are aware, various regulatory prescriptions regarding conduct of consortium / multiple banking / syndicate arrangements were withdrawn by Reserve Bank of India in October 1996 with a view to introducing flexibility in the credit delivery system and to facilitate smooth flow of credit. However, Central Vigilance Commission, Government of India, in the light of frauds involving consortium / multiple banking arrangements which have taken place recently, has expressed concerns on the working of Consortium Lending and Multiple Banking Arrangements in the banking system. The Commission has attributed the incidence of frauds mainly to the lack of effective sharing of information about the credit history and the conduct of the account of the borrowers among various banks.

2. The matter has been examined by us in consultation with the Indian Banks Association who are of the opinion that there is need for improving the sharing / dissemination of information among the banks about the status of the borrowers enjoying credit facilities from more than one bank. Accordingly, the banks are encouraged to strengthen their information back-up about the borrowers enjoying credit facilities from multiple banks as under:

(i) At the time of granting fresh facilities, banks may obtain declaration from the borrowers about the credit facilities already enjoyed by them from other banks in Annex I. In the case of existing lenders, all the banks may seek a declaration from their existing borrowers availing sanctioned limits of Rs.5.00 crore and above or wherever, it is in their knowledge that their borrowers are availing credit facilities from other banks, and introduce a system of exchange of information with other banks as indicated above.

(ii) Subsequently, banks should exchange information about the conduct of the borrowers' accounts with other banks in the format given in Annex II at least at quarterly intervals.

(iii) Obtain regular certification by a professional, preferably a Company Secretary, regarding compliance of various statutory prescriptions that are in vogue, as per specimen given in Annex III.

(iv) Make greater use of credit reports available from CIBIL.

(v) The banks should incorporate suitable clauses in the loan agreements in future (at the time of next renewal in the case of existing facilities) regarding exchange of credit information so as to address confidentiality issues.

3. Please acknowledge receipt to the Regional Office concerned.

Yours faithfully,

(A.K.Khound)
Chief General Manager-in-Charge
Annex – I

Minimum Information to be Declared by Borrowing Entities to Banks while Approaching for Finance under Multiple Banking Arrangement

A. Details of borrowing arrangements from other banks (institution wise)

| I. Name and address of bank / institution |
| II. Purpose for which borrowed |
| III. Limit sanctioned (full details to be given, e.g. working capital / demand loan / term loan / short term loan) / foreign currency loan, corporate loan / line of credit / Channel financing contingent facilities like LC, BG, DPG (I & F) etc. Also, state L/C bills discounting / project wise finance availed) |
| IV. Date of sanction |
| V. Present outstanding |
| VI. Overdues position, if any |
| VII. Repayment terms (for demand loans, term loans, corporate loans, project - wise finance) |
| VIII. Security offered (complete details of security both primary and collateral including specific cash flows assigned to project wise finance / loan raised & personal / corporate guarantee, to be furnished) |
| IX. Requests for facilities which are under process |

[The information to be given for domestic and overseas borrowings from commercial banks, Financial Institutions and NBFCs]
### B. Miscellaneous Details

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>CFs raised during the year and current outstanding</td>
</tr>
<tr>
<td>II.</td>
<td>Details of financing outside banking system e.g. L/C Bills discounting</td>
</tr>
<tr>
<td>III.</td>
<td>Main and allied activities with locations</td>
</tr>
<tr>
<td>IV.</td>
<td>Territory of sales and market share</td>
</tr>
<tr>
<td>V.</td>
<td>Details of financial aspects incl. DSCR Projections wherever applicable as per requirement of bank - Imp. Financial covenants, if any, agreed to / accepted with other lenders.</td>
</tr>
<tr>
<td>VI.</td>
<td>CID A/cs, within / outside financing banks, being operated, if any</td>
</tr>
<tr>
<td>VII.</td>
<td>Demands by statutory authorities / current status thereof</td>
</tr>
<tr>
<td>VIII.</td>
<td>Pending litigations</td>
</tr>
<tr>
<td>IX.</td>
<td>A declaration authorizing the bank to share information with other financing banks</td>
</tr>
</tbody>
</table>

