THE INSTITUTE OF
Company Secretaries of India
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament

CS NITOR

ICSI E-NEWSLETTER

Issue No. 22 ❑ Volume 02 ❑ April 15, 2015

PRESIDENT MESSAGE

"Stand up, be bold, be strong. Take the whole responsibility on your own shoulders, and know that you are the creator of your own destiny. All the strength and succor you want is within yourself. Therefore make your own future." **-Swami Vivekanand**

A true success encompasses perseverance and immense efforts. There are no shortcuts to the success and one must make true endeavour on his part to make a difference. Even the sun rises slowly. One must remember that to rise up, one may have to taste the bitterness of the fall. There may be innumerable impediments that one may have to encounter in his life, however, intense these impediments may be, hard work coupled with honest efforts and positive attitude would definitely pave the way for success.

With the hope that members will continue to make efforts, work ardently, and reinforce themselves with deeply rooted integrity and reach at new heights in their professional life, I am pleased to present yet another enriching issue of e-CS Nitor. To conclude, I would quote following words of Samuel Johnson:

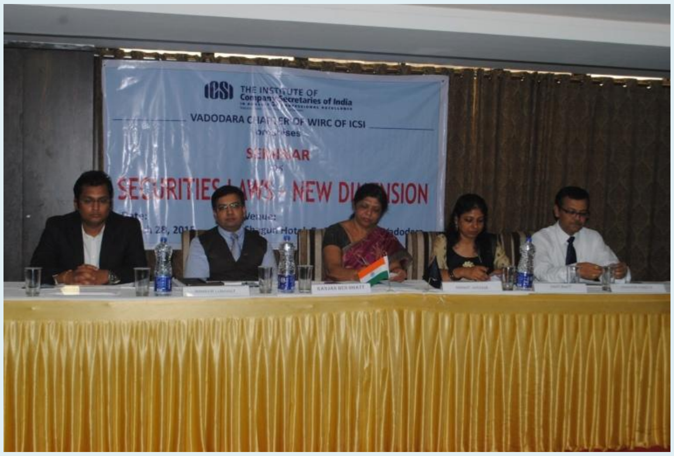
"Integrity without knowledge is weak and useless, and knowledge without integrity is dangerous and dreadful."

Regards,

CS Atul H. Mehta
President
president@icsi.edu

ICSI NEWS

Images

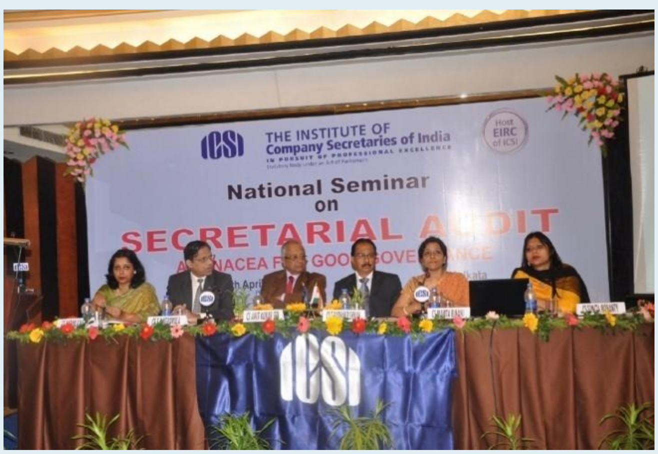


Seminar on Securities Laws New Dimension
held on 28th March, 2015 at Shagun Hotel, Vadodara

Dignitaries on Dias (L to R): CS NishantJavlekar, Chairman, Vadodara Chapter; CS Mahavir Lunawat, Council Member, ICSI; Smt. Ranjan Bhatt, Hon'ble Member of Parliament, Vadodara; CS Swati Bhatt, Member, ICSI – WIRC and CS Prakash Pandya, Member, WIRC of ICSI.

President visit to Mysore chapter on 31st March, 2015

Sitting on Dias (L to R) CS. Badrinarayan, Chairman; CS Atul H. Mehta, President ICSI and CS Pracheta M., Secretary of the Mysore Chapter.



National Seminar on Secretarial Audit held on 4th April, 2015 at The Park, Kolkata

Seen on the dais (From L to R) : CS Rupanjana De, Secretary, EIRC of ICSI; CS S K Agarwala, Council Member, ICSI; Guest of Honour : CS Amit Sen, Past Vice President, ICSI; Chief Guest : CS S Radhakrishnan, Past President, BCCI; CS Mamta Binani, Vice President, ICSI and CS Sunita Mohanty, Chairperson, EIRC of ICSI.

Celebration of the 100th SSB Meeting on 12th April, 2015 at CCGRT.

Private Placement under Companies Act, 2013

CS Ekta Agarwal*
Company Secretary, Jai Balaji Industries Limited

As per the Companies Act, 2013 ('the Act') Private Placement means an offer or an invitation to subscribe to the securities to select group of persons through issue of Private Placement Offer Letter(PPOL) and which satisfies the conditions as prescribed under Section 42 of the Act.

Process of Private Placement by Unlisted Public Companies

1. Hold Board meeting to decide the name of Offeree, amount of offer, date of Extraordinary General Meeting (EGM) for seeking approval of members for the same.

2. Calling of EGM by giving at least 21 clear days notice to the members. The Explanatory Statement under section 102 of the Companies Act, 2013 forming part of the EGM. Notice shall specify the following as specified in rule 13 of the Companies (Share Capital and Debentures) Rules, 2014:

   (i) the objects of the issue;
   (ii) the total number of shares or other securities to be issued;
   (iii) the price or price band at/within which the allotment is proposed;
   (iv) basis on which the price has been arrived at, along with report of the registered valuer;
   [the price of the shares or other securities to be issued on a preferential basis, either for cash or for consideration other than cash, shall be determined on the basis of valuation report of a registered valuer – Rule 13(1) of Companies (Share Capital and Debentures) Rules, 2014]
   (v) relevant date with reference to which the price has been arrived at;
   (vi) the class or classes of persons to whom the allotment is proposed to be made;
   (vii) intention of promoters, directors or key managerial personnel to subscribe to the offer;
   (viii) the proposed time within which the allotment shall be completed;
   (ix) the names of the proposed allottees and the percentage of post preferential offer capital that may be held by them;
   (x) the change in control, if any, in the company that would occur consequent to the preferential offer;
   (xi) the number of persons to whom allotment on preferential basis have already been made during the year, in terms of number of securities as well as price;
   (xii) the justification for the allotment proposed to be made for consideration other than cash together with valuation report of the registered valuer;
   (xiii) the pre-issue and post-issue shareholding pattern of the company as per the format specified.

---

* *The views expressed are personal views of the author and do not necessarily reflect those of the Institute.*

3. Hold EGM to seek approval of the members' with respect to the following, by passing a Special Resolution:

    (i) Quantum of amount to be raised and names of persons to whom invitation to subscribe to the securities shall be made.

4. A private placement offer letter in form PAS-4, accompanied by an application form serially numbered and addressed specifically to the persons to whom the offer is made, shall be sent to them, either in writing or in electronic mode, within thirty days of recording the names of such persons (i.e. within 30 days of EGM).

5. File e-form MGT-14 for Special Resolution within 30 days of passing the Special Resolution.

6. Maintain complete record of persons to whom offer/invitation to subscribe to the securities shall be made in form PAS-5.

7. File form PAS-4 and PAS-5 with the Registrar of Companies (ROC) in e-form GNL-2 within 30 days of circulation of PPOL [Rule 14(3) of Companies (Prospectus and Allotment of Securities) Rules, 2014].

8. Receive application monies which shall be kept in a separate bank account in a scheduled bank and shall not be utilised for any purpose other than the following pursuant to section 42(6) of the Act:

    (i) for adjustment against allotments;

    (ii) for repayment of monies where the Company is unable to allot securities.

9. Hold a Board Meeting (BM) for allotment of securities (securities should be allotted within 60 days of receipt of application money).

