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ICSI-NIRC NEWSLETTER

INSIGHT

CORPORATE RESTRUCTURING

CONTENT

Inside:

Published by :

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NIRC-ICSI NEWSLETTER

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FROM THE CHAIRMAN

FROM THE CHAIRMAN

Dear Professional Colleagues,

Friends, as this is my last communication with you all as Chairman - NIRC of ICSI for the year 2021, I would like to take this opportunity to express my sincere gratitude to the almighty for providing me strength with which, I could perform my duties to the best of my capabilities as Chairman. I must say that the year was full of new challenges, there was pandemic situation for few months and we frequently need to switch between physical and virtual events.

Friends, as the member and students of the ICSI, we know the importance of knowledge and updation of knowledge. We tried to enhance the knowledge through the various Programs for Members and Students. We organized the Two Days Regional Conference after a gap of almost 5 years, other than Professional Development Programs during the 2nd wave we could able to organize free of cost webinars on Covid 19 and there was direct interaction of participants with Doctors, we also worked on development of infrastructure which includes installation of Lift at NIRO building, we also organized first ever Cricket Tournament of NIRC, the teams were compromised of members and students of different part of Northern Region. I am thankful to all the Chief guests/Guests of honors/Guest Speakers/Doctors/Sponsors and also to all the members for taking part in our initiatives and making them successful.

I am also thankful to President, ICSI, Vice-President, ICSI, Central Council Members, Colleague's at Regional Councils, Chapters chairmen, managing committee members of Chapters, all officials working at Institute's HQ and NIRO for their seamless and unconditional support for all activities of NIRC.

Friends, few of the activities organized during the year is as follows:

Seminars/ State Conferences

ICSI-NIRC organized back-to-back Seminars and State Conferences whenever we got the opportunity for Professional Development of members. We could not able to do many Physical Seminars for almost two quarters due to horrendous Covid 19. But we tried and managed to organize many state conferences so that the members of these states can take benefit from the rich deliberations of expert speakers and further this could lead to better networking.

One such Conference i.e Rajasthan State Conference held on 18th December, 2021 on theme Rajasthan A New Hub of Small Industries at Pushkar. Shri Suresh Singh Rawat, MLA- Pushkar was the Chief Guest of the Conference. CS Satyendra P. Khorania, Insolvency Professional-IBBI took session on the topic IBC and Other Law Applicable on Small Industries and Mr. R.S. Choyal, Executive Director, Choyal Group took session on topic Motivation and Entrepreneurship. I am thankful the Chief Guest, Guest Speakers and Ajmer, Bhilwara, Jodhpur and Udaipur Chapters for organizing the State Conference.

Master Classes/ Webinars

We started the year with Master Classes & Webinars and switched to Physical Programs in between. The objective of these Virtual Classes & Webinars was to have discussion among members on the subjects of current / new subjects on continuous basis. We organized series of free webinars during the peak of Covid 19 in the month of May & June on the topic which helped all during pandemic times. We also organized webinars on GST, FEMA etc.

Recently NIRC organized Webinar on 5th January, 2022 on the theme 'Achievements @75'. I am thankful to Shri Gopal Krishna Agarwal ji, National Spokesperson, Bharatiya Janata Party (Economic Affairs) for sparing his time and sharing his thoughts with the participants. The Webinar was attended by more than 700 participants.

NIRC organized Webinar on 16th January, 2022 on the theme 'Corporate Governance - Issues, Opportunities and Challenges'. CS Savithri Parekh, Company Secretary and Compliance Officer, Reliance Industries Ltd. was the Guest Speaker on topic Related Party Transactions and CS Dipti Mehta, Founder Partner, Mehta & Mehta, Company Secretaries took session on Secretarial Due Diligence. The Webinar was attended by good number of participants.

Covid-19 Vaccination Drive for Members of ICSI & Their Family Members

I am happy and content to share that Northern India Regional Council organized a Covid-19 Vaccination Drive for Members of ICSI & their family members in association with ICAI & ICMAI on 31st May 2021 at Anuvrat Bhawan, Deendyal Upadhaya Marg, ITO, New Delhi.

Placement Drives

In the interest of the members of our esteemed Institute, two Placement Drives were organized by the ICSI-NIRC for recruitment of CS Professionals. We tried to organize Physical Placement Drive on 10th January, 2022 but due to increase in number of Covid 19 cases, we shifted the Drive to Online mode. Here I must thank the Recruiters who registered themselves for the Placement Drives.

Inauguration of Newly Installed Lift At ICSI-NIRC Building, 4, Prasad Nagar Institutional Area, New Delhi

Newly Installed Lift got inaugurated on 2nd November, 2021 at the premises of NIRO. I am thankful to ICSI Head Office and NIRO staff. I am sure that this will help the stakeholders in reaching the secretariat building.

Brand Building

Career Awareness Programs in Schools and Colleges through Physical and Online Mode

NIRC organized Many Career Awareness Programs through Physical as well as Online mode for students of class XI, XII and colleges. Around 60 Career Awareness Programs & 2 Career Fairs were organized at Delhi for Schools, Colleges & Institute of repute.

FROM THE CHAIRMAN

Online Teachers' Conclave for Faculties of Colleges and School Teachers

NIRC organized Online Teachers' Conference on the theme "Empowering Educators" on Saturday, the 11th September, 2021 for faculties. The Conference was attended by more than 100 Faculties.

Online Mega Career Awareness Program for Students and Teachers

NIRC organized Online Mega Career Awareness Program for Students and Teachers of Kendriya Vidyalaya and Public Schools from different Part of Northern Region on 6th June, 2021. The Program is viewed by more than 2500 students and Teachers on youtube.

MOU for Academic Collaboration

With a view to build up synergies, NIRC tried and succeeded in Academic Collaboration with the Universities and Institutions across the Northern Region. It includes collaboration regarding ICSI Signature Award, ICSI Study Centre Scheme, Empanelment of Faculties as Trainers, ICSI Library Scheme, National and International Seminars and workshops, Faculty Development Programmes and Other aspects.

NIRC Premier Cricket League

NIRC of the ICSI successfully organized NIRC Premier Cricket League in the month of December, 2021 at St. Stephens Cricket Grounds, Tis Hazari, Delhi. Total 8 Teams comprising of Members & Students of ICSI participated in the League. I am thankful to all the Teams and Players for playing with the sportsman spirit and giving their 100% to the League. I am also thankful to all the sponsors of the event.

Student Activities

NIRC of the ICSI successfully organized MSOP's, EDP's, PDP's, Moot Court Competition, Debate Competition and various other activities during Yuvotsav and student's months. I am thankful to all the faculties and students for choosing NIRC for completing their training and joining the activities at NIRC.

At the last I pray for development of the Institute, Members, Students and our Great Nation.

Stay Safe, Stay Healthy & Take Care!

With best regards,

CS Vimal Gupta
Chairman, NIRC-ICSI
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chairman.nirc@icsi.edu.

GLIMPSES

GLIMPSES

ICSI Convocation of Northern Region – 28th December, 2021

GLIMPSES

ICSI-NIRC Rajasthan State Conference - 18th December, 2021

L to R: CS Mohit Vanawat, Chairman, Udaipur Chapter of ICSI-NIRC, CS Sumit Kachhara ,Chairman, Bhilwara Chapter of ICSI-NIRC, CS Keshav Rathi, Chairman, Jodhpur Chapter of ICSI-NIRC, CS Meena Menghani, Chairperson, Ajmer Chapter of ICSI-NIRC, Shri Suresh Singh Rawat, MLA- Pushkar, CS Vimal Gupta, Chairman, ICSI-NIRC and CS Himanshu Harbola, Treasurer, ICSI-NIRC.

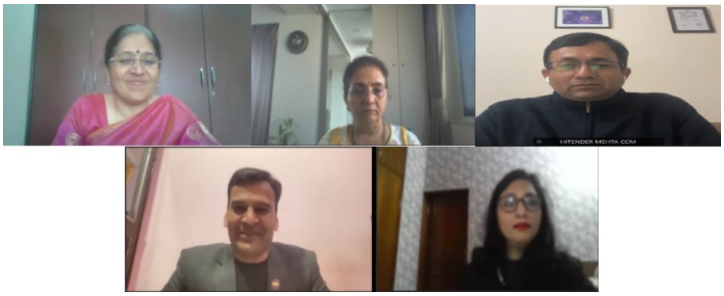
Inaugural Function – 329th MSOP

CS Vimal Gupta, Dr. Himanshu Srivastava, CS Hitender Mehta, Council Member, ICSI, CS Suresh Pandey, Immediate Past Chairman & Regional Council Member, ICSI-NIRC, CS Surya Kant Gupta, Regional Council Member, ICSI-NIRC and CS Saurabh Kalia, Regional Council Member, ICSI-NIRC addressing the Participants.

Webinar on Achievements @ 75

CS Vimal Gupta, Shri Gopal Krishna Agarwal ji, National Spokesperson, Bharatiya Janata Party (Economic Affairs), CS Saurabh Kalia, CS Monika Kohli, Regional Council Member, ICSI-NIRC and CS Sonia Baijal, Regional Director, ICSI-NIRC.

Webinar on Corporate Governance - Issues, Opportunities and Challenges



CS Savithri Parekh, Company Secretary and Compliance Officer, Reliance Industries Ltd., CS Dipti Mehta, Founder Partner, Mehta & Mehta, Company Secretaries, CS Hitender Mehta, CS Vimal Gupta and CS Monika Kohli.

ARTICLES

ARTICLE

CORPORATE RECONSTRUCTURING

CS Deepti Grover*, FCS
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A Company's Life Jacket

Restructuring is the corporate management term for the act of reorganizing the legal, ownership, operational, or other structures of a company for the purpose of making it more profitable, or better organized for its present needs.

Introduction

Corporate restructuring is the process involved in changing the organisation of a business. This involves significantly changing an entity's business model, financial structure, or management team, to address challenges and increase value for stakeholders. The corporate restructuring may involve employee retrenchment at any scale, or bankruptcy or both. Restructuring processes are usually designed to reduce the impact on employees, and statutory laws are also designed to protect the interest of the employees first. Corporate restructuring is an inorganic growth strategy.

Scope of Corporate Restructuring

The scope of corporate restructuring includes cost reduction, enhancing the economies of scale, improving efficiency, and generating greater profits. Sometimes, to grow or even survive, a business may need to restructure itself and focus on competitive advantage. The corporate restructuring may mean different processes and strategies at different times for different companies and the common goal in every case of restructuring is to eliminate the disadvantages and consolidate the advantage. Therefore, corporate restructuring is employed both as a correction strategy and as a growth strategy.

Kinds of Restructuring:

The Restructuring exercise can be classified into different types based on the motive with which it is done. Generally, the different methods of corporate restructuring can be divided into these types:

- **Financial Restructuring** : which deals with the restructuring of capital base and raising finance for new projects. This involves decisions relating to acquisitions, mergers, joint ventures and strategic.

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- **Technological Restructuring** : alliances which involves, inter alia, alliances with other companies to exploit technological expertise Technological Restructuring.
- **Market Restructuring** : which involves decisions with , respect to the product market segments, where the company Market Restructuring plans to operate based on its core competencies.
- **Organizational Restructuring**: which involves decisions with respect to the product market segments, where the company plans to operate based on its core competencies.

Reasons for Corporate Restructuring

The various needs for undertaking a Corporate Restructuring exercise are as follows:

1. To focus on core strengths, operational synergy and efficient allocation of managerial capabilities and infrastructure.
2. Consolidation and economies of scale by expansion and diversion to exploit extended domestic and global markets.
3. Revival and rehabilitation of a sick unit by adjusting losses of the sick unit with profits of a healthy company.
4. Acquiring constant supply of raw materials and access to scientific research and technological developments.
5. Capital restructuring by appropriate mix of loan and equity funds to reduce the cost of servicing and improve return on capital employed.
6. Improve corporate performance to bring it at par with competitors by adopting the radical changes brought out by information technology

Corporate restructuring strategies

- **Mergers**: Merger is a strategy wherein two or more businesses are merged either by way of amalgamation or absorption. Mergers may be: – (i) horizontal, (ii) vertical, (iii) co generic, and (iv) conglomerate.
- **Demerger**: In a Demerger, certain business operations of an entity are segregated into one or more entities. A demerger strategy is undertaken to unlock the value of a particular business and enable it to operate smoothly with more focus.
- **Reserve Merger**: According to the explanation provided by the Institute of Company Secretaries of India, a reverse merger is a strategy where a private company acquires the majority shares of a public company, under its name and in the process becomes a public listed company itself without causing an initial public offering.
- **Disinvestment**: Disinvestment is a strategy where an entity, a conglomerate, or a government sells or liquidates an asset or a business unit.
- **Takeovers**: Takeover is also known as acquisition. In a takeover/acquisition the acquirer attempts to gain control of the target company to achieve market supremacy. It may be a friendly or a hostile takeover.

