Corporate Governance in India

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1. **Company Form of Organization**


2. Corporate Enterprise – A Company is (1) an artificial person (2) Created by law (3) having perpetual succession (4) and a common seal – Type of companies – public limited and private limited

3. Companies owners are shareholders. Its liability is limited. The shareholders have right to elect Board of Directors.
2. Company Form of Organization (Contd..)

4. Company management Levels
   (a) Board of Directors - Policy level
   (b) Top Management - Executive level
   (c) Middle level - Implementation level
   (d) Lower Level - Floor level

5. Corporate Frauds:
   (a) International - Enron, World com, Xerox
   (b) National - Satyam computers, Yes Bank
                  Axis Bank, Vijay Malya of King
                  Fisher Neerav Modi of Geethajali Group, PC Jewellers
                  Devan Housing, Infibeam

6. Need for Corporate Governance became necessary due to National and International Corporate Frauds.
3. Corporate Governance - Meaning

1. Corporate Governance means company manages its business in a manner that is accountable and responsible to its stakeholders particularly shareholders.

2. It refers to a fair, efficient and transparent functioning of the corporate management system.

3. It refers to Code of conduct – the Board must abide to the code of conduct while running the enterprise.

4. Corporate Governance always assumes the existence of Ethical Organization.
4. Need for Corporate Governance in India

1. Shareholders or wide spread throughout the globe.
2. Changing ownership structure
3. Corporate scams or scandals
4. Greater expectations of society on the corporate sector
5. Hostile takeovers – Mergers and acquisitions – Impact on Minority Shareholders
6. Huge increase in top management compensation
7. Globalization – Inflow and Outflow of Global Resources

In the real world there are no organizations – only individuals dominate.
5. Principles of Corporate Governance

1. Transparency
2. Accountability and Social Responsibility
3. Independence of Board of Directors – Independent and Women Directors
4. Audit Committee
5. Report on Corporate Governance
6. Corporate Governance Framework in India

The Indian framework on Corporate Governance has been vastly in sync with the international standards. Broadly, it can be described in the following.

1. **The Companies Acts, 2013** has provisions concerning Independent Directors, Board Constitution, General meetings, Board meetings, Board processes, Related party Transactions, Audit Committees etc.

2. **SEBI (Securities Exchange Board of India) Guidelines** ensure the protection of investors and have mandated the companies to adhere to the best practices mentioned in the guidelines.

3. **Accounting Standards issued by the ICAI (Institute of Chartered Accountants of India)** wherein the ICAI is an autonomous body and issues accounting standards. The disclosure of financial statements is also made mandatory by the ICAI backed by the Companies Act 2013, Sec.129
7. Corporate Governance Framework in India (contd..)

4. **Standard Listing Agreement of Stock Exchange** applies to the companies whose shares are listed on various stock exchanges.

5. **Secretarial Standards Issued by the ICSI** (Institute of Company Secretaries of India) issues standards on Meetings of the board of directors’ General Meetings, etc.
8. Constitution of Board of Directors

1. One or more women directors are recommended for certain classes of companies.
2. Every company in India must have a resident director.
3. The maximum permissible directors cannot exceed 15 in a public limited company.
4. The Independent Directors are a newly introduced concept under the Act.
5. The independent directors must attend at least one meeting a year.
6. The Companies Act increased the responsibility of the Audit committees.
7. Filing and disclosures with the Registrar of Companies has increased.
8. Every company has to make accurate disclosure to all the stakeholders.
9. Board of Directors Responsibilities

1. **Related Party Transactions**: A Related Party Transactions (RPT) is the transfer of resources or facilities between a company and another specific party. The company devises policies which must be disclosed on the website and in the annual report.

2. **The e-voting facility** has to be provided to the shareholder for any resolution is a legal binding for the company.

3. **Corporate Social Responsibility**: The company has the responsibility to promote social development in order to return something that is beneficial for the society.

4. **Whistle Blower Policy**: This is a mandatory provision by SEBI which is a vigil mechanism to report the wrong or unethical conduct of any director of the company.
10. Corporate Governance – Adani Enterprises

- Code of conduct
- Corporate Social Responsibility Policy
- Whistle Blower Policy
- Related Party Transaction Policy
- Policy on Material subsidiaries
- Code for Fair Disclosure of Unpublished Price Sensitive Information
- Business Responsibility Policies
- Remuneration Policy