10. File e-form PAS-3 (return of allotment) with the ROC within 30 days of allotment along with a complete list of all security holders containing:

    (i) The full name, Address, Permanent Account Number and E-mail ID of such security holder;

    (ii) The class of security held;

    (iii) The date of allotment of security;

    (iv) The number of securities held, nominal value and amount paid on such securities; and particulars of consideration received if the securities were issued for consideration other than cash.

Points to be noted

1. Ensure that the issue is authorized by the Company's Articles of Association;
2. No fresh offer or invitation to subscribe the securities shall be made by a Company unless allotments in respect to any previous offers /invitations have been completed or the offer/invitation has been withdrawn or abandoned by the Company;
3. No offer or invitation of another kind of security shall be made unless, allotments with respect to offer or invitation made earlier in respect of any other kind of security is completed;
4. The securities allotted by way of private placement shall be made fully paid up at the time of their allotment;

5. Such offer or invitation shall be made to not more than 200 persons in the aggregate in a financial year (excluding qualified institutional buyers and employees of the company under a scheme of employees stock option). This restriction would be reckoned individually for each kind of security that is equity share, preference share or debenture;
6. If the company makes an offer to allot or invites subscription or allots or enters into an agreement to allot securities to more than 200 persons, then it would be treated as public offer and the company has to comply with Part I of Chapter III of companies Act, 2013;
7. Sub rule 5 of Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 provides that the criteria of offer or invitation to 200 persons in aggregate in a financial year and minimum investment size of twenty thousand rupees of face value shall not be applicable to Non banking Financial Companies registered with the Reserve bank of India and Housing Finance Companies registered with the National Housing Bank, if they are complying with the regulations made by RBI or NHB in respect of offer or invitation to be issued on private placement basis;
8. The value of such offer or invitation per person shall be with an investment size of not less than twenty thousand rupees of face value of the securities;
9. All monies payable towards subscription of securities under this section shall be paid through cheque or demand draft or other banking channels but not by cash;
10. Penalty for non-compliance with section 42: The Company, its promoters and directors shall be liable for a penalty which may extend to the amount involved in the offer/invitation or 2 crore rupees, whichever is higher and the Company shall also refund the monies to the subscribers within 30 days of the order or imposing the penalty.

***

Foreign Trade Policy 2015-2020

Chittaranjan Pal*
Assistant Education Officer, ICSI

INTRODUCTION

India's Foreign Trade Policy (FTP) has, conventionally, been formulated for five years at a time and reviewed annually. The focus of the FTP has been on providing a framework of rules and procedures for exports and imports and a set of incentives for promoting exports.

The Foreign Trade Policy, 2015-20, is notified by Central Government, in exercise of powers conferred under Section 5 of the Foreign Trade (Development & Regulation) Act, 1992, as amended. The Foreign Trade Policy, 2015-20 came into force with effect from 01.04.2015 . Central Government, in exercise of powers conferred by Section 5 of FT (D&R) Act, 1992, as amended from time to time, reserves the right to make any amendment to the FTP, by means of notification, in public interest.

The FTP, 2015-20, incorporating provisions relating to export and import of goods and services, shall come into force with effect from the date of notification and shall remain in force up to 31st March, 2020, unless otherwise specified. All exports and imports made upto the date of notification shall, accordingly, be governed by the relevant FTP, unless otherwise specified.

OBJECTIVES OF FTP 2015-2020

The Foreign Trade Policy for 2015-2020 seeks to achieve the following objectives:

- To provide a stable and sustainable policy environment for foreign trade in merchandise and services;
- To link rules, procedures and incentives for exports and imports with other initiatives such as "Make in India" , "Digital India" and "Skills India" to create an "Export Promotion Mission" for India;
- To promote the diversification of India's export basket by helping various sectors of the Indian economy to gain global competitiveness with a view to promoting exports;
- To create an architecture for India's global trade engagement with a view to expanding its markets and better integrating with major regions, thereby increasing the demand for India's products and contributing to the Government's flagship "Make in India" initiative;
- To provide a mechanism for regular appraisal in order to rationalise imports and reduce the trade imbalance.

Exports should not merely be a function of marketable surplus but should also reflect an enhancement of economic capacity and development. Foreign Trade Policy, envisages:

- Employment creation in both manufacturing and services through the generation of foreign trade opportunities;
- Zero defect products with a focus on quality and standards;

---

* *The views expressed are personal views of the author and do not necessarily reflect those of the Institute.*

- A stable agricultural trade policy encouraging the import of raw material where required and export of processed products;
- A focus on higher value addition and technology infusion;
- Investment in agriculture overseas to produce raw material for the Indian industry;
- Lower tariffs on inputs and raw materials; and
- Development of trade infrastructure and provision of production and export incentives.

HIGHLIGHTS OF THE FTP

Transitional Arrangements

Any License / Authorisation / Certificate / Scrip / any instrument bestowing financial or fiscal benefit issued before commencement of FTP 2015-20 shall continue to be valid for the purpose and duration for which such License/Authorisation/ Certificate / Scrip / any instrument bestowing financial or fiscal benefit Authorisation was issued, unless otherwise stipulated.

In case an export or import that is permitted freely under FTP is subsequently subjected to any restriction or regulation, such export or import will ordinarily be permitted, notwithstanding such restriction or regulation, unless otherwise stipulated. This is subject to the condition that the shipment of export or import is made within the original validity period of an irrevocable commercial letter of credit, established before the date of imposition of such restriction and it shall be restricted to the balance value and quantity available and time period of such irrevocable letter of credit. For operationalising such irrevocable letter of credit, the applicant shall have to register the Letter of Credit with jurisdictional Regional Authority (RA) against computerized receipt, within 15 days of the imposition of any such restriction or regulation.

Export from India Schemes

The objective of the Export from India Schemes is to provide rewards to exporters to offset infrastructural inefficiencies and associated costs involved and to provide exporters a level playing field. There shall be following two schemes for exports of Merchandise and Services respectively:

(i) Merchandise Exports from India Scheme (MEIS).

(ii) Service Exports from India Scheme (SEIS).

Merchandise Exports from India Scheme (MEIS)

Objective of Merchandise Exports from India Scheme (MEIS) is to offset infrastructural inefficiencies and associated costs involved in export of goods/products, which are produced/manufactured in India, especially those having high export intensity, employment potential and thereby enhancing India's export competitiveness.

Rewards for export of notified goods to notified markets under 'Merchandise Exports from India Scheme (MEIS) shall be payable as percentage of realized FOB value (in free foreign exchange). The debits towards basic customs duty in the transferable reward duty credit scrips would also be allowed adjustment as duty drawback. At present, only the additional duty of customs / excise duty / service tax is allowed adjustment as CENVAT credit or drawback, as per Department of Revenue rules

Service Exports from India Scheme (SEIS)

Served From India Scheme (SFIS) has been replaced with Service Exports from India Scheme (SEIS). SEIS shall apply to 'Service Providers located in India' instead of 'Indian Service Providers'. Thus, SEIS provides for rewards to all Service providers of notified services, who are providing services from India, regardless of the constitution or profile of the service provider.

The rate of reward under SEIS would be based on net foreign exchange earned. The reward issued as duty credit scrip, would no longer be with actual user condition and will no longer be restricted to usage for specified types of goods but be freely transferable and usable for all types of goods and service tax debits on procurement of services/goods. Debits would be eligible for CENVAT credit or drawback.

Special Economic Zones

Incentives under Export from India Schemes (MEIS & SEIS) also available to units located in Special Economic Zones (SEZs).

Duty credit scrips to be freely transferable and usable for payment of custom duty, excise duty and service tax

- All scrips issued under MEIS and SEIS and the goods imported against these scrips would be fully transferable.
- Scrips issued under Exports from India Schemes can be used for the following:
  - (i) Payment of customs duty for import of inputs / goods including capital goods;
  - (ii) Payment of excise duty on domestic procurement of inputs or goods, including capital goods as per Department of Revenue(DoR) notification;
  - (iii) Payment of service tax on procurement of services as per DoR notification.
- Basic Customs Duty paid in cash or through debit under Duty Credit Scrip can be taken back as Duty Drawback as per DoR Rules, if inputs so imported are used for exports.