- **Joint Venture**: A joint venture is a corporate strategy wherein an entity is formed by two or more companies to undertake a financial activity together. The companies agree to contribute equity to form a new entity and share the revenues, expenses, and control of the company. Joint ventures are set up for fixed periods and they may be either project-based or functional-based.
- **Strategic Alliance**: Strategic alliance is an agreement between two or more parties to collaborate, to achieve certain objectives while continuing to remain independent organizations.
- **Slump Sale**: It is the transfer of one or more businesses or undertakings as a 'going concern' and for a lump-sum sale value without specific values being assigned to the individual assets and liabilities.
- **Management Buyout :** A management buyout (MBO) is a transaction where a company's management team purchases the assets and operations of the business they manage.

Corporate Restructuring : The Process

Below is a general overview of the process mostly adopted in routine corporate restructuring cases and this is not applicable for restructuring that is mandatorily caused under the force of the law.

- **Identifying potential targets**: This stage of the process involves identification and preliminary review of external targets, in case of acquisition strategy. However, this process may also be internally looking wherein the management tries to identify internal business units, group companies, or subsidiaries for integration or spin-off via demerger, reverse merger, or other possible restructuring strategies.
- **Due Diligence**: Once a target has been engaged, the important stage of deep investigation of the target is undertaken. All relevant facts and information are gathered, research and analysis are carried out and a due diligence report is prepared for management decision support. Such investigation helps determine the real value of the subject and reveals whether the target is really what it looks like. Due diligence is most helpful for the management of the acquirer if it is a 360-degree process covering financial, legal, human resource, and business aspects of the target.
- **Business Valuation**: Business valuation or assessment includes the examination and evaluation of both the present and future market value of the target company. This stage of the process is different from due diligence because due diligence involves investigation and reporting while this stage involves evaluation, projection, and estimations.
- **Planning**: The stage of planning is not necessarily after business valuation nor is it chronologically glued to the present position. Planning is an ongoing process, but the finalisation of this process needs to happen now because the next stage in the process will involve the implementation of the plan. Planning the structuring of the deal, the steps of compliance and the deadlines for each such step, the process of integration, the plan to deal with the employees, retrenchment packages if applicable and accompanying regulatory compliance, fresh employment contracts, novation of contracts, assignments of contracts, planning for registration and et all must be done now and kept ready.

- **Executing the deal**: Time to put all that planning into practice, put in the hard work and improvise in the face of uncertainty, all while also implementing innovative marketing and outreach campaigns to allay apprehensions of customers, suppliers, and external stakeholders of the target.
- **Integration**: This stage comprises preparation and execution of the final contracts, and post-restructuring processes come into play from this stage for completing the integration or spin-offs and set the stage for successful day to day functioning in the new avatar.

Legal Framework of Corporate Restructuring

Corporate Restructuring in India is governed by the following Acts, Rules, etc.:

1. Chapter XV of The Companies Act, 2013 (the Act)
2. Companies (Compromises, Arrangements, and Amalgamations) Rules, 2016
3. Income Tax Act, 1961
4. Accounting Standards
5. Foreign Exchange Management Act,1999
6. Competition Act, 2002
7. Intellectual Property Rights
8. Indian Stamp Act, 1899
9. State Stamp Acts
10. Insolvency and Bankruptcy Code, 2016

OBITUARY

'ICSI-NIRC' deeply regrets the sad demise of CS Deepak Kumar Khaitan ji, Council Member, ICSI (2019-2022). May the Almighty bestow courage to the bereaved family members to withstand the irreparable loss.

May the departed soul rest in peace

ARTICLE

CORPORATE RECONSTRUCTURING

CS Ritu Nagpal,*ACS
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Corporate Restructuring

Is the process involved in changing the organisation of a business. This involves significantly changing an entity's business model, financial structure, or management team, to address challenges and increase value for stakeholders. The corporate restructuring may involve employee retrenchment at any scale, or bankruptcy or both. Restructuring processes are usually designed to reduce the impact on employees, and statutory laws are also designed to protect the interest of the employees first.

It is an expression that connotes a restructuring process undertaken by business enterprises for the purpose of bringing about a change for the better and to make the business competitive.

However, sometimes a business simply cannot generate enough revenue and for a variety of other reasons, might be hurtling towards failure and probable demise. Even in such situations, a business can be saved from total closure through corporate restructuring strategies. Comparison of various commentaries on a conceptual study of corporate restructuring could be confusing because what one author may refer to as 'type' of corporate restructuring, the other may refer to as a 'strategy' of corporate restructuring, and none of them may be incorrect, therefore it is paramount to keep this in mind while studying works of different authors on this subject.

Corporate Restructuring Strategies

- **Mergers:** A Merger can be defined as the fusion or absorption of one company by another. It may be understood as an arrangement whereby the assets of two or more companies get transferred to, or come under the control of one company (which may or may not be one of the original two companies). The Shareholders of the company whose identity have been merged are then issued shares in the capital of the new merged company in accordance with Share Exchange Ratio. Merger is a strategy wherein two or more businesses are merged either by way of amalgamation or absorption.
- Where, amalgamation is an 'arrangement' or 'reconstruction'. Amalgamation is a legal process by which two or more companies are joined together to form a new entity or one or more companies are to be absorbed or blended with another and as a consequence the amalgamating company loses its existence and its shareholders become the shareholders of new company or the amalgamated company. Mergers may be: – (i) horizontal, (ii) vertical, (iii) co-generic, and (iv) conglomerate.

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- **Demerger:** In a Demerger, certain business operations of an entity are segregated into one or more entities. A demerger strategy is undertaken to unlock the value of a particular business and enable it to operate smoothly with more focus.
- **Reverse Merger:** According to the explanation provided by the Institute of Company Secretaries of India, a reverse merger is a strategy where a private company acquires the majority shares of a public company, under its name and in the process becomes a public listed company itself without causing an initial public offering.
- **Disinvestment:** Disinvestment is a strategy where an entity, a conglomerate, or a government sells or liquidates an asset or a business unit. In simple terms, when a corporate entity sells out or liquidates an asset or subsidiary, it is known as "divestiture".
- **Takeovers/Acquisition**: Takeover is also known as acquisition. In a takeover/acquisition the acquirer attempts to gain control of the target company to achieve market supremacy. It may be a friendly or a hostile takeover.
- **Joint-Venture**: A joint venture is a corporate strategy wherein an entity is formed by two or more companies to undertake a financial activity together. The companies agree to contribute equity to form a new entity and share the revenues, expenses, and control of the company. Joint ventures are set up for fixed periods and they may be either project-based or functional-based.
- **Strategic Alliance**: Strategic alliance is an agreement between two or more parties to collaborate, to achieve certain objectives while continuing to remain independent organizations.
- **Slump Sale**: It is the transfer of one or more businesses or undertakings as a 'going concern' and for a lump-sum sale value without specific values being assigned to the individual assets and liabilities.

Benefits

Mergers, amalgamations and acquisitions are forms of inorganic growth strategy. Such corporate restructuring strategies have one common goal viz. to create synergy. Such synergy effect makes the value of the combined companies greater than the sum of the two parts. Basically, synergy may be in the form of increased revenues and/or cost savings. Corporate Restructuring aims at improving the competitive position of an individual business and maximizing its contribution to corporate objectives.

Through mergers and acquisitions, companies hope to benefit from the following:

1. **Increase in Market Share –** Merger facilitates increase in market share of the merged company. Such rise in market share is achieved by providing an additional goods and services as needed by clients. Horizontal merger is the key to increasing market share. **(E.g. Idea and Vodafone)**
2. **Reduced Competition** – Horizontal merger results in reduction in competition. Competition is one of the most common and strong reasons for mergers and acquisitions. **(HP and Compaq)**
3. **Large size –** Companies use mergers and acquisitions to grow in size and become a dominant force, as compared to its competitors. Generally, organic growth strategy takes years to achieve large size. However, mergers and acquisitions (i.e. inorganic growth) can achieve this within few months. **(E.g. Sun Pharmaceutical and Ranbaxy Pharmaceutical)**
4. **Economies of scale –** Mergers result in enhanced economies of scale, due to which there is reduction in cost per unit. An increase in total output of a product reduces the fixed cost per unit.
5. **Tax benefits –** Companies also use mergers and amalgamations for tax purposes. Especially, where there is merger between profit making and loss-making company. Major income tax benefit arises from set-off and carry forward provision u/s 72A of the Income-tax Act, 1961

6. **New Technology –** Companies need to focus on technological developments and their business applications. Acquisition of smaller companies helps enterprises to control unique technologies and develop a competitive edge. **(E.g. Dell and EMC)**
7. **Strong brand** – Creation of a brand is a long process; hence companies prefer to acquire an established brand and capitalize on it to earn huge profits. **(E.g. Tata Motors and Jaguar)**
8. **Domination –** Companies engage in mergers and acquisitions to become a dominant player or market leader in their respective sector. However, such dominance shall be subject to regulations of the Competition Act, 2002. **(E.g. Oracle and I-Flex Technologies)**
9. **Diversification –** Amalgamation with companies involved into unrelated business areas leads to diversification. It facilitates the smoothening of business cycles effect on the company due to multiplicity of businesses, thereby reducing risk. **(E.g. Reliance Industries & Network TV18)**
10. **Revival of Sick Company –** Today, the Insolvency and Bankruptcy Code, 2016 has created additional avenue of acquisition through the Corporate Insolvency Resolution Process.

Notable mergers/demergers/acquisitions that took place are Myntra acquiring Jabong, RIL acquiring Network TV18, Sun Pharma absorbing Ranbaxy; Wirpo demerger, Reliance Industries demerger.

Instances of beneficial corporate restructuring

1. Tata Steel Ltd. acquired overseas Corus Group Plc. that drastically improved the production synergies for Tata Steel Ltd. through the acquisition, Tata Steel Ltd. could combine its low-cost production with the high quality of Corus. It resulted utilization of wide retail and distribution network, technology transfer and enhanced R&D capabilities.
2. L&T Ltd. demerged its cement division into a separate company Ultratech Cement Co. Ltd. Later, the resulting company was transferred to Grasim Industries (Aditya Birla Group). Post deal, L&T benefited from realized value of its cement division and focus on their core businesses such as engineering and construction. Grasim Ind. was benefited through economies of scale, increased capacity, overall competitiveness, multifunctional synergies and combined resource pool.
3. Bharti Airtel Ltd. acquired Zain Telecom (Africa business) through a leveraged buyout strategy. The acquisition of Zain Africa International BV was majorly financed through borrowed funds. Bharati Airtel formed a Special Purpose Vehicle (SPV) and the deal was structured through the SPV. Hence, the Balance Sheet of Bharati Airtel was untouched. However, as a guarantor for special purpose vehicles, Bharti Airtel assumes full responsibility.
4. Dr. Reddy's Laboratory Ltd. is known for their inorganic growth strategies. Since its formation in 1984, it has acquired many companies such as Benzex Lab (1984), Meridian Healthcare (2002), Falcon (2005), Betapharm (2006), DowPharma Small Molecules Business (2008), BASF (2008), Alliance with GlaxoSmithKline (2009).
5. Piramal Healthcare transferred its undertaking (Formulation business) to Abbot Healthcare on a slump sale basis. The deal was finalized for a lumpsum consideration. The deal also contained a non-compete clause, which prohibited Primal group from entering in similar formulation business. As per Section 50B of the Income Tax Act, capital gains arising from the deal were taxed, without any indexation benefit (applicable for long term assets).

