

INDIA INC MUST NOW FALL IN LINE

The corporate affairs ministry has notified 183 new sections of the Companies Act 2013 that comes into effect from April 1. In all, 283, of a total of 470 sections have now been notified.

A look at some key sections that are likely to impact India Inc

SECTION 141: Listed companies cannot appoint or re-appoint auditors for more than two terms of 5 years. Auditors can be reappointed only after the mandatory cooling-off period of 5 years

Companies, where auditors have enjoyed long tenures, will have to find new auditors in the next 3 years

Company	Auditor	Tenure (in yrs)
Hindalco Industries	Singh and Co	51
Reliance Industries	Chaturvedi and Shah, Rajendra and Co	36
Larsen & Toubro	Sharp and Tannan	31
Grasim Industries	GP Kapadia and Co	21
Jalprakash Associates	M.P. Singh & Associates	26
Tata Power	Deloitte Haskins & Sells/AF Ferguson & Co	16
Tata Steel	Deloitte Haskins & Sells/AF Ferguson & Co	16
Tata Motors	Deloitte Haskins & Sells/AF Ferguson & Co	16
Hero MotoCorp	Deloitte Haskins & Sells/AF Ferguson & Co	16

Source: Company IAS

SECTION 149(6) says a nominee director will not be treated as an independent director. At least 225 firms need to reconstitute their boards

A study conducted by indianboards.com, shows that currently, 382 nominee directors are considered independent directors

Company	No. of nominee directors classified as independent	Total no. of independent directors
Andhra Bank	5	7
Central Bank of India	5	7
ABG Shipyard	2	4

Source: Indian Boards

SECTION 188: Under this, related party deals require prior approval of at least 75% of small shareholders. A 'related party' is not entitled to vote on such resolutions

Related party transactions that may be hit when contracts are renewed

Company	Royalty payable as % of sales (FY11)	Related party event
Maruti Suzuki	5.75	
Nestle	3.70	To increase royalty by 100bps over next 5 years
HUL	1.40	To increase royalty by 30-70bp every year till FY18 to reach 3.15% of sales
Colgate	5	

SECTION 149 (1): According to indianboards.com, as many as 966 out of a total 1456 NSE-listed companies or two-thirds, do not currently have a woman director; 966 women directorship positions need to be filled in 6 months