Status Holders

- Business leaders who have excelled in international trade and have successfully contributed to country's foreign trade are proposed to be recognized as Status Holders and given special treatment and privileges to facilitate their trade transactions, in order to reduce their transaction costs and time.
- The nomenclature of Export House, Star Export House, Trading House, Star Trading House, Premier Trading House certificate has been changed to One, Two, Three, Four, Five Star Export House.
- The criteria for export performance for recognition of status holder have been changed from Rupees to US dollar earnings.
- Manufacturers who are also Status Holders will be enabled to self-certify their manufactured goods as originating from India with a view to qualify for preferential treatment under different Preferential Trading Agreements[PTAs], Free Trade Agreements [FTAs], Comprehensive Economic Cooperation Agreements [CECAs] and Comprehensive Economic Partnerships Agreements[CEPAs] which are in operation. They shall be permitted to self-certify the goods as manufactured as per their Industrial Entrepreneur Memorandum (IEM) / Industrial Licence(IL)/ Letter of Intent(LOI).

Boost to "Make in India"

Reduced Export Obligation (EO) for domestic procurement under Export Promotion Capital Goods Scheme: Specific Export Obligation under Export Promotion Capital Goods scheme, in case capital goods are procured from indigenous manufacturers, which is currently 90% of the normal export obligation (6 times at the duty saved amount) has been reduced to 75%, in order to promote domestic capital goods manufacturing industry.

Higher level of rewards under Merchandise Exports from India Scheme for export items with high domestic content and value addition: It is proposed to give higher level of rewards to products with high domestic content and value addition, as compared to products with high import content and less value addition.

Online filing of documents/ applications and Paperless trade in 24x7 environment:

Director General of Foreign Trade (DGFT) already provides facility of Online filing of various applications under FTP by the exporters/importers. However, certain documents like Certificates issued by Chartered Accountants/ ***Company Secretary*** / Cost Accountant etc. have to be filed in physical forms only.

In order to move further towards paperless processing of reward schemes, it has been decided to develop an online procedure to upload digitally signed documents by Chartered Accountant / ***Company Secretary*** / Cost Accountant. In the new system, it will be possible to upload online documents like annexure attached to ANF 3B, ANF 3C and ANF 3D, which are at present signed by these signatories and submitted physically.

As a measure of ease of doing business, landing documents of export consignment as proofs for notified market can be digitally uploaded in the following manner:-

- Any exporter may upload the scanned copy of Bill of Entry under his digital signature.
- Status holders falling in the category of Three Star, Four Star or Five Star Export House may upload scanned copies of documents.

Simplification of procedures/processes, digitisation and e-governance

- Under Export Promotion Capital Goods (EPCG) scheme, obtaining and submitting a certificate from an independent Chartered Engineer, confirming the use of spares, tools, refractory and catalysts imported for final redemption of EPCG authorizations has been dispensed with.
- At present, the EPCG Authorisation holders are required to maintain records for 3 years after redemption of Authorisations. Now the EPCG Authorization Holders shall be required to maintain records for a period of *two years* only. Government's endeavour is to gradually phase out this requirement as the relevant records such as Shipping Bills, e-BRC are likely to be available in electronic mode which can be archived and retrieved whenever required.
- Exporter Importer Profile: Facility has been created to upload documents in Exporter/Importer Profile. There will be no need to submit copies of permanent records/ documents (e.g. IEC, Manufacturing licence, RCMC, PAN Etc.) repeatedly with each application, once uploaded.
- Communication with Exporters/Importers: Certain information, like mobile number, e-mail address etc. has been added as mandatory fields, in IEC data base. This information once provided by exporters, would help in better communication with exporters. SMS/ email would be sent to exporters to inform them about issuance of authorisations or status of their applications.
- Online message exchange with Central Board of Direct Taxes (CBDT) and Ministry of Corporate Affairs (MCA) : It has been decided to have on line message exchange with CBDT for PAN data and with Ministry of Corporate Affairs for CIN and DIN data. This integration would obviate the need for seeking information from IEC holders for subsequent amendments/ updation of data in IEC data base.
- Communication with Committees of DGFT: For faster and paperless communication with various committees of DGFT, dedicated e-mail addresses have been provided to each Norms Committee, Import Committee and Pre-Shipment Inspection Agency for faster communication.

New initiatives for Export Oriented Undertakings (EOUs), Electronic Hardware Technology Parks (EHTPs) and Software Technology Parks (STPs)

- EOUs, E H T P s , STPs have been allowed to share infrastructural facilities among themselves. This will enable units to utilize their infrastructural facilities in an optimum way and avoid duplication of efforts and cost to create separate infrastructural facilities in different units.

- Inter unit transfer of goods and services have been allowed among EOUs, EHTPs, STPs, and BTPs. This will facilitate group of those units which source inputs centrally in order to obtain bulk discount. This will reduce cost of transportation, other logistic costs and result in maintaining effective supply chain.
- EOUs have been allowed facility to set up Warehouses near the port of export. This will help in reducing lead time for delivery of goods and will also address the issue of un- predictability of supply orders.
- STP units, EHTP units, software EOUs have been allowed the facility to use all duty free equipment/goods for training purposes. This will help these units in developing skills of their employees.
- 100% EOU units have been allowed facility of supply of spares/ components up to 2% of the value of the manufactured articles to a buyer in domestic market for the purpose of after sale services.
- At present, in a period of 5 years EOU units have to achieve Positive Net Foreign Exchange Earning (NEE) cumulatively. Because of adverse market condition or any ground of genuine hardship, then such period of 5 years for NFE completion can be extended by one year.
- Time period for validity of Letter of Permission (LOP) for EOUs/EHTP/ STPI/BTP Units has been revised for faster implementation and monitoring of projects. Now, LOP will have an initial validity of 2 years to enable the unit to construct the plant and install the machinery. Further extension can be granted by the Development Commissioner up to one year. Extension, beyond 3 years of the validity of LOP can be granted, in case unit has completed 2/3rd of activities, including the construction activities.
- At present, EOUs/EHTP/STPI units are permitted to transfer capital goods to other EOUs, EHTPs, STPs, SEZ units. Now a facility has been provided that if such transferred capital goods are rejected by the recipient, then the same can be returned to the supplying unit, without payment of duty.
- A simplified procedure will be provided to fast track the de-bonding / exit of the STP/ EHTP units. This will save time for these units and help in reduction of transaction cost.
- EOUs having physical export turnover of Rs.10 crore and above, have been allowed the facility of fast track clearances of import and domestic procurement. They will be allowed fast tract clearances of goods, for export production, on the basis of pre- authenticated procurement certificate, issued by customs/central excise authorities.

e-Commerce Exports

- Goods falling in the category of handloom products, books/periodicals, leather footwear, toys and customized fashion garments, having FOB value up to Rs.25000 per consignment (finalized using e- Commerce platform) shall be eligible for benefits under FTP. Such goods can be exported in manual mode through Foreign Post Offices at New Delhi, Mumbai and Chennai.
- Export of such goods under Courier Regulations shall be allowed manually on pilot basis through Airports at Delhi, Mumbai and Chennai as per appropriate amendments in regulations to be made by Department of Revenue. Department of Revenue shall fast track the implementation of EDI mode at courier terminals.

Duty Exemption

Imports against Advance Authorization shall also be eligible for exemption from Transitional Product Specific Safeguard Duty. In order to encourage manufacturing of capital goods in India, import under EPCG Authorisation Scheme shall not be eligible for exemption from payment of anti-dumping duty, safeguard duty and transitional product specific safeguard duty.

Quality Complaints and Trade Disputes

In an endeavor to resolve quality complaints and trade disputes, between exporters and importers, a new chapter, namely, Chapter on Quality Complaints and Trade Disputes has been incorporated in the Foreign Trade Policy. For resolving such disputes at a faster pace, a Committee on Quality Complaints and Trade Disputes (CQCTD) is being constituted in 22 offices and would have members from EPCs/FIEOs/APEDA/EICs.