ARTICLE

CORPORATE RESTRUCTURING STRATEGIES IN POST PANDEMIC RECOVERY

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The Perspective

The outlook for the corporate sector has taken on increasing relevance around the globe, following the massive shock that countries experienced as a result of the COVID-19 pandemic. Moreover, corporations are now facing increased stress, with notable differences across sectors and across firm sizes. Very few organizations will avoid the effects of the pandemic. Those that have been most adversely affected can turn to restructuring solutions as markets emerge from the crisis. Globally as well, companies are grappling with significant disruptions and uncertainties in terms of managing and operating their businesses. It would thus be imperative to take corrective actions for traversing through such business operation challenges such as foreseeable losses, disrupted supply chains, blocked working capital, liquidity crisis and business continuity risk. In such challenging times, companies need to assess the possible impact of Covid-19 on their businesses and appropriately plan for the future course of action.

Emerging Business Scenario and the need for restructuring

In such challenging times, companies need to assess the possible impact of Covid-19 on their businesses and appropriately plan for the future course of action. Restructuring is a complex and lengthy process. It involves many stakeholders with agendas debtors, secured and unsecured creditors, bondholders, committees, and potentially regulatory agencies and requires that these numerous constituents are all working from the same base of information. This can be challenging, even in normal times, but the COVID-19 crisis has introduced a whole new set of complexities that need to be navigated.

Businesses now operate in a set of circumstances that has been reshaped by a pandemic. For some businesses, the need for change may be painfully obvious, and corporate restructuring strategies must be considered in the more narrow, traditional sense. But for other companies experiencing a milder post pandemic impact, there still may be a benefit in seeing their future through a restructuring lens.

Strategies for Corporate Restructuring

It would be important to revisit and re-think strategy for restructuring opportunities to align their businesses, acquisitions and structures for their survival and resurgence. In such scenario, it would be pertinent to explore some of the strategies to create a significant footprint in the new normal which are analyzed below:

Avoid denial. To paraphrase the writer Foster Wallace, sometimes the most obvious and important realities are the ones that are hardest to see. Accept the reality of the situation and engage honestly with stakeholders to identify and implement the correct solutions before it is too late to avoid insolvency. That includes taking the right steps to transform the business in the context of a post pandemic world. Build a robust and sustainable business plan based on realistic recovery expectations that will position the business with the right capital structure to go forward.

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Embrace transformational change. As the post pandemic economic recovery slowly takes hold, now is the time for companies to embrace more holistic and radical transformational change to emerge stronger for the next normal. The key will be to balance this within any liquidity constraints and achieve a position where the transformation is self-funding very early on. Companies can take the following steps

Reimagining purpose and value agenda. The COVID-19 crisis has spurred organizations to consider several big questions to better meet customer and employee needs: Who are we? How do we operate? How will we grow? The answers to these questions will help shape how companies will look in the post pandemic future

Radically changing how they operate to reduce structural complexity and increase speed - getting things done well and fast. That includes developing a bias to action while retaining and developing the right talent to deliver on the value agenda.

Innovating their products and services and the markets they operate in. By doing so, companies can meet new trends and changes in consumer behavior (as a result of both the pandemic and pre-COVID shifts) while also divesting noncore businesses to raise funds and reposition the business's focus.

Facing difficult decisions : Some companies may reach a level of strain that requires difficult issues to be addressed within their corporate restructuring strategies. Even at this point, though, the focus should remain consistent: This is about finding, preserving, and enhancing the value of the resources and assets of the organization post pandemic

Internal re-organization :

There may be significant companies in the group which would be in similar, complimentary or supplementary businesses. This may lead to duplicity of cost and restriction in exploiting available resources within the group companies. Alternatively, there could be multiple layer of entities or cross holding structures within the group which would have been in existence due to certain specific purpose or due to earlier acquisitions. Due to the above mentioned reasons, it would become necessary in the present situation to re-assess the necessity of such structures and re-align to optimize costs and utilize available internal resources in a better manner.

Convertibility of debt to equity : Companies which are highly leveraged by borrowing from its overseas group companies would like to reduce the debt level in the company thereby increasing the profitability of the company. This would be relevant where overseas group companies are earning interest income and borrowing company is unable to pay the interest or claim the benefit of deduction for the interest due to losses. It may also result in limitation of interest deduction to 30 per cent of the EBIDTA for tax purposes.

Hence, it may be considered appropriate to convert the existing debt from its overseas group companies into equity or convertible instruments of the company. Alternately, in view of the current slowdown it may be possible to renegotiate the existing borrowings from the overseas group companies so as to stipulate for revised payments schedule or period, moratorium period for interest payment, etc.

Stressed business acquisition : The current pandemic situation has brought businesses and corporates to a standstill. Many impacted businesses might either be looking for survival rather than growth or possible modes to avail funding in the companies to recover and compete back in the market during such economic downturn. The companies which are stable and would like to establish their footprints by expansion into several other businesses would have an opportunity worth exploring. Considering, the valuation being at a long time low, it would be appealing to the investor companies to explore such possible propositions for investments.

Right-size of balance sheet : It is generally used as an internal financial restructuring tool by companies to show a true and fair value of the financial position of the company. It indicates to companies which has huge capital base (including securities premium) with unrepresented assets or accumulated losses. As a result, the balance sheet is distended due to a large share capital/premium on the liability side and which is not represented by tangible assets or has accumulated losses on the asset side. Accordingly, setting-off such unrepresented assets/accumulated losses against the share capital/reserves results in "right sizing" of the balance sheet.

Convertibility of debt to equity : Companies which are highly leveraged by borrowing from its overseas group companies would like to reduce the debt level in the company thereby increasing the profitability of the company. This would be relevant where overseas group companies are earning interest income and borrowing company is unable to pay the interest or claim the benefit of deduction for the interest due to losses. It may also result in limitation of interest deduction to 30 per cent of the EBIDTA for tax purposes. Hence, it may be considered appropriate to convert the existing debt from its overseas group companies into equity or convertible instruments of the company. Alternately, in view of the current slowdown it may be possible to renegotiate the existing borrowings from the overseas group companies so as to stipulate for revised payments schedule or period, moratorium period for interest payment, etc.

Optimal capital structure : Profitable companies with significant cash reserves available and envisaging to reward its shareholders could possibly resort to the traditional modes, such as dividend or buy-back of shares. Alternatively, companies which have cash reserves but are unable to distribute the same due to lack of accumulated profits may analyze or resort to the option of capital reduction for distributing the surplus cash in the company.

Minority squeeze out : Minority public shareholders in companies could act as possible obstacle in the effective management of the companies of the business owners. Thus, a public unlisted company having minority public shareholders would seek to become a wholly owned subsidiary of the parent entity. In this regards, minority buy-out can be achieved either by way of capital reduction or a purchase of the minority shareholders under a mechanism prescribed under the Indian Company Law. The regulations provide for possible exit scenarios to the public shareholders at the fair valuation, presently on the lower side possibly, at the same time safeguarding the rights and interest of the public shareholders.

Divestment /JV opportunities : Companies involved in diverse businesses would like to monetize an identified business. In order to consummate business sale to an identified purchaser in future without any delay in the process, it would be essential to strategize the segregation of business in an appropriate manner. Separation of business which are impacted due to risk associated with such business with the non-impacted business, would yield better result for companies and the shareholder at large. In order to be M&A ready and achieve tax optimization, one of the possible manner would be to demerge or slump sale the identified business in a separate entity which can be restructured efficiently depending on the facts of the case. This would enable in achieving the desired objective of the company to generate optimum result in terms of cash flow as well for the purchaser without any adverse impact from a commercial, tax and regulatory perspective.

Facing difficult decisions : Some companies may reach a level of strain that requires difficult issues to be addressed within their corporate restructuring strategies. Even at this point, though, the focus should remain consistent: This is about finding, preserving, and enhancing the value of the resources and assets of the organization post pandemic.

Making small changes for a big impact : The dramatic changes the pandemic has brought to the business environment should prompt most companies to explore new ways to get the most effective returns from their resources, assets, and capital in a new environment. For an organization that's been disrupted post pandemic, the impact may be relatively fleeting, and revenue might be starting to recover. In such a situation, a company may want to refresh its go-to-market model, brand positioning, or other parts of its strategy. By being willing to rethink the business, leadership may find new ways to thrive amid shifts in customer behaviors, supply chain interruptions, or changes in capital requirements or availability. Where impacts are lasting, there may be reasons to redesign their corporate restructuring strategy.

Retain talent. When businesses are in distress, retaining top talent becomes extremely challenging. But without talent, sustaining performance or restarting growth becomes all the more difficult. Now more than ever, companies are remaining their personnel practices to build organizational resilience and drive value.

Conserve and create cash: There is an imperative then for companies to continually reassess their business plans and potential downside cases with a view toward identifying their liquidity requirements and the actions needed to return financial performance to sustainable levels. Many organizations took drastic measures to conserve cash in their initial response to the pandemic, but with the recovery taking longer than expected, companies should continue to focus on both short-term tactical and longer-term structural self-help solutions that free up or otherwise optimize cash and business performance

Amend and Extend: Other tactics include the use of "amend and extend" of debt facilities or covenant resets to provide companies with more time, as well as mergers and acquisitions. One or two big deals could signal a wave of consolidation as stronger competitors capitalize on depressed asset values by seeking to expand share or move into adjacent business lines, while private-equity and distressed-debt investors look for value in turnaround.

Conclusion

Albeit the above restructuring exercise may have been anticipated by the companies even during the pre-Covid era but would have been postponed due to certain business or commercial reasons. Certainly, it could be the need for the hour for the group to now revisit their holding structures, growth forecast, optimal combination of debt-equity ratio, etc. to identify potential opportunities and accordingly restructure their businesses. Accordingly, companies would like to take the benefit of the possible restructuring methodologies mentioned above to achieve the desired objective and attain feasibility in the longer duration.

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ARTICLE

CORPORATE RESTRUCTURING

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Introduction

Corporate Restructuring is usually considered by those companies who are facing financial issues in their management. The primary objective is to arrange the structure for its company to produce its optimum performance. It refers to rearranging the business for increased efficiency and profitability. Such restructuring can occur because of takeover, merger, amalgamation, unfavorable changes in business, financial conditions etc.

Need for Corporate Restructuring

Corporate Restructuring is concerned with arranging of all business activities of the enterprises as a whole so as to achieve predetermined objectives:

a. To focus on core strengths, operational synergy and efficient allocation of managerial capabilities and infrastructure.

b. Consolidation and economies of scale by expansion and diversion to exploit extended domestic and global markets.

c. Revival and rehabilitation of a sick unit by adjusting losses of the sick unit with profits of a healthy company.

d. Acquiring constant supply of raw materials and access to scientific research and technological developments.

e. Capital restructuring by appropriate mix of loan and equity funds to reduce the cost of servicing and improve return on capital employed.

f. Improve corporate performance to bring it at par with competitors by adopting the radical changes brought out by information technology.

Types of Corporate Restructuring

1. Merger

Merger is the voluntary fusion of two companies in one legal entity. The companies agreeing the merger are generally equal in terms of size and scale of operations. Merger happens because of following reason:

- To benefit their shareholders as the existing shareholders, receive the shares of new company after merger.
- When company want to acquire assets that would take time to develop internally.
- In order to lower the tax liability, a company generating taxable income may merge with those companies who have significant tax loss to carry forward.
- It may result in better planning and utilization of financial resources.

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There are Four types of Merger:

Horizontal Merger	Vertical Merger	Co generic Merger	Conglomerate Merger
•Merger of two or more companies that compete in same industry. •Horizontal mergers are designed to achieve economies of scale and result in reduce the number of competitors in the industry.	•Merger of two companies that are operating in same industry but at different stages of production. •Vertical merger provides a way for total integration to those firms which are striving for owning of all phases of the production schedule together with the marketing network	•It is the type of merger, where two companies are in the same or related industries but do not offer the same products, but related products and may share similar distribution channels, providing synergies for the merger.	•Conglomerate mergers are merger of different kinds of businesses under one flagship company. The purpose of merger remains utilization of financial resources enlarged debt capacity and also synergy of managerial functions.

2. Demerger

A Demerger is breaking a company into components, either to operate on its own or to sell or to be liquidated as a divestiture. A big brand allows a large company to divide its various brands or business units to invite or prevent acquisition in order to raise capital by selling off components or by creating a separate legal entity to handle different operations.

3. Reverse Merger

A reverse merger is a merger where private company becomes a public company by acquiring it. It helps the company to save itself from the complicated process to convert itself to public company. Thus, it acquires a public company and then convert itself to public company.