---

### Annex – II

Revised Format under Multiple Banking Arrangement Credit Information Exchange

Part - I

(Bio Data)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>Borrowing party's name and address</td>
</tr>
<tr>
<td>II.</td>
<td>Constitution</td>
</tr>
<tr>
<td>III.</td>
<td>Names of Directors / Partners</td>
</tr>
</tbody>
</table>
| IV. | Business activity  
* Main  
* Allied |
| V. | Names of other financing banks |
| VI. | Net worth of Directors / Partners |
| VII. | Group affiliation, if any |
| VIII. | Date on associate concerns, if banking with the same bank |
| IX. | Changes in shareholding and management from the previous report, if any |
Part – II

(Financial)

| I.  | IRAC Classification |
| II. | Internal Credit rating with narration |
| III. | External Credit rating, if any |
| V.  | Latest available Annual Report of the borrower | As on --------------- |

Part – III

(Exposure Details)

| I.  | Type of credit facilities, e.g. working capital loan / demand loan / term loan / short term loan / foreign currency loan, corporate loan / line of credit / Channel financing, contingent facilities like LC, BG & DPG (I & F) etc. Also, state L/C bills discounting / project wise finance availed. |
| II. | Purpose of loan |
| III. | Date of loan facilities (including temporary facilities) |
| IV.  | Amount sanctioned (facility wise) |
| V.  | Balance outstanding (facility wise) |
| VI.  | Repayment terms |
| VII. | Security offered |
|     | * Primary |
|     | * Collateral |
|     | * Personal / Corporate Guarantees |
|     | * Extent of control over cash flow |
| VIII. | Defaults in term commitments / lease rentals / others |
| IX.  | Any other special information like court cases, statutory dues, major defaults, adverse internal / external audit observations |

Part – IV

(Experience)(*)

| I.  | Conduct of funded facilities (based on cash management / tendency to overdraw) |
| II. | Conduct of contingent facilities (based on payment history) |
| III. | Compliance with financial covenants |
| IV.  | Company’s internal systems & procedures |
| V.  | Quality of management |
| VI.  | Overall Assessment |

(The above to be rated as good, satisfactory or below par only)

(*) Broad guidelines for incorporating comments under this head is furnished in the next page
Broad Guidelines for Incorporating Comments under Part - IV
(Experience) of the Credit Information Report

I. Conduct of funded facilities

<table>
<thead>
<tr>
<th></th>
<th>Good</th>
<th>Satisfactory</th>
<th>Below Par</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Overdrawings (No. of times)</td>
<td>Upto 4 times</td>
<td>5 to 6 times</td>
<td>Above 6 times</td>
</tr>
<tr>
<td>* Average period of adjustment</td>
<td>Within 1 month</td>
<td>Within 2 months</td>
<td>Beyond 2 months</td>
</tr>
<tr>
<td>* Extent of overdrawings (% of limit)</td>
<td>Upto 10%</td>
<td>10 to 20%</td>
<td>Above 20%</td>
</tr>
</tbody>
</table>

II. Conduct of contingent facilities

<table>
<thead>
<tr>
<th></th>
<th>Good</th>
<th>Satisfactory</th>
<th>Below Par</th>
</tr>
</thead>
<tbody>
<tr>
<td>* No. of Defaults</td>
<td>Upto 2 times</td>
<td>3 to 4 times</td>
<td>Above 4 times</td>
</tr>
<tr>
<td>* Average period of adjustment</td>
<td>Within 1 week</td>
<td>Within 2 weeks</td>
<td>Beyond 2 weeks</td>
</tr>
</tbody>
</table>

III. Compliance with financial covenants

<table>
<thead>
<tr>
<th></th>
<th>Good</th>
<th>Satisfactory</th>
<th>Below Par</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Stock statement / Financial data</td>
<td>Timely</td>
<td>Delay upto 15 days</td>
<td>Delay over 15 days</td>
</tr>
<tr>
<td>* Creation of charge</td>
<td>Prompt</td>
<td>Delay upto 2 months</td>
<td>Delay over 2 months</td>
</tr>
</tbody>
</table>