CONCLUSION

There is a symbiotic relationship between the Foreign Trade Policy (FTP) and the Government's "Make in India" initiative. Foreign Trade Policy 2015-20 contemplates increasing of export of goods and services as well as generation of employment which support the "Make in India". Further, Online filing of documents/applications, paperless trade in 24x7 environment and simplification of procedures/processes, digitization, e-governance initiatives under FTP will definitely improve the ease of doing business in India.

References

- Foreign Trade Policy Statement
- Highlights of the Foreign Trade Policy 2015-2020

***

सत्यमेव जयते

HIGHLIGHTS OF THE FOREIGN TRADE POLICY 2015-2020*

Government of India
Department of Commerce
Ministry of Commerce and Industry

* Source: www.dgft.gov.in

HIGHLIGHTS OF THE FOREIGN TRADE POLICY 2015-2020

A. SIMPLIFICATION & MERGER OF REWARD SCHEMES

Export from India Schemes:

1. **Merchandise Exports from India Scheme (MEIS)**

   (a) Earlier there were 5 different schemes (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY) for rewarding merchandise exports with different kinds of duty scrips with varying conditions (sector specific or actual user only) attached to their use. Now all these schemes have been merged into a single scheme, namely Merchandise Export from India Scheme (MEIS) and there would be no conditionality attached to the scrips issued under the scheme. The main features of MEIS, including details of various groups of products supported under MEIS and the country groupings are at Annexure-1.

   (b) Rewards for export of notified goods to notified markets under 'Merchandise Exports from India Scheme (MEIS) shall be payable as percentage of realized FOB value (in free foreign exchange). The debits towards basic customs duty in the transferable reward duty credit scrips would also be allowed adjustment as duty drawback. At present, only the additional duty of customs / excise duty / service tax is allowed adjustment as CENVAT credit or drawback, as per Department of Revenue rules.

2. **Service Exports from India Scheme (SEIS)**

   (a) Served From India Scheme (SFIS) has been replaced with Service Exports from India Scheme (SEIS). SEIS shall apply to 'Service Providers located in India' instead of 'Indian Service Providers'. Thus SEIS provides for rewards to all Service providers of notified services, who are providing services from India, regardless of the constitution or profile of the service provider. The list of services and the rates of rewards under SEIS are at Annexure-2.

   (b) The rate of reward under SEIS would be based on net foreign exchange earned. The reward issued as duty credit scrip, would no longer be with actual user condition and will no longer be restricted to usage for specified types of goods but be freely transferable and usable for all types of goods and service tax debits on procurement of services / goods. Debits would be eligible for CENVAT credit or drawback.

3. **Chapter -3 Incentives (MEIS & SEIS) to be available for SEZs**

   It is now proposed to extend Chapter -3 Incentives (MEIS & SEIS) to units located in SEZs also.

4. **Duty credit scrips to be freely transferable and usable for payment of custom duty, excise duty and service tax.**

   (a) All scrips issued under MEIS and SEIS and the goods imported against these scrips would be fully transferable.

   (b) Scrips issued under Exports from India Schemes can be used for the following:-

      (i) Payment of customs duty for import of inputs / goods including capital goods, except items listed in Appendix 3A.

      (ii) Payment of excise duty on domestic procurement of inputs or goods, including capital goods as per DoR notification.

      (iii) Payment of service tax on procurement of services as per DoR notification.

(c) Basic Customs Duty paid in cash or through debit under Duty Credit Scrip can be taken back as Duty Drawback as per DoR Rules, if inputs so imported are used for exports.

5. Status Holders

(a) Business leaders who have excelled in international trade and have successfully contributed to country's foreign trade are proposed to be recognized as Status Holders and given special treatment and privileges to facilitate their trade transactions, in order to reduce their transaction costs and time.

(b) The nomenclature of Export House, Star Export House, Trading House, Star Trading House, Premier Trading House certificate has been changed to One, Two, Three, Four, Five Star Export House.

(c) The criteria for export performance for recognition of status holder have been changed from Rupees to US dollar earnings. The new criteria is as under:-

Status category	Export Performance FOB / FOR (as converted) Value (in US $million) during current and previous two years
One Star Export House	3
Two Star Export House	25
Three Star Export House	100
Four Star Export House	500
Five Star Export House	2000

(d) **Approved Exporter Scheme - Self certification by Status Holders**

Manufacturers who are also Status Holders will be enabled to self-certify their manufactured goods as originating from India with a view to qualify for preferential treatment under different Preferential Trading Agreements [PTAs], Free Trade Agreements [FTAs], Comprehensive Economic Cooperation Agreements [CECAs] and Comprehensive Economic Partnerships Agreements [CEPAs] which are in operation. They shall be permitted to self-certify the goods as manufactured as per their Industrial Entrepreneur Memorandum (IEM) / Industrial Licence (IL)/ Letter of Intent (LOI).

B. BOOST TO "MAKE IN INDIA"

6. Reduced Export Obligation (EO) for domestic procurement under EPCG scheme:

Specific Export Obligation under EPCG scheme, in case capital goods are procured from indigenous manufacturers, which is currently 90% of the normal export obligation (6 times at the duty saved amount) has been reduced to 75%, in order to promote domestic capital goods manufacturing industry.

7. Higher level of rewards under MEIS for export items with high domestic content and value addition.

It is proposed to give higher level of rewards to products with high domestic content and value addition, as compared to products with high import content and less value addition.

C. TRADE FACILITATION & EASE OF DOING BUSINESS

8. Online filing of documents/ applications and Paperless trade in 24x7 environment:

(a) DGFT already provides facility of Online filing of various applications under FTP by the exporters/importers. However, certain documents like Certificates issued by Chartered Accountants/ Company Secretary / Cost Accountant etc. have to be filed in physical forms only. In order to move further towards paperless processing of reward schemes, it has been decided to develop an online procedure to upload digitally signed documents by Chartered Accountant / Company Secretary / Cost Accountant. In the new system, it will be possible to upload online documents like annexure attached to ANF 3B, ANF 3C and ANF 3D, which are at present signed by these signatories and submitted physically.

(b) Henceforth, hardcopies of applications and specified documents would not be required to be submitted to RA, saving paper as well as cost and time for the exporters. To start with, applications under Chapter 3 & 4 of FTP are being covered (which account for nearly 70% of total applications in DGFT). Applications under Chapter-5 would be taken up in the next phase.

(c) As a measure of ease of doing business, landing documents of export consignment as proofs for notified market can be digitally uploaded in the following manner:-
    (i) Any exporter may upload the scanned copy of Bill of Entry under his digital signature.
    (ii) Status holders falling in the category of Three Star, Four Star or Five Star Export House may upload scanned copies of documents.

9. Online inter-ministerial consultations:

It is proposed to have online inter-ministerial consultations for approval of export of SCOMET items, Norms fixation, Import Authorisations, Export Authorisation, in a phased manner, with the objective to reduce time for approval. As a result, there would not be any need to submit hard copies of documents for these purposes by the exporters.

10. Simplification of procedures/processes, digitisation and e-governance

(a) Under EPCG scheme, obtaining and submitting a certificate from an independent Chartered Engineer, confirming the use of spares, tools, refractory and catalysts imported for final redemption of EPCG authorizations has been dispensed with.

(b) At present, the EPCG Authorisation holders are required to maintain records for 3 years after redemption of Authorisations. Now the EPCG Authorization Holders shall be required to maintain records for a period of two years only. Government's endeavour is to gradually phase out this requirement as the relevant records such as Shipping Bills, e-BRC are likely to be available in electronic mode which can be archived and retrieved whenever required.

(c) Exporter Importer Profile: Facility has been created to upload documents in Exporter/Importer Profile. There will be no need to submit copies of permanent records/ documents (e.g. IEC, Manufacturing licence, RCMC, PAN etc.) repeatedly with each application, once uploaded.

(d) Communication with Exporters/Importers: Certain information, like mobile number, e-mail address etc. has been added as mandatory fields, in IEC data base. This information once provided by exporters, would help in better communication with exporters. SMS/ email would be sent to exporters to inform them about issuance of authorisations or status of their applications.

(e) Online message exchange with CBDT and MCA: It has been decided to have on line message exchange with CBDT for PAN data and with Ministry of Corporate Affairs for CIN and DIN data. This integration would obviate the need for seeking information from IEC holders for subsequent amendments/ updation of data in IEC data base.