4. Disinvestment

Disinvestment means the action of an organization or government selling or liquidating an asset or subsidiary. It is also known as "divestiture".

5. Takeover/Acquisition

Takeover occurs when one company makes a successful bid to acquire control of another company. It generally done through merger or acquisition. Here, the company making the bid is the acquirer and the company it wishes to take control of is called the target. It is generally done between a large company and small company and it's a mutual consent between two parties.

There are three types of takeover:

Friendly Takeover

- Here directors of both the companies takes this takeover a positive situation. Since, directors and key shareholders are happy with the decission, then voting in EGM for such takeover is easily obtained.

Hostile Takeover

- This can be agressive takeover, as one participant is not willing. Thus, the acquirer tries to purchase shares from the market in order to get substantial stake in the target company and on the other hand target company prevent itself for not allowing acquirer to purchase shares.

Reverse Takeover

- It happens when a private company takes over a public one. The acquiring company must have enough capital to fund the takeover. Reverse takeovers provide a way for a private company to go public without having to take on the risk or added expense of going through an initial public offering.

6. Joint Venture

A joint venture is the combination of two or more parties to seek the development for a single enterprise or project. It shall be combination of atleast two persons. The parties agree to contribute equity to form a new entity and share the revenues, expenses, and control of the company. It may be Project based joint venture or Functional based joint venture.

7. Strategic Alliance

A strategic alliance is an arrangement between two companies to undertake a mutually beneficial project while each retains its independence. The agreement is less complex and less binding than a joint venture, in which two businesses pool resources to create a separate business entity.

8. Franchisin

A franchising refers to selling a product or services involving a franchisor, who establishes the brand trademark. Here franchisor allows another party called franchisee to use its trade name and sell the product as per certain specifications. Here franchisor charges royalty from franchisee.

9. Slump Sale

Slump sale means the transfer of one or more undertaking as a result of the sale of lump sum consideration without values being assigned to the individual assets and liabilities in such sales. If a company sells or disposes of the whole or substantially the whole of its undertaking for a predetermined lump sum consideration, then it results in a slump sale.

Role of Professionals in Corporate Restructuring Process

- Role of professionals in corporate restructuring is increasing day by day.
- Corporate restructuring involves decision on various technical and legal aspects such as valuation of organizations involved in restructuring process, swap ratio of shares if any, legal and procedural aspects with regulators such as Registrar of Companies, High Court etc., optimum tax benefits after merger, human and cultural integration, stamp duty cost involved etc.
- All these requires team of professionals including business experts, Company Secretaries, Chartered Accountants, HR professionals, etc., who have a role to play in various stages of restructuring process.

Issues in Implementing Corporate Restructuring Process:

1. Managing solutions between the management and promoters is a cumbersome job. Moreover, conflicting stakeholders' perspective is also one such factor and efficient mechanism for equitable balancing of interests needed.
2. Arriving at a solution among and with the institutional investors and lender is also a time-consuming process which also slows down this process.
3. Inadequate planning and evaluation especially relating to tax, and regulatory laws and other implementation issues have been noted as forces retarding the speed of restructuring effort.
4. Highly restrictive and outmoded labour laws and ability of the firm to reduce cost, redeploy assets or shift operations to low cost areas.
5. Restructuring process is maintaining promoter's concern to maintain their control over group companies while mobilizing the resources required for growth.

Procedure for Corporate Restructuring

Restructuring is a complicated and time-consuming process. Process depends upon what type of restructuring is being followed. Following steps can be followed in a restructuring process:

1. Determination

Main objective of restructuring is to determine its exercise. If the restructuring process involves paying a corporate debt, then the debt restructuring procedure can be used.

2. Identification

To determine the strengths and weakness of the organization. Through thorough research, organization shall concentrate on business strength.

3. Implementation

After analyzing the businesses strengths and weaknesses, the procedure for restructuring is decided and implemented.

4. Post-Implementation Analysis

Broad based analysis of restructuring exercise shall be done to understand its effects.

5. Evaluation

After post-implementation analysis, evaluation shall be done and post-compliance shall be done.

COVID Impact

The outburst of Covid has brought challenges to the organization and for the economy as the functioning has been slow down in the some of the organization resulting in increase in burden of debts and loans and many leading to bankruptcy. Either such businesses shut down or restructuring process is being followed.

As per ICRA, "60 per cent of the total restructuring of Rs 1.0 trillion under Covid 1.0 was accounted for by corporates and the balance (or Rs. 0.4 trillion) by the retail and MSME segments. Hence, the restructuring under Covid 2.0, which was available for retail and MSME borrowers, stood at 3x of the restructuring under Covid 1.0."

As per ICRA report, Indian banks' standard restructured loan book was at Rs 2.8 lakh crore, corresponding to 2.9 per cent of standard advances as September 30, 2021. The agency also observed that state – owned banks displayed greater amount of restructuring request with these lenders' restructured books accounting for 3.2 per cent of standard advances as against 2.2 per cent for private banks.

As per Anil Gupta, Vice President - Financial Sector Ratings, ICRA Ratings, "A third wave poses high risk to the performance of the borrowers that were impacted by the previous waves and hence poses a risk to the improving trend of asset quality, profitability, and solvency."

"The third wave could revive the demand for the restructuring of loans, including loans which were already restructured. In such a case, visibility on the performance of the restructured loan book, which was earlier expected in FY2023, may now be expected in FY2024 as the moratorium on the existing restructured loans could be extended."

ARTICLE

CORPORATE RESTRUCTURING – A GLOBAL BUSINESS STRATEGY FOR COMPANIES SURVIVAL

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Introduction of Corporate Re-Structuring

Corporate restructuring is an action taken by the corporate entity to modify its capital structure or its operations significantly. Companies use restructuring as a business strategy to ensure their long-term viability. The process of corporate restructuring is considered very important to eliminate all the financial crisis and enhance the company's performance. Corporate restructuring is the process of significantly changing a company's business model, management team or financial structure to address challenges and increase shareholder value. The need for corporate restructuring arises due to the change in the ownership structure of a company. Such change in the ownership structure of the company might be due to the takeover, merger, adverse economic conditions, adverse changes in business such as buyouts, bankruptcy. In nutshell, Corporate restructuring is a process of significantly changing a company's business model, management team or financial structure to address challenges and increase shareholder value. Corporate restructuring is an inorganic growth strategy. Every business, whether large or small, will go through a period of turbulence. In a world where economic and political trends can be difficult to predict, the best way to minimise disruption to your company or group is to regularly review its corporate structure and identify and deal with any weaknesses or inefficiencies.

In this article, the emphasis has been given to explain the concept of corporate restructuring in detail.

Types of corporate Re-Structuring Strategies.

A strategy of corporate restructuring involves around Mergers, Demergers, Reverse Merger, Disinvestment, Take Overs, Acquisitions, Strategic Alliance etc and while doing this, a company must comply with the compliances under several statutes like The Companies Act, Companies Court Rules, Income Tax Act, Listing Agreement, The Indian Stamp Act, The Competition Act etc and moreover it also requires approvals from various authorities like NCLT, SEBI, Ministry of Corporate Affairs.

a) Merger: This is the concept where two or more business entities are merged together either by way of absorption or amalgamation or by forming a new company. The merger of two or more business entities is generally done by the exchange of securities between the acquiring and the target company.

b) Takeover/Acquisition: In takeovers, the ownership is transferred from one company to another either by way of mutual/friendly takeover or hostile takeover. Friendly takeover are those when the owner of a company agree for a transfer/sell of the business at a mutually decided price. In case of hostile takeover where certain amount of company's shares is acquired due to which the controlling rights now vests on the acquiring company and this acquisition is done without any prior information.

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c) Joint Venture (JV): A joint ventures are mostly a technical or financial collaborations in the form of takeovers or alliances between existing companies. These are in great use due to the kind of outcome it gives like it helps in transfer of technology, quality improvement efficacy and improvement Both the parties agree to contribute in proportion as agreed to form a new entity and also share the expenses, revenues and control of the Company.

d) Demerger: Under this corporate restructuring strategy, two or more companies are combined into a single company to get the benefit of synergy arising out of such a merger.

e) Reverse Merger: In this strategy, the unlisted public companies have the opportunity to convert into a listed public company, without opting for IPO (Initial Public offer). In this strategy, the private company acquires a majority shareholding in the public company with its own name.

f) Disinvestment: When a corporate entity sells out or liquidates an asset or subsidiary, it is known as divestiture.

g) Strategic Alliance: Under this strategy, two or more entities enter into an agreement to collaborate with each other, in order to achieve certain objectives while still acting as independent organisations.

h) Slump Sale: Under this strategy, an entity transfers one or more undertakings for lump sum consideration. Under Slump Sale, an undertaking is sold for consideration irrespective of the individual values of the assets or liabilities of the undertaking.

I) Liquidation: Liquidation is the last resort which is available for an entity. At this stage, bankruptcy proceedings is initiated. Liquidation may be voluntary or involuntary.

The various options for corporate restructuring will include realigning the business vertical interests for better business for value creation to all stakeholders of the company.

Forms of Corporate Restructuring

When a company wants to grow or survive in a competitive environment, it needs to restructure itself and focus on its competitive advantage. Corporate restructuring process is usually carried out when the business is facing financial or economic problems. The restructuring industry can be analysed from two aspects. The two types of restructuring are financial restructuring and debt restructuring.

Financial Restructuring	Debt Restructuring
a) It refers to a strategy which is usually considered when companies merge or get acquired by another company.	a) It refers to a strategy which is usually used by a company to change its strategy to pay off a debt.
b) Companies do not face any financial problems.	b) Companies experiencing financial difficulties that cannot be easily resolved.
c) The company is restructured as a result of a share sale or an asset sale in an acquisition.	c) A creditor would typically allow the company to restructure itself when they have to repay a debt.

Benefits of Corporate re-Structuring:

Corporate Re-structuring Strategies including Mergers, amalgamations and acquisitions are forms of inorganic growth strategy and aims at improving the competitive position of an individual business and maximizing its contribution to corporate objectives. There are many advantages of growing the business through a Corporate Re-structuring process and these include:

1. It increase in market share of the merged / resulting company.
2. This process results in reduction / elimination in competition.
3. It helps the Corporates to grow in size and achieve large size in the market.
4. Expands business into new geographic areas.
5. Corporate restructuring strategies like Mergers can save a company from going bankrupt and Prevents closure of an unprofitable business.
6. It provides improvement in the long-term financial position of the company.
7. This process will helps in accessing a wider customer base and increasing entity's market share helps in accessing funds or valuable assets for new development of the business.
8. Companies also use Corporate Re-structuring strategies like mergers and amalgamations for tax purposes. Especially, where there is merger between profit making and loss-making company. Major income tax benefit arises from set-off and carry forward provision u/s 72A of the Income-tax Act, 1961.
9. Corporate restructuring procedures are used to change the financial strategy of the Company. Using this strategy, the company can reduce its financial burden.
10. Revival and rehabilitation of a sick unit by adjusting losses of the sick unit with profits of a healthy company;

Major Applicable law for Corporate Restructuring:

1. Companies Act 2013 and rules made thereunder	The provisions of the Companies Act, along with the rules framed thereunder, govern corporate structuring deals in India. Section 233 (of the CA 2013) deals with the process in which companies can opt for a fast-track merge.
2. Insolvency and Bankruptcy Code, 2016	In case of debt restructuring and financial restructuring, the IBC code deals with the aspects of resolution and liquidation.
3. SEBI (Securities Exchange Board of India) Laws	It comes to in the picture when a company wants to go for a reverse merger or list its securities within a stock exchange in India.

4. The Competition Act, 2002:	The Competition Commission of India is the regulator established under the Competition Act which governs Corporate Re-structuring Stratergies that adversely affect competition in India.
5. The Income Tax Act, 1961:	The Income Tax Department and Income Tax Act, govern the tax treatment of the transactions to entered during the process of Corporate Re-structuring.

Provisions with Respect to Corporate Restructuring in Companies act 2013:

The Ministry of Corporate Affairs has, vide a notification dated 7 December 2016 (**Commencement Notification**), notified certain provisions of the Companies Act, 2013 (**Act**) and has appointed 15 December 2016 as the effective date National Company Law Tribunal (NCLT) was established under the Act, which has the same powers as that of High Court. According to Section 230 & 231 which deals with compromise and arrangements under which an application to be made to NCLT accompanies by all the relevant information like material facts relating to company, any scheme about corporate debt restructuring, auditor report etc. The said Act states provisions with respect to mergers and amalgamation including demergers. Section 233 deals with merger of small companies which is often called as fast track mergers. Section 234 deals with amalgamation with foreign company which is also called as cross border mergers wherein one of the companies must be a foreign company i.e. company incorporate outside India.