IV. Company's internal systems and procedures

<table>
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<tr>
<th></th>
<th>Adequate systems are in place</th>
<th>Adequate systems are in place but not adhered</th>
<th>Adequate systems are not in place</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Inventory Management</td>
<td>- do -</td>
<td>- do -</td>
<td>- do -</td>
</tr>
<tr>
<td>* Receivables Management</td>
<td>- do -</td>
<td>- do -</td>
<td>- do -</td>
</tr>
<tr>
<td>* Resource Allocation</td>
<td>- do -</td>
<td>- do -</td>
<td>- do -</td>
</tr>
<tr>
<td>* Control over Information</td>
<td>- do -</td>
<td>- do -</td>
<td>- do -</td>
</tr>
</tbody>
</table>

V. Quality of management

<table>
<thead>
<tr>
<th></th>
<th>Reliable</th>
<th>Nothing adverse</th>
<th>Cannot be categorized in previous columns</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Integrity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Expertise Competence / Commitments</td>
<td>Professional &amp; visionary</td>
<td>Have necessary experience</td>
<td>-do-</td>
</tr>
<tr>
<td>* Tract Record</td>
<td>Timely</td>
<td>Executions /</td>
<td></td>
</tr>
</tbody>
</table>

Annex – III

Part – I

Diligence Report

To, The Manager,

_________________________ (Name of the Bank)

I / We have examined the registers, records, books and papers of ____________ Limited (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made thereunder, the provisions of various statutes, wherever applicable, the provisions contained in the Memorandum and Articles of Association of the Company
as well as the provisions contained in the Listing Agreement/s, if any, entered into by the Company with the recognized stock exchange/s, as may be applicable for the half year ended ____________. In my / our opinion and to the best of my / our information and according to the examination carried out by me / us and explanations furnished to me / us by the Company, its officers and agents. I / We report that in respect of the aforesaid period:

1. the management of the Company is carried out by the Board of Directors comprising the following persons:
   During the period under review the following changes took place:

2. the shareholding pattern of the company is as under:
   During the period under review the following changes took place:

3. the company has altered the following provisions of:
   (i) the Memorandum of Association during the period under review and has complied with the provisions of the Act.
   (ii) the following Articles of Association during the period under review and has complied with the provisions of the Act.

4. the company has during the period under review, entered into the following transactions with business entities in which directors are interested.
   guarantees and provided securities amounting to Rs. ____________ to its directors and / or persons or firms or companies in which directors are interested.

6. the Company has during the period under review, made loans and investments; or given guarantees or provided securities to other business entities as under:

7. the amount borrowed by the Company from directors, members, public, financial institutions, banks and others during the period under review is / are within the borrowing limits of the Company. The break up of the company's borrowings are as under:

8. the Company has during the period under review, not defaulted in the repayment of any public deposits or unsecured loans and the Company or its Directors are not under the Defaulters' list of Reserve Bank of India or in the Specific Approval List of ECGC.

9. the Company has during the period under review, created, modified or satisfied charges on the assets of the company as under:

10. the Forex exposure and Overseas Borrowings of the company are as under:

11. the Company has issued, offered and allotted all the securities to the persons entitled thereto and has also issued letters, coupons, warrants and certificates thereof to the concerned persons and also redeemed its preference shares / debentures and bought back its shares (wherever applicable) in compliance with the specified procedures and within the stipulated time.

12. the Company has insured all its secured assets.

13. the Company has complied with the terms and conditions, set forth by the lending institution at the time of availing the facility and also during the currency of the loan and has utilized the funds for the purposes for which these were borrowed.

14. the Company has declared and paid dividends to its shareholders as per the provisions of the Companies Act, 1956.

15. the Company has insured fully all its assets.

16. the Company / Directors are not in the willful defaulters' list of RBI.
17. the Company / Directors are not in the Specific Approval List of ECGC.

18. the Company has paid all its Statutory dues and that there are no arrears.

19. the Company has complied with the terms and conditions, set forth by the lending institution at the time of availing any facility and also during the currency of the loan.

20. the Company has used the funds for the purpose for which it borrowed.