(f) Communication with Committees of DGFT: For faster and paperless communication with various committees of DGFT, dedicated e- mail addresses have been provided to each Norms Committee, Import Committee and Pre-Shipment Inspection Agency for faster communication.

(g) Online applications for refunds: Online filing of application for refund of TED is being introduced for which a new ANF has been created.

11. Forthcoming e-Governance Initiatives

(a) DGFT is currently working on the following EDI initiatives:

(i) Message exchange for transmission of export reward scrips from DGFT to Customs.

(ii) Message exchange for transmission of Bills of Entry (import details) from Customs to DGFT.

(iii) Online issuance of Export Obligation Discharge Certificate (EODC).

(iv) Message exchange with Ministry of Corporate Affairs for CIN & DIN.

(v) Message exchange with CBDT for PAN.

(vi) Facility to pay application fee using debit card / credit card.

(vii) Open API for submission of IEC application.

(viii) Mobile applications for FTP

D. Other new Initiatives

12. New initiatives for EOUs, EHTPs and STPs

(a) EOUs, EHTPs, STPs have been allowed to share infrastructural facilities among themselves. This will enable units to utilize their infrastructural facilities in an optimum way and avoid duplication of efforts and cost to create separate infrastructural facilities in different units.

(b) Inter unit transfer of goods and services have been allowed among EOUs, EHTPs, STPs, and BTPs. This will facilitate group of those units which source inputs centrally in order to obtain bulk discount. This will reduce cost of transportation, other logistic costs and result in maintaining effective supply chain.

(c) EOUs have been allowed facility to set up Warehouses near the port of export. This will help in reducing lead time for delivery of goods and will also address the issue of un- predictability of supply orders.

(d) STP units, EHTP units, software EOUs have been allowed the facility to use all duty free equipment/goods for training purposes. This will help these units in developing skills of their employees.

(e) 100% EOU units have been allowed facility of supply of spares/ components up to 2% of the value of the manufactured articles to a buyer in domestic market for the purpose of after sale services.

(f) At present, in a period of 5 years EOU units have to achieve Positive Net Foreign Exchange Earning (NEE) cumulatively. Because of adverse market condition or any ground of genuine hardship, then such period of 5 years for NFE completion can be extended by one year.

(g) Time period for validity of Letter of Permission (LOP) for EOUs/EHTP/ STPI/BTP Units has been revised for faster implementation and monitoring of projects. Now, LOP will have an initial validity of 2 years to enable the unit to construct the plant and install the machinery. Further extension can be granted by the Development Commissioner up to one year. Extension beyond 3 years of the validity of LOP, can be granted, in case unit has completed 2/3rd of activities, including the construction activities.

(h) At present, EOUs/EHTP/STPI units are permitted to transfer capital goods to other EOUs, EHTPs, STPs, SEZ units. Now a facility has been provided that if such transferred capital goods are rejected by the recipient, then the same can be returned to the supplying unit, without payment of duty.

(i) A simplified procedure will be provided to fast track the de-bonding / exit of the STP/ EHTP units. This will save time for these units and help in reduction of transaction cost.

(j) EOUs having physical export turnover of Rs.10 crore and above, have been allowed the facility of fast track clearances of import and domestic procurement. They will be allowed fast tract clearances of goods, for export production, on the basis of pre- authenticated procurement certificate, issuedby customs / central excise authorities. They will not have to seek procurement permission for every import consignment.

13. Facilitating & Encouraging Export of dual use items (SCOMET).

(a) Validity of SCOMET export authorisation has been extended from the present 12 months to 24 months. It will help industry to plan their activity in an orderly manner and obviate the need to seek revalidation or relaxation from DGFT.

(b) Authorisation for repeat orders will be considered on automatic basis subject to certain conditions.

(c) Verification of End User Certificate (EUC) is being simplified if SCOMET item is being exported under Defence Export Offset Policy.

(d) Outreach programmes will be conducted at different locations to raise awareness among various stakeholders.

14. Facilitating & Encouraging Export of Defence Exports

(a) Normal export obligation period under advance authorization is 18 months. Export obligation period for export items falling in the category of defence, military store, aerospace and nuclear energy shall be 24 months from the date of issue of authorization or co-terminus with contracted duration of the export order, whichever is later. This provision will help export of defence items and other high technology items.

(b) A list of military stores requiring NOC of Department of Defence Production has been notified by DGFT recently. A committee has been formed to create ITC (HS) codesfor defence and security items for which industrial licenses are issued by DIPP.

15. e-Commerce Exports

(a) Goods falling in the category of handloom products, books / periodicals, leather footwear, toys and customized fashion garments, having FOB value up to Rs.25000 per consignment (finalized using e- Commerce platform) shall be eligible for benefits under FTP. Such goods can be exported in manual mode through Foreign Post Offices at New Delhi, Mumbai and Chennai.

(b) Export of such goods under Courier Regulations shall be allowed manually on pilot basis through Airports at Delhi, Mumbai and Chennai as per appropriate amendments in regulations to be made by Department of Revenue. Department of Revenue shall fast track the implementation of EDI mode at courier terminals.

16. Duty Exemption

(a) Imports against Advance Authorization shall also be eligible for exemption from Transitional Product Specific Safeguard Duty.

(b) In order to encourage manufacturing of capital goods in India, import under EPCG Authorisation Scheme shall not be eligible for exemption from payment of anti-dumping duty, safeguard duty and transitional product specific safeguard duty.

17. Additional Ports allowed for Export and import

Calicut Airport, Kerala and Arakonam ICD, Tamil Nadu have been notified as registered ports for import and export.

18. Duty Free Tariff Preference (DFTP) Scheme

India has already extended duty free tariff preference to 33 Least Developed Countries (LDCs) across the globe. This is being notified under FTP.

19. Quality complaints and Trade Disputes

(a) In an endeavour to resolve quality complaints and trade disputes, between exporters and importers, a new chapter, namely, Chapter on Quality Complaints and Trade Disputes has been incorporated in the Foreign Trade Policy.

(b) For resolving such disputes at a faster pace, a Committee on Quality Complaints and Trade Disputes (CQCTD) is being constituted in 22 offices and would have members from EPCs/FIEOs/APEDA/EICs.

20. Vishakhapatnam and Bhimavaram added as Towns of Export Excellence

Government has already recognized 33 towns as export excellence towns. It has been decided to add Vishakhapatnam and Bhimavaram in Andhra Pradesh as towns of export excellence (Product Category– Seafood)

Annexure-1

I. Merchandise Exports from India Scheme

(i) Merchandise Exports from India Scheme has replaced 5 different schemes of earlier FTP (Focus Product Scheme, Market Linked Focus Product Scheme, Focus Market Scheme, Agri. Infrastructure Incentive Scrip, VKGUY) for rewarding merchandise exports which had varying conditions (sector specific or actual user only) attached to their use.

(ii) Now all these schemes have been merged into a single scheme, namely Merchandise Export from India Scheme (MEIS) and there would be no conditionality attached to the scrips issued under the scheme. Notified goods exported to notified markets would be rewarded on realised FOB value of exports.

A. Country Groups:

Category A: Traditional Markets (30) - European Union (28), USA, Canada.

Category B: Emerging & Focus Markets (139), Africa (55), Latin America and Mexico (45), CIS countries (12), Turkey and West Asian countries (13), ASEAN countries (10), Japan, South Korea, China, Taiwan,

Category C: Other Markets (70).

B. Products supported under MEIS

Level of Support:

Higher rewards have been granted for the following category of products:

- Agricultural and Village industry products, presently covered under VKGUY.
- Value added and packaged products.
- Eco-friendly and green products that create wealth out of waste from agricultural and other waste products that generate additional income for the farmers, while improving the environment.
- Labour intensive Products with large employment potential and Products with large number of producers and /or exporters.
- Industrial Products from potential winning sectors.
- Hi-tech products with high export earning potential.

C. Markets Supported

- Most Agricultural products supported across the Globe.
- Industrial and other products supported in Traditional and/or Emerging markets only.