Conclusion:

Corporate restructuring is a broad term that encompasses various strategies used for rescuing failing businesses or unlocking growth potential, and value in others. The today's business environment is totally different from the old one as the modern business has experienced radical shifts in the kind of manner in which the business is conducted. For businesses that are struggling, corporate restructuring can help you make debts and liabilities more manageable and reduce the stress you carry on your shoulders. Every corporate restructuring exercise aims at eliminating disadvantages and to combine advantages. It plans to achieve synergy benefits through a well-planned restructuring strategy. Certainly, it could be the need of an hour for the corporates to now revisit their holding structures, growth forecast, optimal combination of debt-equity ratio, etc. to identify potential opportunities and accordingly restructure their businesses. Accordingly, companies would like to take the benefit of the possible restructuring methodologies mentioned above to achieve the desired objective and attain feasibility in the longer duration.

ARTICLE

CORPORATE RESTRUCTURING

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Corporate restructuring is an action taken by the corporate entity to modify its capital structure or its operations significantly. Generally, corporate restructuring happens when a corporate entity is experiencing significant problems and is in financial jeopardy.

Corporate restructuring becomes a buzzword during economic downturns. A company going through tough financial scenario needs to understand the process of corporate restructuring thoroughly.

Corporate restructuring is essential to eliminate all the financial troubles and improve the performance of the company.

The process of corporate restructuring is considered very important to eliminate all the financial crisis and enhance the company's performance. The troubled company's management hires legal and financial experts to assist and advise in the negotiations and the transaction deals. The company can go as far as appointing a new CEO specifically for making the controversial and difficult decisions to save or restructure the company. The company may look at debt financing, operations reduction and sale of the company's portions to interested investors.

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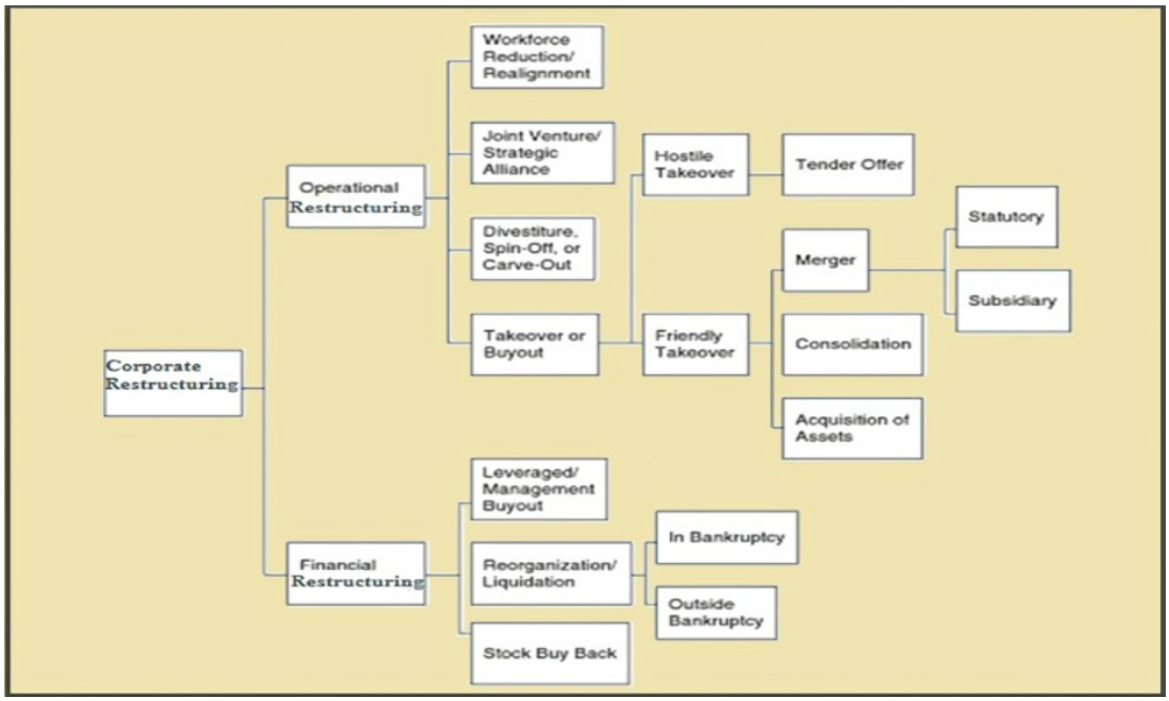
The Corporate Restructuring is the process of making changes in the composition of a firm's one or more business portfolios in order to have a more profitable enterprise. Simply, reorganizing the structure of the organization to fetch more profits from its operations or is best suited to the present situation.



Characteristics of Corporate Restructuring

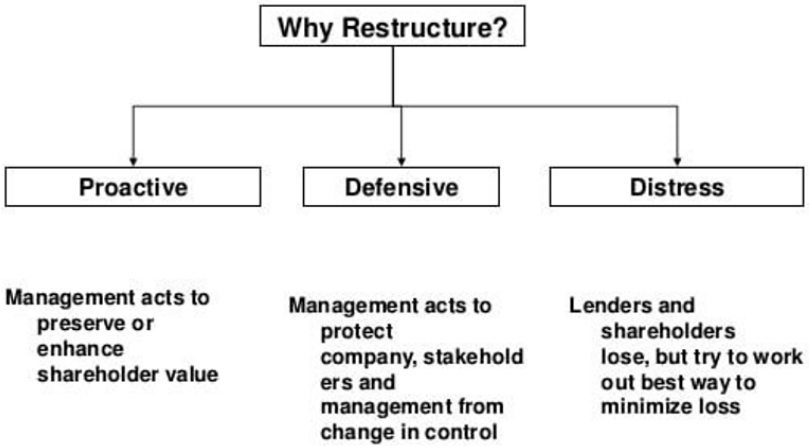
- To improve the Balance Sheet of the company (by disposing of the unprofitable division from its core business)
- Staff reduction (by closing down or selling off the unprofitable portion)
- Changes in corporate management
- Disposing of the underutilised assets, such as brands/patent rights.
- Outsourcing its operations such as technical support and payroll management to a more efficient 3rd party.
- Shifting of operations such as moving of manufacturing operations to lower-cost locations.
- Reorganising functions such as marketing, sales, and distribution.
- Renegotiating labour contracts to reduce overhead.
- Rescheduling or refinancing of debt to minimise the interest payments.
- Conducting a public relations campaign at large to reposition the company with its consumers.

Need for Corporate Restructuring

Corporate Restructuring means re-arranging business of a company for increasing its efficiency and profitability. Restructuring is a method of changing the organizational structure in order to achieve the strategic goals of the organization. It involves dramatic changes in an organization.

ARTICLE

Corporate Financial Restructuring



The strategy adopted shall depend on the purpose or organizational goals and hence a different strategy shall apply to different companies. Corporate Restructuring aims at different things at different times for different companies and the single common objective in every restructuring exercise is to eliminate the disadvantages and combine the advantages.

The need for undertaking a Corporate Restructuring exercise can be summarized as:

- Focus on core competence, operational synergy, cost reduction and efficient allocation of managerial capabilities;
- Balance utilization of available infrastructure and resources;
- Economies of scale by expansion to exploit domestic and international markets;
- Revival and rehabilitation of a sick unit by adjusting losses of the sick unit with profits of a healthy company;
- Acquiring constant supply of raw materials and access to scientific research and technological developments;
- Capital restructuring by appropriate mix of loan and equity funds to reduce the cost of servicing and improve return on capital employed;
- Improve corporate performance to achieve competitive advantage by adopting the radical changes brought out by information technology.

The following are the important aspects to be considered in Corporate Restructuring strategies:

- Legal and procedural issues
- Accounting aspects
- Human and Cultural synergies
- Valuation and funding
- Taxation and Stamp duty aspects
- Competition aspects, etc.

Reasons for Corporate Restructuring

Corporate restructuring is implemented in the following situations:

Change in the Strategy

The management of the distressed entity attempts to improve its performance by eliminating certain divisions and subsidiaries which do not align with the core strategy of the company. The division or subsidiaries may not appear to fit strategically with the company's long-term vision. Thus, the corporate entity decides to focus on its core strategy and dispose of such assets to the potential buyers.

Lack of Profits:

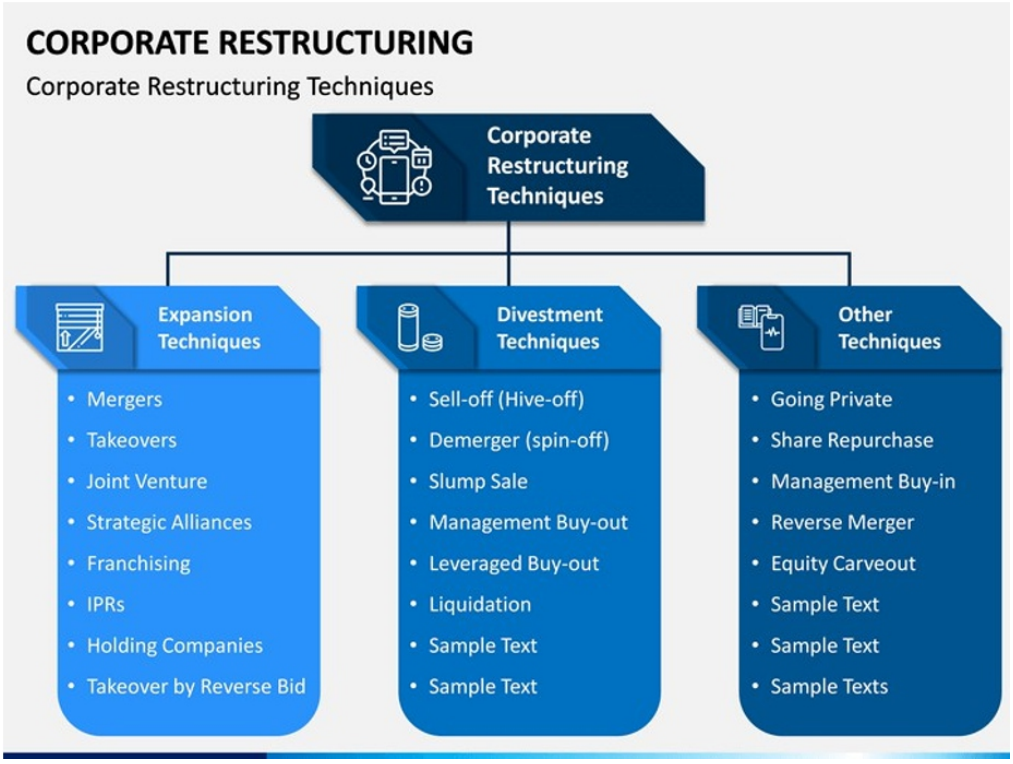
The undertaking may not be enough profit-making to cover the cost of capital of the company and may cause economic losses. The poor performance of the undertaking may be the result of a wrong decision taken by the management to start the division or the decline in the profitability of the undertaking due to the change in customer needs or increasing costs.

Reverse Synergy

This concept is in contrast to the principles of synergy, where the value of a merged unit is more than the value of individual units collectively. According to reverse synergy, the value of an individual unit may be more than the merged unit. This is one of the common reasons for divesting the assets of the company. The concerned entity may decide that by divesting a division to a third party can fetch more value rather than owning it.

Cash Flow Requirement

Disposing of an unproductive undertaking can provide a considerable cash inflow to the company. If the concerned corporate entity is facing some complexity in obtaining finance, disposing of an asset is an approach in order to raise money and to reduce debt.



Methods to Divest Assets

There are various ways in which a company can reduce its size by way of divesting the assets. The following are the methods by which a company separates a division from its operations:

Divestitures

Under divestitures, a company sells, liquidates or spins off a subsidiary or a division. Generally, a direct sale of the divisions of the company to an outside buyer is the norm in divestitures. The selling company gets compensated in cash and the control of the division is transferred to the new buyer.