21. the Company has declared and paid dividends to its shareholders, as per the provisions of the Companies Act.

22. the Company has complied with the provisions stipulated in Section 372 A of the Companies Act in respect of its Inter Corporate loans and Investments.

23. the Company has complied with the applicable and mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.

24. the Company has credited and paid to the Investor Education and Protection Fund all the unpaid dividends and other amounts required to be so credited.

25. a list of prosecutions initiated against or show cause notices received by the Company for alleged offences under the Act and also the fines and penalties or any other punishment imposed on the Company in such cases is attached.

26. the Company has complied with the various clauses of the Listing Agreement, if applicable.
27. the Company has deposited both Employees' and Employer's contribution to Provident Fund with the prescribed authorities.

Note: The qualification, reservation or adverse remarks, if any, may be stated at the relevant place(s).

Place: 
Date: 
Signature: 
Name of Company Secretary: 
C.P. No.: 

Part – II

Certification of Borrowal Companies by Chartered Accountants / Company Secretaries

i. Terms of reference for stock audit are to be spelt out clearly by the Banks, so that the Chartered Accountants can give focused attention to such areas.

ii. End-use verification of funds lent, if certified by Statutory Auditors, will be a good comfort to the Banks.

iii. As Banks quite often deal with unlisted companies, disclosure requirements for such companies above a specific turnover may be made akin to those for listed companies, viz. consolidated balance sheet, segmental reporting etc. Information on large shareholding also will be useful.
iv. Further, the following additional certification either from Chartered Accountant or Company Secretary may also be thought of:

(a) Company Directors not figuring in defaulters list (RBI / ECGC) / willful defaulters list etc.
(b) Details of litigation above a specified cut off limit.
(c) A specific certificate, probably from the Company Secretary, regarding compliance with Sec. 372 (a) of the Companies Act.
(d) Details of creation / modification / satisfaction of charges on the assets of the company, position regarding insurance, show cause notices received, finds and penalties awarded.

v. As regards rotation of Auditors, for the sake of operational convenience, it is suggested they may be changed once every 5 years instead of every 3 years.

vi. In order to avoid concentration, group companies may have different Statutory / Internal Auditors in case group turnover exceeds Rs.100 crores.
Highlights of third quarterly review of RBI's monetary policy

- GDP projection lowered to 7% for 2008-09
- Inflation to ease to 3% by March-end
- Medium-term objective to keep inflation rate at around 3%
- Repo & Reverse Repo Rates unchanged at 5.5% and 4%
- Bank rates unchanged at 6%
- Cash Reserve Ratio too kept at previous level
- Money supply projection pegged at 19% for 2008-09
- Special liquidity support MFs, NBFCs and HFCs
- RBI extends refinancing facility for banks till September 30
- To pursue stance of ensuring ample liquidity in the market
- Since mid-September RBI infused Rs 3,88,000 cr
- More decisive action to be taken if conditions so warrant
- Annual Policy for 2009-10 to be announced on April 21
- Few banks have yet to reduce interest rates
- Transmission of rates cuts subdues in credit market.

Both the Government and the Reserve Bank have acted to protect the economy from the adverse impact of the crisis since mid-September 2008. While the Government has announced two major fiscal stimulus packages, the endeavour of the Reserve Bank has been to provide ample rupee liquidity, ensure comfortable dollar liquidity and maintain a monetary policy environment conducive for the continued flow of credit to productive sectors. Towards this endeavour, the Reserve Bank has adopted both conventional measures such as, for example, reduction of the cash reserve ratio (CRR), as well as unconventional measures such as, for example, the dollar swap facility for banks.

Measures aimed at expanding rupee liquidity included significant reduction in the CRR, a special repo window under the liquidity adjustment facility (LAF) for banks for on-lending to mutual funds (MFs), non-banking financial companies (NBFCs) and housing finance companies (HFCs), and a special refinance facility that banks can access without any collateral. The Reserve Bank is also unwinding the market stabilisation scheme (MSS) securities roughly synchronised with the government borrowing programme in order to manage liquidity. In addition, a special purpose vehicle (SPV) is being set up to provide liquidity support to non-banking financial companies (NBFCs).