D. High potential products not supported earlier:

Support to 852 Tariff lines that fit in the product criteria but not provided support in the earlier FTP. Includes lines from Fruits, Vegetables, Dairy products, Oils meals, Ayush & Herbal Products, Paper, Paper Board Products.

E. Global support has been granted to the following category:

- Fruits, Flowers, vegetables
- Tea Coffee, Spices
- Cereals preparation, shellac, Essential oils
- Processed foods,
- Eco Friendly products that add value to waste
- Marine Products
- Handloom, Coir, Jute, products and Technical Textiles, Carpets Handmade. Other Textile and Readymade garments have been supported for European Union, USA, Canada and Japan.
- Handicraft, Sports Goods
- Furniture, wood articles

F. Support to major markets have been given to the following product categories

- Pharmaceuticals, Herbals, Surgicals
- Industrial Machinery, IC Engine, Machine tools, Parts, Auto Components/Parts
- Hand Tools, Pumps of All Types
- Automobiles, Two wheelers, Bicycles, Ships, Planes
- Chemicals, Plastics
- Rubber, Ceramic and Glass
- Leather garments, saddlery items, footwear
- Steel furniture, Prefabs, Lighters
- Wood , Paper, Stationary
- Iron, steel, and base metals, products

G. Other sectors supported under MEIS

- 352 Defence related Product with export of US$ 17.7B consisting of Core Products (20), Dual Use products (60),General Purpose products (272).
- 283 Pharmaceutical products of Bulk Drugs & Drug Intermediates, Drug Formulations Biologicals, Herbal, Surgicals, and Vaccines.
- 96 lines of Environment related Goods, Machinery, Equipment's.
- 49 lines where mandatory BIS standards are prescribed.
- 7 lines of Technical Textiles.

H. Participation in global value chain of the items falling under the scheme:

- 1725 lines of Intermediate Goods - These goods become inputs in the manufacturing of other countries and will strengthen backward manufacturing linkages which is vital for India's participation in Global Value Chains.
- 1109 lines of Capital Goods sector- will also strengthen Manufacturing Base in India.
- 1730 lines of Consumer Goods sector- We hope a quantum jump in export from this sector with strengthening of Make in India Brand in near future.

I. Technology based analysis:

- 572 lines-Low skill Technology-intensive manufacturing.
- 1010 lines-Medium skill Technology- intensive manufacturing.
- 1309 lines-High Skill Technology-intensive manufacturing.

J. Women Centric Products supported under MEIS

(a) Women workers constitute 52% of plantation workers-203 lines of Tea Coffee, Spices, Cashew.

(b) 69% of the aggregate female employment is concentrated in the following sectors:

(i) Manufacture of other food products - Jelly Confectionery, tomato ketchup, cooked stuffed pasta, pawa, mudi and the like, gingerbread , papad, pastries and cakes.

(ii) Manufacture of wearing apparel-396 lines of Readymade Garments

(c) Sectors that have a significant proportion of female employment (more than 25%):

(i) Agricultural and animal husbandry service activities, except veterinary activities– 263 lines of basic Agriculture products.

(ii) Manufacture of footwear – 28 Footwear and Leather products.

(iii) Consumer Electronics and Electronic Components, watches and clocks -483 lines.

Annexure-2

II. Services Exports from India Scheme

(i) Served from India Scheme (SFIS) has been replaced with Service Exports from India Scheme (SEIS). SEIS shall apply to `Service Providers' located in India' instead of `Indian Service Providers'. Thus SEIS provides for rewards to all Service providers of notified services, who are providing services from India, regardless of the constitution or profile of the service provider.

(ii) The rate of reward under SEIS would be based on net foreign exchange earned. The reward issued as duty credit scrip, would no longer be with actual user condition and will no longer be restricted to usage for specified types of goods but be freely transferable and usable for all types of goods and service tax debits on procurement of services/goods. Debits would be eligible for CENVAT credit or drawback.

(iii) The present rates of reward are 3% and 5%. The list of services and the rates of rewards would be reviewed after 30.9.2015.

Sl. No	SECTORS	Admissible rate
1	**BUSINESS SERVICES**	
A	Professional services Legal services, Accounting, auditing and bookkeeping services, Taxation services, Architectural services , Engineering services, Integrated engineering services, Urban planning and landscape architectural services, Medical and dental services, Veterinary services, Services provided by midwives, nurses, physiotherapists and paramedical personnel.	5%
B	Research and development services R&D services on natural sciences, R&D services on social sciences and humanities, Interdisciplinary R&D services	5%
C	Rental/Leasing services without operators Relating to ships, Relating to aircraft, Relating to other transport equipment, Relating to other machinery and equipment	5%

D	Other business services Advertising services, Market research and public opinion polling services Management consulting service, Services related to management consulting, Technical testing and analysis services, Services incidental to agricultural, hunting and forestry, Services incidental to fishing, Services incidental to mining, Services incidental to manufacturing, Services incidental to energy distribution, Placement and supply services of including maritime vessels, aircraft or other transport equipment), Building- cleaning services, Photographic services, Packaging services, Printing, publishing and Convention services	3%
2	**COMMUNICATION SERVICES** Audiovisual services Motion picture and video tape production and distribution service, Motion picture projection service, Radio and television services, Radio and television transmission services, Sound recording	5%
3	**CONSTRUCTION AND RELATED ENGINEERING SERVICES** General Construction work for building, General Construction work for Civil Engineering, Installation and assembly work , Building completion and finishing work	5%
4	**EDUCATIONAL SERVICES** (Please refer Note 1) Primary education services, Secondary education services, Higher education services, Adult education	5%
5	**ENVIRONMENTAL SERVICES** Sewage services, Refuse disposal services, Sanitation and similar services	5%
6	**HEALTH-RELATED AND SOCIAL SERVICES** Hospital services	5%
7	**TOURISM AND TRAVEL-RELATED SERVICES**	
A.	Hotels and Restaurants (including catering)	
a.	Hotel	3%
b.	Restaurants (including catering)	3%

B.	Travel agencies and tour operators services	5%
C.	Tourist guides services	5%
8	**RECREATIONAL, CULTURAL AND SPORTING SERVICES** (other than audiovisual services) Entertainment services (including theatre, live bands and circus services), News agency services, Libraries, archives, museums and other cultural services, Sporting and other recreational services	5%
9	**TRANSPORT SERVICES** (Please refer Note 2)	
A.	Maritime Transport Services Passenger transportation*, Freight transportation* , Rental of vessels with crew *, Maintenance and repair of vessels, Pushing and towing services, Supporting services for maritime transport	5%
B.	Air transport services Rental of aircraft with crew, Maintenance and repair of aircraft, Airport Operations and ground handling	5%
C.	Road Transport Services Passenger transportation, Freight transportation, Rental of Commercial vehicles with operator, Maintenance and repair of road transport equipment, Supporting services for road transport services	5%
D.	Services Auxiliary To All Modes of Transport. Cargo-handling services, Storage and warehouse services, Freight transport agency services	5%

Note:

(1) Under education services, SEIS shall not be available on Capitation fee.

(2) *Operations from India by Indian Flag Carriers only is allowed under Maritime transport services.

***

Circulars, Notifications, Orders, Amendments

General Circular No. 05/2015

F. No. 1/8/2013-CL-V
Government of India
Ministry of Corporate Affairs

5th Floor, A Wing, Shastri Bhawan,
Dr. R.P. Road, New Delhi.

Dated : 30th March, 2015

To

All Regional Directors,
All Registrars of Companies,
All Stakeholders.

Subject: Amounts received by private companies from their members, directors or their relatives before 1st April, 2014 - Clarification regarding applicability of Companies (Acceptance of Deposits) Rules, 2014

Sir,

Stakeholders have sought clarifications as to whether amounts received by private companies from their members, directors or their relatives prior to 1st April, 2014 shall be considered as deposits under the Companies Act, 2013 as such amounts were not treated as 'deposits' under section 58A of the Companies Act, 1956 and rules made thereunder.