Equity Carve-outs

Under equity carve-outs, a new and independent company is created by diluting the equity interest in the division and selling it to outside shareholders. The new subsidiary's shares are issued in a general public offering and the new subsidiary becomes a different legal entity with its operations and management separated from the original company.

Spin-offs

Under spin-offs, the company creates an independent company distinct from the original company. There is no public offering of the shares instead the shares are distributed among the company's existing shareholders proportionately. This translates into the same shareholder base as the original company with the operations and management totally separate. Since the stocks of the new subsidiary are distributed to its own shareholders, the company is not compensated by cash in this transaction.

Split-offs

Under split-offs, the shareholders receive new stocks of the subsidiary of the company in trade for their existing stocks in the company. The reasoning here is that the shareholders are letting go of their ownership in the company to receive the stocks of the new subsidiary.

Liquidation

Under liquidation, a company is broken apart and the assets or the divisions are sold piece by piece. Generally, liquidations are linked to bankruptcies.

Types of Corporate Restructuring

The Corporate Restructuring takes place in two forms:

Financial Restructuring

Financial restructuring is the reorganization of the financial assets and liabilities of a corporation in order to create the most beneficial financial environment for the company. The Financial Restructuring may take place due to a drastic fall in the sales because of the adverse economic conditions. The firm may change the equity pattern, cross-holding pattern, debt-servicing schedule and the equity holdings. All this is done to sustain the profitability of the firm and sustain in the market. Generally, the financial or legal advisors are hired to assist the firms in the negotiations.

The process of financial restructuring may be undertaken as a means of eliminating waste from the operations of the company.

Financial restructuring is a strategy that must take place in order for the company to continue operations.

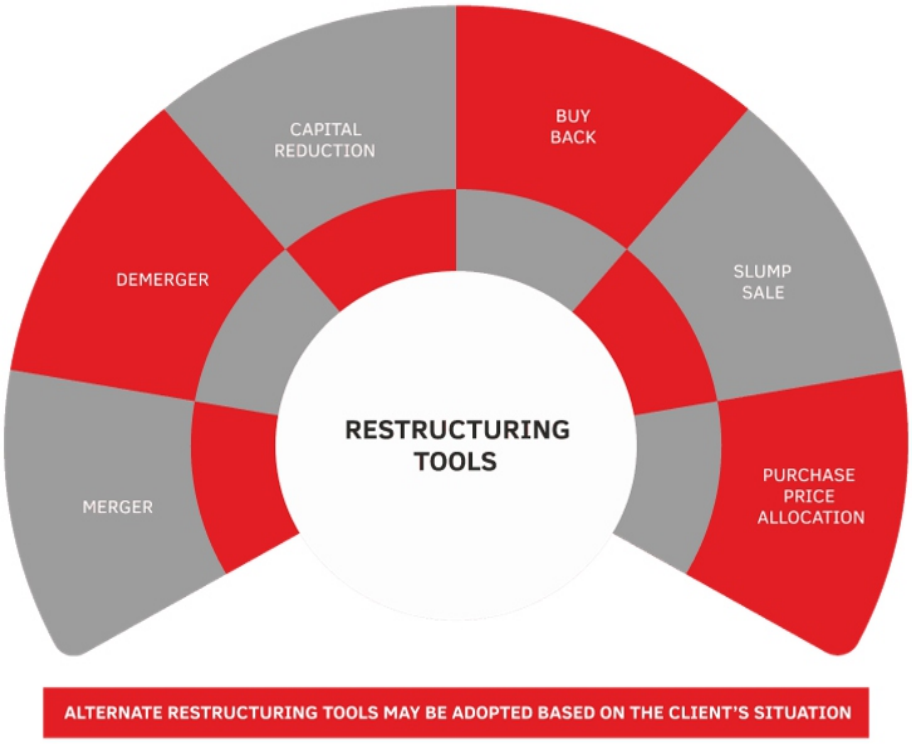
Financial restructuring also takes place in response to a drop in sales, due to a sluggish economy or temporary concerns about the economy in general.

Organizational Restructuring

The Organizational Restructuring means changing the structure of an organization, such as reducing the hierarchical levels, downsizing the employees, redesigning the job positions and changing the reporting relationships. This is done to cut the cost and pay off the outstanding debt to continue with the business operations in some manner.

In organizational restructuring, the focus is on management and internal corporate governance structures. Organizational restructuring has become a very common practice amongst the firms in order to match the growing competition of the market.

Restructuring Tools



Merger

Merger or amalgamation is one where two or more business entities are merged together either by way of absorption or amalgamation or by forming a new company. The merger of two or more business entities is generally done by the exchange of securities between the acquiring and the target company.

Demerger

Under this corporate restructuring strategy, two or more companies are combined into a single company to get the benefit of synergy arising out of such a merger. Such synergy effect makes the value of the combined companies greater than the sum of the two parts. Basically, synergy may be in the form of increased revenues and/or cost savings. Corporate Restructuring aims at improving the competitive position of an individual business and maximizing its contribution to corporate objectives.

Through mergers and acquisitions, companies hope to benefit from the following:

- Increase in Market Share
- Reduced Competition
- Large size
- Economies of scale
- Tax benefits
- New Technology
- Strong brand
- Domination
- Diversification
- Revival of Sick Company

Reverse Merger

In this strategy, the unlisted public companies have the opportunity to convert into a listed public company without opting for IPO (Initial Public offer). In this strategy, the private company acquires a majority shareholding in the public company with its own name.

Disinvestment

When a corporate entity sells out or liquidates an asset or subsidiary, it is known as "divestiture".

Takeover/Acquisition

Under this strategy, the acquiring company takes overall control of the target company. It is also known as the Acquisition.

Joint Venture (JV)

Under this strategy, an entity is formed by two or more companies to undertake financial act together. The entity created is called the Joint Venture. Both the parties agree to contribute in proportion as agreed to form a new entity and also share the expenses, revenues and control of the company.

A joint venture may be of two types —

i. Project based JV entered into by the companies in order to achieve specific tasks.

ii. Functional based JV is entered into by companies in order to achieve mutual benefit.

A joint venture provides access to assets, knowledge and funds from both of its partners it can combine the best features of those companies without altering the parent companies.

Strategic Alliance

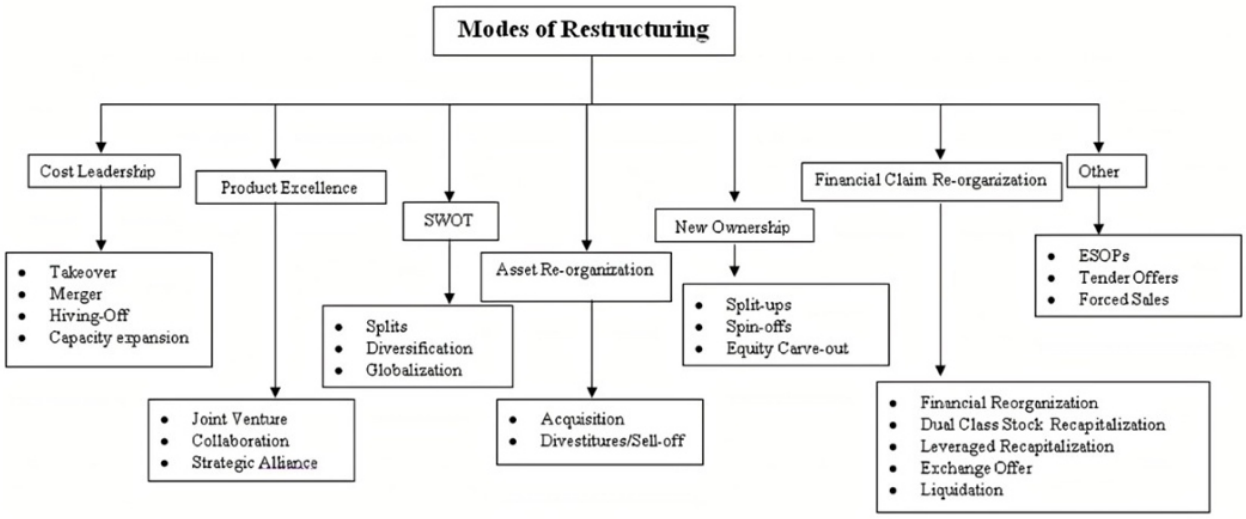
Under this strategy, two or more entities enter into an agreement to collaborate with each other in order to achieve certain objectives while still acting as independent organisations.

Strategic alliance is a partnership between enterprises for common benefits such as cost reduction, technology sharing, product development, market access etc. The basic idea is to pool resources and facilitate innovative ideas and techniques with the common objective of sharing benefits.

Strategic alliances allow organizations to pursue opportunities at a faster pace. It provides access to additional knowledge and resources that are held by the other party.

Slump Sale

Under this strategy, an entity transfers one or more undertakings for lump sum consideration. Under Slump Sale, an undertaking is sold for consideration irrespective of the individual values of the assets or liabilities of the undertaking.

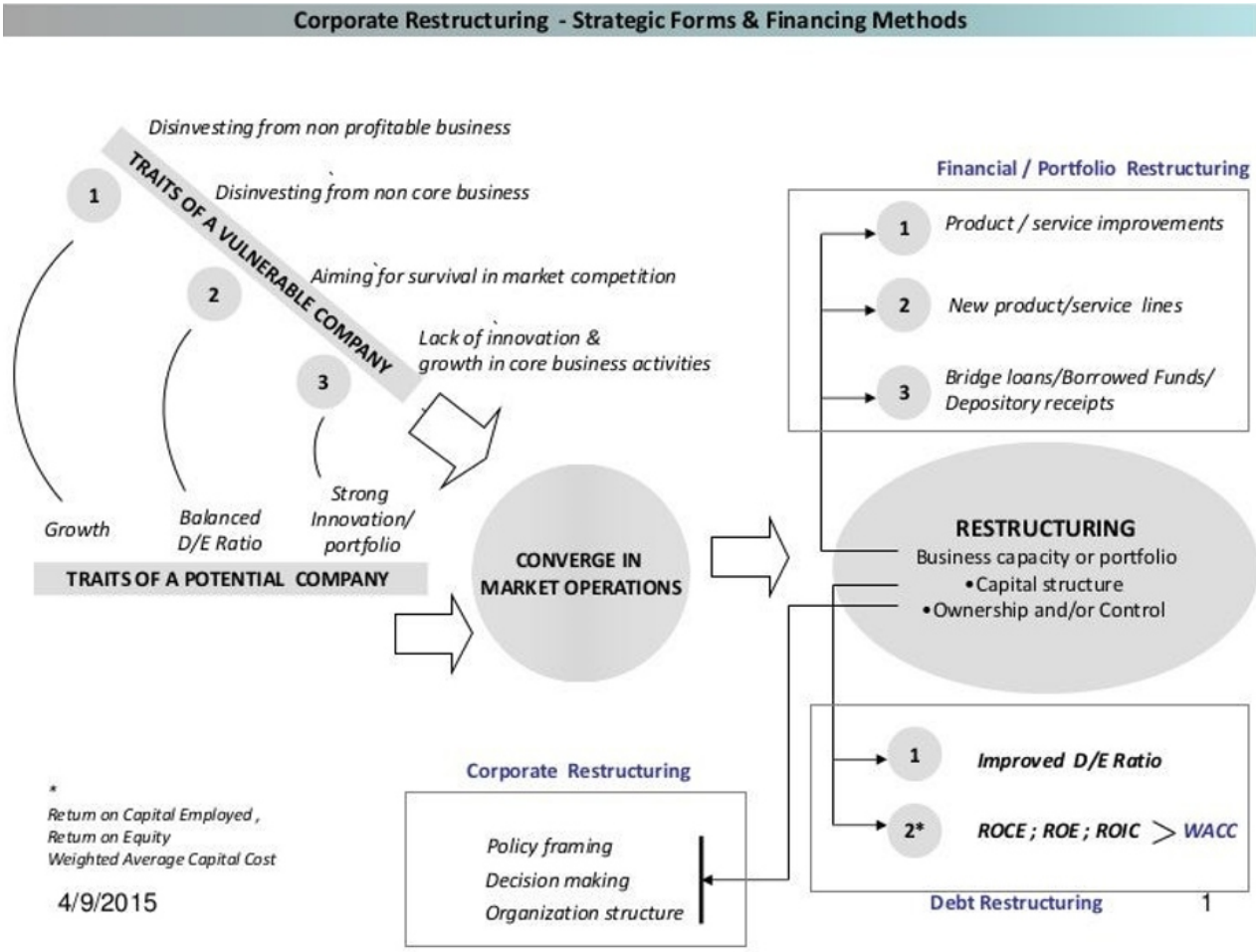


Difference between Merger and Acquisition

Mergers, amalgamations and acquisitions are forms of inorganic growth strategy. Such corporate restructuring strategies have one common goal viz. to create synergy.