The Reserve Bank has also instituted a rupee-dollar swap facility for banks with overseas branches to give them comfort in managing their short-term funding requirements.

To improve the flow of credit to productive sectors at viable costs so as to sustain the growth momentum, the Reserve Bank signalled a lowering of the interest rate structure by significantly reducing both its key policy rates — the repo rate and the reverse repo rate. The statutory liquidity ratio (SLR) has also been reduced by one percentage point releasing funds to banks for credit deployment.
The Government has announced setting up an SPV for addressing the temporary liquidity constraints of systemically important non-deposit taking non-banking financial companies (NBFCs-ND-SI). The mechanism would be as follows: The SPV would issue government guaranteed securities to the Reserve Bank. The SPV will, in turn, use the funds to acquire only investment grade commercial papers and non-convertible debentures of the NBFCs. During its appraisal, the SPV will ensure that the NBFCs use the money only for addressing liquidity constraints and not for business expansion. The total support from the Reserve Bank will be limited to Rs. 20,000 crore with an option to raise it by a further Rs.5,000 crore. The facility will be available for a limited period to address current liquidity concerns of NBFCs.

The several measures taken since mid-September 2008 have resulted in augmentation of actual/potential liquidity of over Rs.3,88,000 crore, which has significantly improved the liquidity condition. In addition, the permanent reduction in SLR by 1.0 per cent of NDTL has made available liquid funds of the order of Rs.40,000 crore for the purpose of credit expansion. The liquidity situation has improved significantly following several measures taken by the Reserve Bank.

The Reserve Bank has acted aggressively and pre-emptively on monetary policy accommodation, particularly through interest rate cuts in terms of both magnitude and pace. In the space of just one quarter, the repo rate has been reduced from 9.0 per cent to 5.5 per cent and the reverse repo rate from 6.0 per cent to 4.0 per cent, thereby bringing down both of them to historically lowest levels.

The Reserve Bank has also assured market participants that it will endeavour to maintain the overnight money market rates within the LAF corridor. The Reserve Bank will continue to pursue this stance of ensuring ample liquidity in the market and maintaining the overnight money market rates within the LAF corridor. In order to do so, the Reserve Bank will, as in the past, employ both conventional and unconventional measures.

The demand for credit from the banking sector has increased as other sources of funds to the commercial sector have shrunk. Keeping in view the slowdown in industry and services and with the assumption of normal agricultural production, the projection of overall real GDP growth for 2008-09 is revised downwards to 7.0 per cent with a downward bias.

In the domestic market, inflation in terms of wholesale price index is already below 7.0 per cent, which was projected earlier for end-March 2009 and, as per current assessment, is expected to moderate further in the last quarter of 2008-09. Keeping in view the global trend in commodity prices and the domestic demand-supply balance, WPI inflation is now projected to decelerate to below 3.0 per cent by end-March 2009.

Given the uncertain outlook of resource availability from both external and non-bank domestic sources, the Reserve Bank has raised its indicative projection of the total flow of credit from the banking sector to the commercial sector to 24 per cent for 2008-09 from 20 per cent envisaged in the Annual Policy Statement.
Based on the assessment of the global scenario and domestic economy, particularly the outlook on growth and inflation, the stance of monetary policy for the rest of 2008-09 will be as follows:

- Provision of comfortable liquidity to meet the required credit growth consistent with the overall projection of economic growth.

- Respond swiftly and effectively with all possible measures as warranted by the evolving global and domestic situation impinging on growth and financial stability.

- Ensure a monetary and interest rate environment consistent with price stability, well-anchored inflation expectations and orderly conditions in financial markets.

Consistent with the above assessment and the monetary policy stance, it has been decided to maintain the policy rates and the cash reserve ratio (CRR) at the current level. Two liquidity facilities, viz., the special refinance facility under Section 17(3B) of the Reserve Bank of India Act, 1934 introduced on November 1, 2008 and the special term repo facility for enabling banks to meet the funding requirements of MFs, NBFCs and HFCs, which are currently available up to June 30, 2009, have been extended up to September 30, 2009.