2. The matter has been examined in consultation with RBI and it is clarified that such amounts received by private companies prior to 1st April, 2014 shall not be treated as 'deposits' under the Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 subject to the condition that relevant private company shall disclose, in the notes to its financial statement for the financial year commencing on or after 1st April, 2014 the figure of such amounts and the accounting head in which such amounts have been shown in the financial statement.

3. Any renewal or acceptance of fresh deposits on or after 1st April, 2014 shall, however, be in accordance with the provisions of Companies Act, 2013 and rules made thereunder.

4. This issues with the approval of the competent authority.

Yours faithfully,

Sd/-
(K.M.S. Narayanan)
Assistant Director (Policy)

Copy to :- 1. e-Governance Section and web contents Officer to place this circular on the Ministry website.

2. Guard File.

General Circular No. 06/2015

File No. 5/3/13-CL.V
Government of India
Ministry of Corporate Affairs

5th floor, 'A' wing, Shastri Bhavan
Dr. R P Road, New Delhi.

Dated 9th April, 2015

All Regional Directors,
All Registrar of Companies,
All Stakeholders.

Subject : Clarification under sub-section (7) of section 186 of the Companies Act, 2013

Sir,

Attention of this Ministry has been drawn to General Circular No 06/2013 dated 14.03.2013 vide which it was clarified that in cases where the effective yield (effective rate of return) on tax free bonds is greater than the yield on prevailing bank rate, there was no violation of Section 372A (31 of companies Act, 1956. Stakeholders have requested for similar clarification w.r.t. corresponding section 186(7) of the Companies Act, 2013.

2. The matter has been examined in the Ministry and it is hereby clarified that in cases where the effective yield (effective rate of return) on tax free bonds is greater than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan, there is no violation of sub-section (7) of section 186 of the Companies Act, 2013.

3. This issues with the approval of competent authority.

Yours faithfully,

Sd/-
(K M S Narayanan)
Assistant Director
Phone 23387263

Copy to :

1. All concerned
2. PS to CAM
3. PS to Secretary
4. PS to A. S.
5. PS to Joint Secretaries
6. E-Governance Cell for uploading this Circular in MCA 21.

<u>**General Circular No. 07/2O15**</u>

F. No. 1/5/2013-CL-V
Government of India
Ministry of Corporate Affairs

5th Floor, A Wing, Shastri Bhavan,
Dr R.P. Road, New Delhi
Dated: 10th April, 2015

To

All Regional Directors,
All Registrars of Companies
All Stakeholders.

Subject : Remuneration to managerial person under Schedule XIII of the Companies Act, 1956 - Clarification with regard to payment for period.

Sir,

Stakeholders have drawn attention to the provisions of Schedule XIII (sixth proviso to Para (C) of Section II of Part II) of the Companies Act, 1956 (Earlier Act) and as clarified vide Circular number 14/11/2O12-CL-VII dated 16th August,2012, which allowed listed companies and their subsidiaries to pay remuneration, without approval of Central Government, in excess of limits specified in para II Para (C) of such Schedule if the managerial person met the conditions specified therein. Stakeholders have expressed that since similar provisions are not available in the Schedule V of the Companies Act, 2013, there is a need for a clarification that a managerial person appointed in accordance with such provision of Schedule XIII of Earlier Act may receive relevant remuneration for the period as approved by the company in accordance with such provisions of Earlier Act.

2. The matter has been examined in the light of earlier clarifications on transitional matters issued by the Ministry. It is clarified that a managerial person referred to in para 1 above may continue to receive remuneration for his remaining term in accordance with terms and conditions approved by company as per relevant provisions of Schedule XIII of earlier Act even if the part of his/her tenure falls after 1st April, 2014.

3. This issues with the approval of the competent authority.

Yours faithfully

Sd/-

(K. M. S. Narayanan)

Assistant Director (Policy)

23387263

Copy to:-

1. e-Governance Section and web contents Officer to place this circular on the Ministry website
2. Guard File.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY, PART II. SECTION 3, SUB-SECTION (ii)]

GOVERNMENT OF INDIA

MINISTRY OF CORPORATE AFFAIRS

Order

New Delhi, the 10th April, 2015

S.O. _(E).- In exercise of the powers conferred by sub-section (11) of section 143 of the Companies Act, 2013 (18 of 2013) and in supersession of the Companies (Auditor's Report) Order, 20O3, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 480 (E), dated the 12th June, 2003, except as respects things done or omitted to be done before such supersession, the Central Government, after consultation with the Institute of Chartered Accountants of India, constituted under the Chartered Accountants Act, 1949 (38 of 1949), hereby makes the following Order, namely:-

1. Short title, application and commencement. - (1) This order may be called the Companies (Auditor's Report) Order,20l5.

(2) It shall apply to every company including a foreign company as defined in clause (42) of section 2 of the Companies Act, 2O13 (18 of 2O13) [hereinafter referred to as the Companies Act], except –

(i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(ii) an insurance company as defined under the Insurance Act,1938 (4 of 1938):

(iii) a company licensed to operate under section 8 of the Companies Act;

(iv) a One Person Company as defined under clause (62) of section 2 of the Companies Act and a small company as defined under clause (85) of section 2 of the Companies Act; and

(v) a private limited company with a paid up capital and reserves not more than rupees fifty lakh and which does not have loan outstanding exceeding rupees twenty five lakh from any bank or financial institution and does not have a turnover exceeding rupees five crore at any point of time during the financial year.

(3) It shall come into force on the date of its publication in the Official Gazette.

2. Auditor's report to contain matters specified in paragraphs 3 and 4. - Every report made by the auditor under section 143 of the Companies Act, on the accounts of every company examined by him to which this Order applies for the financial year commencing on or after 1st April, 2014, shall contain the matters specified in paragraphs 3 and 4.

3. Matters to be included in the auditor's report. - The auditor’s report on the account of a company to which this Order applies shall include a statement on the following matters, namely:-

(i) (a) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;

(b) whether these fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account;

(ii) (a) whether physical verification of inventory has been conducted at reasonable intervals by the management;

(b) are the procedures of physical verification of inventory followed by the management reasonable and adequate in relation to the size of the company and the nature of its business. If not, the inadequacies in such procedures should be reported;

(c) whether the company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification and if so, whether the same have been properly dealt with in the books of account;

(iii) whether the company has granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act. If so,

(a) whether receipt of the principal amount and interest are also regular; and

(b) if overdue amount is more than rupees one lakh, whether reasonable steps have been taken by the company for recovery of the principal and interest;

(iv) is there an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Whether there is a continuing failure to correct major weaknesses in internal control system.

(v) in case the company has accepted deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, where applicable, have been complied with? If not, the nature of contraventions should be stated; If an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not?

(vi) where maintenance of cost records has been specified by the Central Government under sub-section (l) of section 148 of the Companies Act, whether such accounts and records have been made and maintained:

(vii) (a) is the company regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities and ii not, the extent of the arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated by the auditor.

(b) in case dues of income tax or sales tax or wealth tax or service tax or duty of customs or duty of excise or value added tax or cess have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (A mere representation to the concerned Department shall not constitute a dispute).

(c) whether the amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within time.

(viii) whether in case of a company which has been registered for a period not less than five years, its accumulated losses at the end of the financial year are not less than fifty per cent of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year;

(ix) whether the company has defaulted in repayment of dues to a financial institution or bank or debenture holders? If yes, the period and amount of default to be reported:

(x) whether the company has given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company;

(xi) whether term loans were applied for the purpose for which the loans were obtained;

(xii) whether any fraud on or by the company has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated.

4. Reasons to be stated for unfavourable or qualified answers.- (1) Where, in the auditor's report, the answer to any of the questions referred to in paragraph 3 is unfavourable or qualified, the auditor's report shall also state the reasons for such unfavourable or qualified answer, as the case may be.

(2) Where the auditor is unable to express any opinion in answer to a particular question, his report shall indicate such fact together with the reasons why it is not possible for him to give an answer to such question.