S. No.	Merger	Acquisition
1.	Merger occurs when two separate entities, come together to create a new, joint organization in which both are partners	Acquisition refers to the purchase of one entity by another entity
2.	One or more companies are dissolved and new company maybe created	No company is dissolved and no new company is created, i.e., both continue
3.	In merger, two companies consolidate into a single entity with a new ownership and management structure.	In acquisition, one company takes over all total operational management control of another company

Strategic forms and Financing methods



Conclusion:

The corporate restructuring allows the company to continue to operate in some way. The management of the company tries all the possible measures to keep the entity going on. Even when the worst happens and the company is forced to pieces because of the financial troubles, the hope remains that the divested pieces can function good enough for a buyer to acquire the diminished company and take it back to profitability.

Restructuring strategies encompasses enhancing economy and improving efficiency. When a company wants to grow or survive in a competitive environment, it needs to restructure itself and focus on its competitive advantage. Thus, the merger and acquisition strategies have been conceived to improve general economic well-being of all those who are, directly or indirectly, connected with the corporate sector. The intension of buy back is visualized as to support share value during periods of temporary weakness, survival and to prevent takeover bids.

ARTICLE

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

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Good corporate governance aims at the protection of stakeholder's interests and enhances the wealth and value of organisations concerned. It promotes efficiency, effectiveness, transparency, accountability, responsibility and enforceability of better practices in the corporate world that would promote best possible branding in the minds of investors. The Board of Directors and the management is vested with the formulation, implementation and adoption of sound corporate governance practices such as corporate governance practices shall strive to fulfil the expectations of all stakeholders concerned. While the corporate governance practices aim at compliance with laws and regulations, in the long run this shall pave way for effective ethical compliance in all aspects thus helping to become a socially and ethically responsible citizen in the corporate world.

In today's world, corporate governance is highly promoted in business circles and open forums. Corporate Governance is an organisational structure of polices, processes and rules that direct and control behaviour of business. Organisations have to exercise strategic oversight over business operations while directly measuring and rewarding performance. In Companies Board of Directors is central to its decision making and governance process. The board of directors in a company has to ensure compliances with the legal framework, integrity of financial accounting and reporting systems and credibility in the eyes of stakeholders through proper and timely disclosures. It is the responsibility of the board of directors to ensure compliances with the law.

Corporate Governance has emerged as an important concept for the last two decades at the National and International levels.

It is a system of Management's accountability towards the stakeholders for all their morals, ethics, values, parameters, conduct and behaviour. The principles of Corporate governance revolve around a quadrangular structural segment integrating fairness, transparency, accountability and responsibility. It involves a long-term functional and business relationship in the corporate activities.

Pillars of Corporate Governance

1. Shareowners- Appoint and dismiss directors and directors report to shareowners.
2. Directors- Managers report to directors.
3. Managers- Managers provide money to shareowners and shareowners act as agents for managers.

* The views expressed are personal views of the author and it should not be taken as views of the NIRC-ICSI

Good corporate Governance is a key driver of sustainable growth and long-term value and wealth creation. Effective corporate governance practices present opportunities to manage risks and add value to business operations thereby these practices are rightly viewed as a differentiator in promoting sustainable competitive advantage. An increasing amount of empirical evidence throws into light that good corporate governance contributes to competitiveness and long-term value creation.

The competition in today's environment in which we live in has led to unwanted usage of technologies and conducts by the businesses which ultimately leaves a negative impact on the society and in order to tackle and overcome such impacts, it is the need of the hour to implement laws that that proves beneficial both to business and society at large.

Further, the happenings and learnings from the examples of Enron and Satyam cases, stakeholders have become more cautious and concerned of ensuring corporate governance framework in the company.

Corporate Governance in India

Corporate Governance refers to different ways in which companies govern and direct various policies. It identifies true power and accountability to make various decision in order to secure and balance interests of all shareholders, employees, suppliers, customers and the community at large. This governance framework encourages efficient use of resources equally and helps individuals and corporations to align resources as nearly as possible to benefit various interests of society. Corporate governance is defined as the system and process used by corporation to optimize certain operations to produce best financial results for shareholders and other members of company. Practice of good corporate governance is essential for a well functional ecosystem which includes economy, society and even environment.

It is based on the framework of such policies which upholds the principles of transparency, integrity, ethics and honesty while dealing with various stakeholders such as customers, management, employees, government and industry bodies. Corporate Governance is the soul of any organisation and must be followed while indulging in any business practices. Corporate Governance is of increasing importance in India as in past there were number of scandals and shareholder disputes.

The framework of Indian Corporate governance mainly focuses on the protection of minority shareholders, timely reporting and adequate disclosures and managing corporate social responsibility. Corporate governance regime emphasizes transparency through various disclosures. The corporate governance regulatory framework in India consists of statutes and regulations that require constant supervision by multiple regulators like SEBI, MCA and other relevant rules that can have a significant impact on the governance regime.

Importance of Governance

1. It mitigates risk and helps to follow proper compliance

There is a direct connection between risk mitigation, governance and compliance. If a company follows sound principles and comply with all statutory provisions, guidelines and laws and prescribed by the regulators, it will naturally work efficiently and ensure good corporate governance. Following such procedures and policies helps to avoid any uncertain events prevailing in any organization and thus mitigates risk and maximize profit mechanisms in that place. If the company follows more disciplined structure in its day-to-day operations, it will be easier to face any risk or disruption arising out of any natural, political, technological, and economical events.

2. Enhances Market value

Corporate Governance in India plays a very crucial role in enhancing value of the company, because its ultimate goal is to maximize the interest of all shareholders, employees, suppliers, customers and the community at large. As such there is no direct relationship between governance and market value, but well governed companies enjoy a better reputation among the shareholders. The value and goodwill accumulated by the company can be wiped out by following unlawful methods, thus internal controls at the right place helps to increase market value.

3. Better image during financial crisis

Trustworthiness that has been established over the years plays an important role in upholding the company's image during the tough times. During last few months, many stories of banking frauds and financial frauds were coming up. It is natural for people to believe that all banks and financial institutions are involved in such activities, which is not true. Well established corporate governance systems go a long way in assuring the people that nothing untoward will happen in the case of well governed companies.

4. Improves efficiency

Better and effective governance enhance corporate performance and ensures better economic results. Corporate Governance is an important factor for industrial growth, productivity, profitability, economic development, competitivity and sustainability. These days there are many questions arising as in which ways companies are governed and carries out certain functions like utilization of resources, product, services, innovation and its overall corporate strategy.

5. Crucial during mergers & acquisitions

Corporate Governance in India plays significant role during restructuring events such as mergers and acquisitions. It helps to differentiate between good deals from bad ones. Sound Corporate Governance systems help to improve public image during merger and acquisitions activity by a company to attract more stakeholders in the market.

Benefits of Corporate Governance

Corporate governance has become an integral part of every business organization. Here are few of the benefits of good corporate governance:

Builds reputation and inheritance:

Good governance enhances company's identity and image which helps to develop stakeholders and investors' confidence and trust towards company, which in turn allows company to develop stronger and long-lasting relationships.

Enhances success rate for financial performance and sustainability:

Implementation of good governance helps to assist board of directors to quickly identify issues and helps them to make quick decisions to resolve such issues prevailing in the organization thus reducing the risk and helps to overcome various crisis and reduce the cost.

Creates various opportunity and retain talent:

Manpower plays significant role in work culture being a key contributing factor which turns normal business into successful company. Manpower helps to maintain transparency, provides fairness and accountability to all operations given by providing greater sense of responsibility and awareness among entrepreneurs to create value within an organisation.

Effective framework to meet business objectives:

Any business objective or a goal is achieved by making proper decisions which are led by major stakeholders such as employees, suppliers, shareholders, directors, society as a whole which creates a wider vision and ensures success rates. Corporate governance provides each stakeholder equal opportunity to involve and create a more flexible culture by generating higher potential to reach objectives within an organization.

Creates more opportunities to gain a competitive advantage:

Every industry is either constantly evolving or has the potential to evolve at a certain point; adopting good governance and creating an environment where its practices can be sustained is vital to ensuring that your organisation is adaptable to change, thus providing

a greater competitive advantage and chance at survival.

Creates various investment opportunities:

An organisation which represents stability and reliability and have good corporate image increases its chances by attracting premium investors, as well as increasing value of their investment and provides opportunity to borrow funds at a lower cost. Following good corporate governance practices increases the effectiveness and efficiency of business operations by initiating good values that emanate from leadership and has the potential to yield major benefits for an organisation.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) refers to the social responsibility of the corporates towards the society. Every corporate shall consider the surroundings and then move ahead with its activities. No company can work in isolation ignoring the environment. It refers to the sense of contribution by corporates for the benefit of society and people living within it. For helping companies incorporate CSR in an effective and efficient manner, Ministry of Corporate Affairs (MCA) has articulated Section 135 of Companies Act 2013, Companies (Corporate Social Responsibility) Rules, 2014 and Schedule VII which prescribes mandatory provisions for Companies to fulfill their CSR obligation.

Corporate Social Responsibility helps companies to provide positive impact on society by implementing economic, environmental and social measures. It covers wide range of areas such as investments for community, workplace diversity and freedom, human rights, health, safety and environmental management. It also includes climate change, ethics, morality and integrity. CSR is now a top priority for companies. CSR is no longer viewed as just a governing or optional cost, but an investment that brings economic returns. It helps corporates to gain goodwill and make them a trusted entity.

The philosophy of giving back to the society has been an integral part of the Indian society and culture which has also been imbibed in Indian businesses since ancient times. With the enactment of the Companies Act 2013, Corporate Social Responsibility (CSR) became mandatory in India. CSR provision enshrined under this Act list India amongst one of the few countries to mandate CSR under the Statute.

Connect between Corporate Governance and Corporate Social Responsibility

CSR is gradually getting fused into companies' Corporate Governance practices. Both Corporate Governance and CSR focus on the ethical practices in the business and the responsiveness of an organization to its stakeholders and the environment in which it operates. Corporate Governance and CSR results into better image of an organization and directly affects the performance of an organization. CSR is based on the concept of self-governance which is related to the external legal and regulatory mechanism, whereas Corporate Governance is the widest control mechanism within which a company takes it management decisions.

To be a good corporate citizen means that companies have to be internally well governed and managed while externally it should be responsible. In other words, CSR and corporate governance are two sides of the same coin. The implication here is that the companies which follow good governance are likely to have a good social conscience and take various steps and initiatives towards CSR.

Provisions Related to CSR Under Section 135 of the Companies Act, 2013 Read With the Rules Made Thereunder

Every company having any of the following during the immediately preceding financial year shall constitute a CSR Committee-

- Net Worth of Rs. 5 crores or more or
- Turnover of Rs. 1000 crores or more or
- Net Profit of Rs. 5 crores or more
- The Company shall spend at least 2% of the average net profits of the company made during the three immediately preceding financial years. If the Company has not completed three financial years since incorporation, then such immediately preceding financial years as may be available.
- If the Company has any unspent amount, it shall transfer the same within a period of thirty days from the end of the financial year to a special account known as Unspent Corporate Social Responsibility Account.

Companies (Corporate Social Responsibility Policy) Rules, 2014 Specifies Activities which are not Covered under CSR:

1. Activities with pursuance to normal course of business of the company.

2. Any activities undertaken by the company outside India except for training of Indian Sports.

3. Contribution or donation to any political party directly or indirectly.

4. Activities which provides various benefits to employees of the company.
5. Activities supported by the companies which provide sponsorship, marketing benefits or other products or services.
6. Activities in accordance to any other statutory obligations under any law in force in India.

- Every Company shall disclose its CSR activities & expenditure in its Board Report. It shall have a CSR Report annexed to the Board Report as per Annexures I or Annexure II.
- The Board of Directors of the Company shall mandatorily disclose the composition of the CSR Committee, and CSR Policy and Projects approved by the Board on their website, if any, for public access.

Schedule VII specifies activities which can be undertaken by companies for CSR

Activities which can be undertaken by Companies under CSR are mentioned in Schedule VII to Section 135 of Companies Act, 2013. Inter alia, these activities include eradicating hunger, poverty; promotion of education; gender equality; contribution to varied funds for national development; animal welfare, conservation of natural resources; protection of national heritage, art and culture; training to promote rural sports; Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by Government; slum area development, etc.

Considering the current COVID-19 scenario, MCA has clarified that spending of CSR funds for COVID-19 is an eligible CSR activity. By inclusion of aforesaid activities under Schedule VII, MCA is urging Companies to come forward and help the Health Sector during this pandemic.

How companies can undertake CSR Activities

Companies can undertake by itself or through:

- A Company established under Section 8 of the Act, a registered public trust or a registered society, registered under Section 12A and 80G of the Income Tax Act, 1961 (43 of 1961), established by the Company, either singly or alongwith any other company.
- A company established under Section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government.
- Any entity established under an Act of Parliament or a State Legislature.
- A company established under Section 8 of the Act, or a registered public trust or a registered society, registered under Section 12Aand 80G of the Income Tax Act, 1961 and having an established track record of atleast three years in undertaking similar activities.

CSR Committee and Role of Board

CSR Committee: CSR Committee formulate and recommend to the Board a CSR Policy, recommend the amount of expenditure, and monitor the CSR Policy.

Role of Board: Board's role is to form CSR Committee, approve CSR Policy, ensure implementation, disclose CSR Policy on company's website, disclose reasons for not spending CSR amount.

Corporate governance and corporate social responsibility are actually separate business concepts. They are becoming much more famous and are linked with each other since early 21st century, however, due to increased focus on balancing business profits and responsibility towards society at the same time there has evolved a visible connection between these two business operations.

Corporate Governance is related to profit maximization and provides capital to firm whereas CSR relates to spending or contributing money towards society which is in contrast to profit maximization. CSR activities are not beneficial to internal stakeholders because it suggests a set of actions beneficial for external stake holder. Managers who are hired to increase profit and value of firm, would not be able to manage social activities ethically. Conflict will arise in cases where CSR activities are funded well while internal members are ill-treated and this will lead to imbalance between Corporate Governance and CSR.

Recent Initiatives by Governmental Authorities

Ministry of Corporate Affairs introduced varied activities under Schedule VII amidst the COVID 19 pandemic in order to motivate companies to come forward and contribute more towards crisis of COVID 19 in the form of CSR.

Introduction of Business Responsibility and Sustainability Report (BRSR)

SEBI vide notification dated 05th May 2021 introduced BRSR reporting. The new reporting system is an advanced format vis-à-vis the erstwhile Business Responsibility Reporting (BRR). In BRSR they have focused on following areas:

It will require the Company to disclose the impact of its business activities on environment. It will highlight the prominence of environment, social and economic impacts parallelly with business goals.

- Here a special disclosure is given for number of women directors on board of the Company. This will enlighten the stakeholders about the diversity practices of the Company.
- Also, a key disclosure will be made regarding employees and their workplace, investors or consumers complaints, in detail impact of projects of the Company on the environment and such detailed disclosures which will bring the companies governance in place or upgrade it.
- In this health crisis, spending of CSR funds for COVID-19 was declared as an eligible CSR activity by the ministry.

The MCA through a clarification, further allowed corporate spending of CSR funds for setting up makeshift hospitals and temporary COVID care facilities as an eligible CSR activity under Schedule VII of the Act. Further, spending of CSR funds by a corporate for 'creating health infrastructure for COVID care', establishment of medical oxygen generation and oxygen concentrators, ventilators, cylinders and other medical equipment for countering COVID-19 or similar such activities have been allowed as eligible CSR activities under schedule VII of the Act. This was an immediate response to the health crisis faced by the nation for the corporates to come at the forefront and contribute.

Further, during the health crisis, companies were allowed payment of ex-gratia to daily wagers during lockdown period to qualify as CSR expenditure as one-time exception. However, this was subject to a declaration to that effect by the board of directors of such company which would be duly certified by statutory auditors of such company.

Role of CSR in Health

CSR amount is being spent on health care and improvement of health care facilities. Some areas are covered by present activities and in some areas more can be done.

Creation and maintenance of health care and related infrastructure: Hospitals or clinics and Pathological Labs run by the corporate are benefiting many rural persons in the area. Similarly the assistance given to Primary Health Centers, ambulances provided, donation of equipments has improved the quality of medical services offered.

Role during COVID Pandemic: Awareness programs, distribution of masks, sanitizers, providing food, water and medicines for migrant labourers, truck drivers, organizing Covid Tests, contributing to state Government Covid fund, PM Cares Fund, are some activities undertaken in the CSR account. Opportunity to support online education, sanitization of public places using heavy machineries, allowing use of guest houses for isolation or as Covid Care Centres, supplying subsidized canteen food to hospitals and Covid Care Centres, encourage volunteerism of employees to volunteer in relief work, organizing blood donation camp, procuring medicines, digital thermometers, pulse oxymeters for clinics, schools etc. are open for all corporates. Oxygen Supply and Ventilators: One cement company, Shree Cements in Kalaburagi and one steel company JSW Steel

in Ballari have diverted their Oxygen production for medical use, saving hundreds of lives during the second wave. Many corporates have donated ventilators, funded Red Cross activities, provided oxygen cylinders from mid 2020 onwards.

Medical Logistics: Opportunity to utilize the trucks at their disposal for providing logistic support to Government to move oxygen and medicines, oxygen plants, ventilators, etc. is also open for cement and steel companies.

Women's health: The stress on rural sanitation, construction of toilets has not only made rural places more clean and hygienic, the health of the women folk can be benefitted a lot. Education on basic hygiene healthy food habits, screening camps for various preventive diseases have also contributed to improved health and life expectancy among women.

Children and youth health, recreation and sports: CSR to support recreation, sport and physical activity at village level is visible. Low cost kits and sports equipments are being provided to villages and rural schools, which have helped them to spend their spare time usefully and constructively. Banks in the region and a couple of cement companies have helped in providing volley ball , throw ball kits, carrom board, chess sets, cricket set, football and exercise equipments. Sponsoring talented sportspersons has also started in the region.

While this is welcome, it would be more useful if the companies could pool their resources and provide basic infrastructure. A level play ground with marked boundaries for various games and standard sized courts would certainly lift the standards of the rural sports oriented children. There are instances where same materials are given by different organizations to same village.

Screening for preventive diseases and early detection camps: Basic health check-up camps, heart, BP, Sugar Test among other tests are being organized occasionally. The frequency and reach must increase. If the companies can pool their resources, they can provide mobile clinics along with basic pathological services round the year covering large population instead of just working in the vicinity where such camps are frequent.

Ambulance Services: Some companies have their ambulance services which they allow general public to utilize. But the vast size of the HK region and sparse density of hospitals in semi urban and rural areas necessitates greater numbers of ambulances. If joint contributions can be made a good fleet of ambulances can be strategically located to get treatment to the patients in the golden hour/s period in greater geographical area.

Food and accommodation for attendants of admitted patients: Kalaburagi, for instance, has several Dharamshalas (free or highly subsidized food and accommodation centre) which are no longer properly maintained and scarcely used. Constructed by various communities, most of these are very old and were meant to cater to travelers belonging to their own communities. If corporate can rope in along with local businessmen, financial burden of accompanying relatives/family members of hospitalized patients can be reduced.

Counseling and De-addiction Centers: Many social evils can be reduced and both the addicts as well as the family members may need counseling and many drug addicts may need de-addiction or rehabilitation programs. This is once again which only one organization can take up, hence a collective effort where the companies join hand with leading psychiatric institutions such as NIMHANS etc. can run such centers round the year.

It is said that CSR is a predecessor to good governance. It is difficult but could be achieved over the future years with good initiatives in line. It is very rare that countries and societies have come close to attaining good governance in its entirety. However, to ensure ecological human development, actions must be taken to work towards this principle with the intention of making it a certainty.

It is said that if you desire for a change, then you need to be the change. In the same way, if we want to make the world a better place to live, then we along with Government, have to come forward and take initiatives towards the environment. We have to make sure that the Companies practice the applicable laws in spirit and not only in papers. It is only then that the objectives of Corporate Governance and Corporate Social Responsibility will be achieved.

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

Initiatives of Chapters*

Alwar

- Oral Tuition Classes for June exam 2022 has been started at Alwar Chapter.

Ghaziabad

- Ghaziabad Chapter of NIRC of ICSI organized webinar on the theme "Practical Aspects of Export and Import" on November 27, 2021.
- Ghaziabad Chapter of NIRC of ICSI organized One Day Orientation Programme for students on December 17, 2021.

Gorakhpur

- Gorakhpur Chapter of NIRC of ICSI has conducted Mega Career Awareness Programme at Siddharth University, Siddharth Nagar, Kapilvastu, UP on 01st December 2021.

Karnal

- Karnal Chapter conducted 2 PDPs for Students through Online mode dated 4th September & 29th September 2021.
- 4th & 5th Batch of Online ODOPs were conducted Online on 1st September & 30th September 2021.
- Online Sessions in One day programme on International Literacy Day by HQ were conducted on 8th September 2021.
- Teachers' Conference was organised through Online mode on 11th September 2021 on the theme "Empowering Educators".
- One Webinar on the theme "Common Mistakes in Annual Report and Annual Compliances" was conducted for Members on 18th September 2021 and another on 18th October on the theme "Latest in GST".Walkathon was organised on 4th October 2021 to mark ICSI Foundation Day.
- Half Day Seminar was organised on 7th November 2021 on topics "Compounding, Adjudication and Condonation under Companies Act, 2013 And Latest Opportunities in CS Profession : A Myth Buster"
- 6th Batch of One Day Orientation Programme (ODOP) was conducted on 18th October 2021.

INITIATIVES OF CHAPTERS OF NIRC OF ICSI

Kota

- Kota Chapter Conducted study session on Topic "Dividend" on 26.11.2021.
- Kota Chapter conducted Study session on topic" Creating a Wholly Owned Subsidiary Company" for members on 18.12.2021.

Meerut

- Meerut Chapter conducted One Day Orientation Programme for CS Executive Students on 04.12.2021 and on 11.12.2021.

Noida

- Noida Chapter has organized Study Circle Meeting, Date: 04th December, 2021 on the topic "Intellectual Property Rights".
- Noida Chapter has organized (PDP) Professional Development on 04.12.2021.
- One Day Orientation Program (ODOP) for the Students of CS Executive Program on 09.12.2021.Noida Chapter has organized a Webinar on 11th December, 2021 on the topic Related Party Transactions.
- Noida Chapter has organized Full Day Seminar on 18th December, 2021 on topic "MSMEs, Oppression & Mismanagement". The Chief Guest was Sh. Gopal Krishna Agarwal, BJP National Spokesperson (Economic Affairs) and Guest of Honour & Keynote Speaker was CS Susshil Daga, Vice Chairman-NIRC.
- Noida Chapter has organized (PDP) Professional Development Program on 18.12.2021.

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

CSBF
COMPANY SECRETARIES BENEVOLENT FUND

What exactly is CSBF?

The Company Secretaries Benevolent Fund (CSBF) is a Society registered under the Societies Registration Act, 1860 and is recognized under Section 12A of the Income Tax Act, 1961.

The CSBF was established in the year 1976 by the ICSI, for creating a security umbrella for the Company Secretaries and/or their dependent family members in distress.

The amount of ₹ 7,50,000 (in the case of death of a member under the age of 60 years) has been increased to ₹ 10,00,000

Is it the right time to enrol in CSBF?

CSBF is the protection you and your family need to survive the many ups and downs in life, be it a serious illness or a road accident which derails your plans for the future.

Is it a requirement?

Yes, as your dependents need the protection. Your dependents be it your parents, your spouse, or your children will have to bear the brunt of paying off your home/education personal loans and even for managing day-to-day expenses without your contribution.

If you do not want to leave behind such a situation in your absence, enrol in CSBF today.

Advantages of enrolling into CSBF

1. To ensure that your immediate family has some financial support in the event of your unfortunate demise
2. To finance your children's education and other needs
3. To ensure that you have extra resource during serious illness or accident
4. Subscription/Contribution to CSBF qualifies for deduction under Section 80G of the Income Tax Act, 1961

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