[File No. 17/45/2015- CL-V]

Sd/-

Amardeep Singh Bhatia

Joint Secretary to the Government of India

Associate Partner

DUBAI GLOBAL CONVENTION 2015

25th World Congress on

Leadership for Business Excellence & Innovation

&

Presentation of Golden Peacock Awards

20 – 22 **April 2015**, Hotel The Meydan, Dubai (UAE)

Theme: Leading 21st Century Organisation through 'ICE' (Innovation, Creativity & Excellence)

Dear Professional Colleagues,

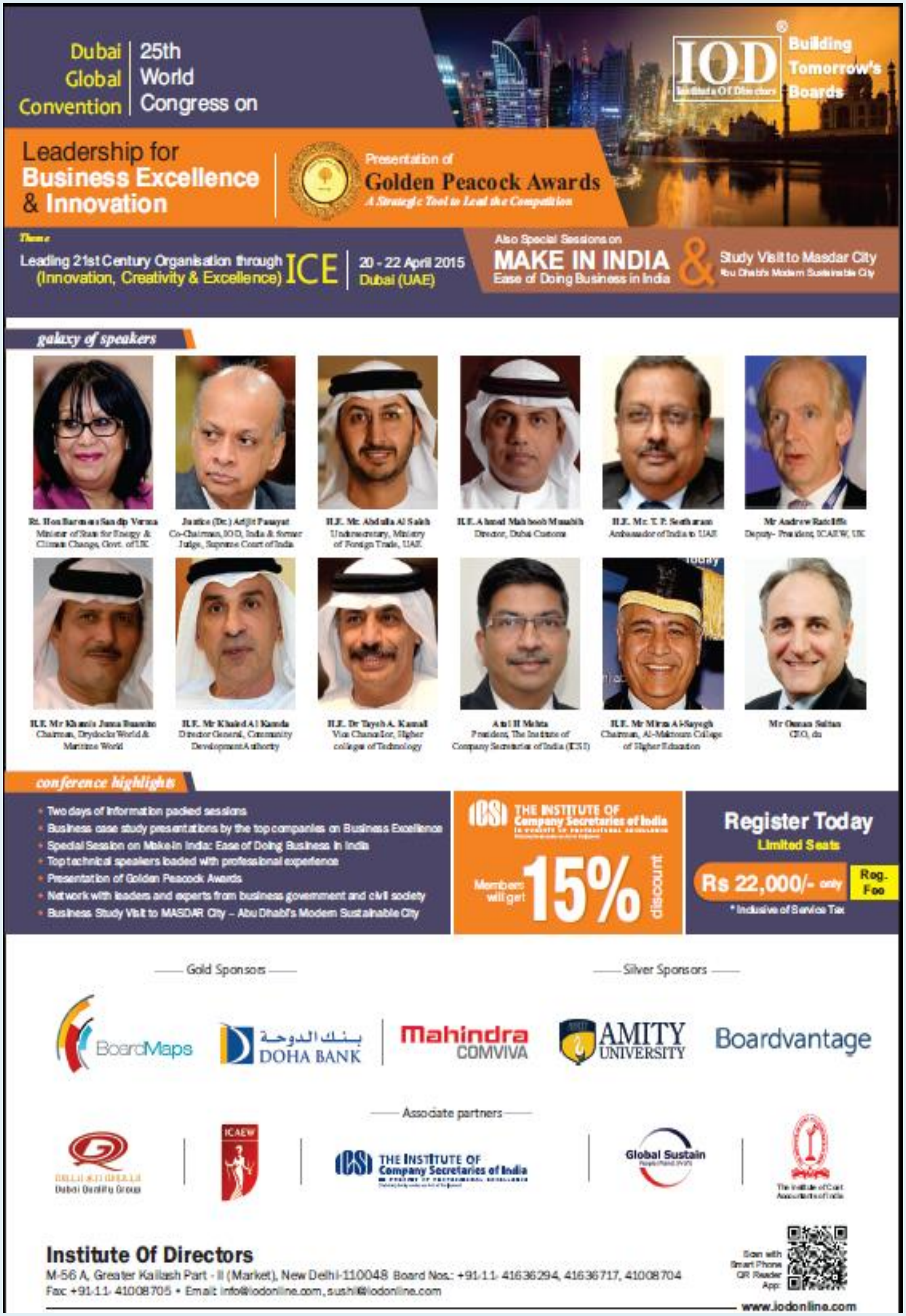
We are pleased to inform you that the Institute is **Associate Partner** with Institute of Directors in organising **Dubai Global Convention** on April 20-22, 2015 *at Dubai (UAE)*. Convention advertisement is appended below for your information.

Members of ICSI would be entitled for a **15% discount** on the regular delegate fee of Rs. 22,000 and also **8 Programme Credit Hours (PCH)** for attending the above convention.

For further details & registration visit http://iodonline.com/dubai-global-convention-2015.html or contact Mr. Sushil Kumar, Group Manager, Institute of Directors at sushil@iodonline.com /+91-11-41636717. The registration and attendance confirmation may be sent to rakesh.kumar@icsi.edu for record updation and credit of PCH.

Regards,

(CS Atul H. Mehta)
President



Dubai Global Convention
25th World Congress on
IOD Institute Of Directors
Building Tomorrow's Boards
Leadership for Business Excellence & Innovation
Presentation of Golden Peacock Awards
A Strategic Tool to Lead the Competition
Theme
Leading 21st Century Organisation through ICE (Innovation, Creativity & Excellence)
20 - 22 April 2015 Dubai (UAE)
Also Special Sessions on
MAKE IN INDIA
Ease of Doing Business in India
&
Study Visit to Masdar City
Abu Dhabi's Modern Sustainable City
galaxy of speakers
Rt. Hon Baroness Sandip Verma
Minister of State for Energy & Climate Change, Govt. of UK
Justice (Dr.) Arijit Pasayat
Co-Chairman, IOD, India & former Judge, Supreme Court of India
H.E. Mr. Abdulla Al Saleh
Undersecretary, Ministry of Foreign Trade, UAE
H.E. Ahmed Mahboob Musabih
Director, Dubai Customs
H.E. Mr. T. P. Seetharam
Ambassador of India to UAE
Mr Andrew Ratcliffe
Deputy- President, ICAEW, UK
H.E. Mr Khamis Juma Buamim
Chairman, Drydocks World & Maritime World
H.E. Mr Khalid Al Kamda
Director General, Community Development Authority
H.E. Dr Tayeb A. Kamali
Vice Chancellor, Higher colleges of Technology
Atul H Mehta
President, The Institute of Company Secretaries of India (ICSI)
H.E. Mr Mirza Al-Sayegh
Chairman, Al-Maktoum College of Higher Education
Mr Osman Sultan
CEO, du
conference highlights
Two days of information packed sessions
Business case study presentations by the top companies on Business Excellence
Special Session on Make-in India: Ease of Doing Business in India
Top technical speakers loaded with professional experience
Presentation of Golden Peacock Awards
Network with leaders and experts from business government and civil society
Business Study Visit to MASDAR City – Abu Dhabi's Modern Sustainable City
ICSI THE INSTITUTE OF Company Secretaries of India
Members will get 15% discount
Register Today
Limited Seats
Rs 22,000/- only
Reg. Fee
* Inclusive of Service Tax
Gold Sponsors
Silver Sponsors
BoardMaps
بنك الدوحة DOHA BANK
Mahindra COMVIVA
AMITY UNIVERSITY
Boardvantage
Associate partners
Dubai Quality Group
ICAEW
THE INSTITUTE OF Company Secretaries of India
Global Sustain
The Institute of Cost Accountants of India
Institute Of Directors
M-56 A, Greater Kailash Part - II (Market), New Delhi-110048 Board Nos.: +91-11- 41636294, 41636717, 41008704
Fax: +91-11- 41008705 • Email: info@iodonline.com, sushil@iodonline.com
Scan with Smart Phone QR Reader App
www.iodonline.com

Articles / Reviews invited for *e-CS Nitor*

We invite the members to contribute articles/checklist/reviews/points of view or any other relevant material pertaining to the Corporate Laws, Securities Laws, Corporate Governance, Taxation, Insurance etc. for inclusion in the coming issues of ***e-CS nitor*** through e-mail at: ecsnitor@icsi.edu. The article should ordinarily have 1500 to 2000 words.