CHRIST UNIVERSITY
BENGALURU, INDIA
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Department of Commerce

Volume VI Issue No. 2 E-Newsletter November 2017

EDITORIAL TEAM

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The Board Room Battle: Infosys tussle

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The founder of Infosys, N.R. Narayana Murthy gave a statement to the media that he is “distressed” on the issues happening at Infosys which led to the ongoing spat between the company’s founders and management out in the open. The insiders state that the trouble has been brewing for the past many months between the founders, who own about13% stake in the company, and the management led by Vishal Sikka-CEO of Infosys.
The below are the issues that are incremental to the tussle at Infosys:

1. CEO Vishal Sikka’s salary: The foremost issue is because of his salary. The statistics state that his compensation gave a rise to $11 from $7.08 million in 2016-17. But Infosys justifies that the salary for Sikka has actually come down due to restricted stock units against extremely steep targets. However, sources state that his current salary is less than when he was chief technology officer at German Software major SAP. The predominant concern among the founders is that there has been a 55% increase in CEO compensation which appears to be large when the average salary hikes hovered in the single-digits of 6%-8% at the company.

2. Exorbitant package for former CFO Rajiv Bansal: Severance packages for departed executives such as Rajiv Bansal and the Legal Counsel –David Kennedy, as is one of the cause for the tussle. The founders claim that no proper financial information is disclosed with respect to the package of Rs.173.8 million which was allocated to Rajiv Bansal and even the ultimate exit of David Kennedy too became a thorny issue.

3. Appointment of Punita Kumar Sinha as an independent director: She was an Investment Banker and the wife of Union Minister Jayant Sinha but the promoters were displeased with this new decision of appointment. So even Narayana Murthy withdrew himself from appointing her but he justifies that she was eminently qualified as a Fund Manager with Blackstone and Oppenheimer and hence the decision was taken on merit. Although, Narayana Murthy had great respect for her but grounded his objection that till date in the history of Infosys it had never invited the spouse of any politician to the Board.

4. Two power centers: Infosys has two power centres i.e. with the senior executives sometimes being called upon to brief a few promoters about the profile and working of the company in an informal way, hence Infosys is said to be a battling concern.

5. Sceptical attitude about aggressive acquisitions: Insiders state that the founders are clinging to a business model that is facing an existential crisis, and are wary of aggressive acquisitions that are incremental to the growth of the company. “They are just too conservative when it comes to investing in the future", told a Young Turk to Times of India. By means of the founders, Infosys has traditionally been wary of large acquisitions. According to Industry experts, the gameplan to position Infosys as the next generation service company leveraging automation, artificial intelligence, and analytics, requires different skill sets and bold acquisition strategy.

6. ‘Old guard doesn’t want to let go’: As CEO Vishal Sikka is the first non-promoter CEO of Infosys, there remains a perspective among new generations that somewhere deep down, the ‘old guard' doesn't want to ‘let go' of a company that they built from the scratch.

7. 7. A strong demand by the founders for Seshasayee’s EXIT: The founders of Infosys are displeased with the non-executive chairman Seshasayee over some of the decisions taken by the company’s board in the past two years. The founders claim to be upset with the board for not

closely scrutinizing some of the company’s decisions which they claim have been at odds with established practices. Reports also suggest that Seshasayee was even asked to consider stepping down from his position.

Organizing Skill is important for a Leader in the Corporate World

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A leader is a person who effectively delegates both responsibility and authority: the responsibility to complete the tasks and the authority required to get things done. He sets goals, communicates, motivates, delegates work etc. He not only guides his team, supports them in their endeavors, but is also required to do much more. A leader must possess organizing skills which include the ability and willingness to make sure that the goals are met and the process implemented within the duration, which is one of his primary duties. He must always have one eye on the goal and the other on the path to reach there. He can't lead himself, nor the team, nor the business, unless he himself is organized.

A clear plan and procedure of work give a sense of strength to a leader, who is considered capable of leading the group towards a planned objective. It makes working easier and more convenient for him and his team.

Organizational skills, in the workplace, include general organizing, planning, time-management, scheduling, coordinating resources and meeting deadlines. Being organized helps a leader make sure that the required tasks are done in accordance with the set schedule. This way, the task is completed smoothly, and time is managed wisely, while he also makes use of his resources effectively, all of which prove him to be to be a successful leader.

Here are a few tips that a leader can follow to be organized:

- Knowing exactly what the Target Vision/Task is.
- Starting with the end in mind.
- Making a list of objectives based on the vision.
- Classifying the list into short and long-term objectives.
- Prioritizing the tasks so that one shall have a clear idea of how to reach the goal. (Knowing to differentiate between urgent tasks, important tasks, and unimportant tasks)
- Identifying critical tasks. (Anticipating future obstacles and being flexible enough to overcome them)
- Keeping a track on how efficiently the work is being executed.
- Revising the plans as and when required.

Once a task has been completed and vision achieved, it is always necessary to make note of the positive aspects and the things that took one off-track. The mistakes must be rectified and new alternatives must be put in place carefully in order to stop themselves from doing the same mistake again and to implement the new alternatives in the next task assigned.

Modern India has no place for corruption, or is this another line from your beloved Politician?

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The massive drive was undertaken by the Ministry of Corporate Affairs (MCA), Government of India, has resulted in around 2.24 lakh companies having been struck-off till date for remaining inactive for a period of two years or more. Such was the news one sudden morning in the Hindu that made us wonder if everybody had suddenly realized that dummy corporations existed for vested interests of some people, with the real reason being channelizing and layering of money. No follow-up came out regarding the news and we were left wondering if the Government was serious enough to back their step in the first place. After all, it's the motive that matters. Yes, the claim was substantial and actions have been taken for the first time on the defaulting companies.

Further, on the basis of information received from 56 banks in respect of 35,000 companies involving 58,000 accounts, it has been revealed that a sum of over Rs. 17,000 crores has been deposited and withdrawn post demonetization. In one case, a company which had a negative Opening Balance on 8th November 2016, deposited and withdrew Rs.2,484 crores post-demonetization.

The Prime Minister's Office has constituted a Special Task Force (STF) under the Joint Chairmanship of Revenue Secretary and Secretary of Corporate Affairs to oversee the drive against such defaulting companies with the help of various enforcement agencies. The Special Task Force has so far met five times and action has been initiated against several defaulting companies, which is expected to help in the drive against black money. Some actions and key highlights which are finally bigger than speeches of our esteemed leaders are as follows:

1. Restrictions on bank accounts: Action has been taken to restrict sale and transfer of movable and immovable properties of these struck-off companies until they are restored. The State Governments have been advised to take necessary action in this regard by disallowing registration of such transactions. One company was found to have had as many as 2,134 accounts. The information with respect to such companies has been shared with the enforcement authorities, including Central Board of Direct Taxes(CBDT), Financial Intelligence Unit (FIU), Department of Financial Services (DFS) and Reserve Bank of India (RBI) etc., for further necessary action. Companies have also been identified for inquiry/inspection/investigation under the Companies Act, 2013 and necessary action is underway.

2. The action is also being initiated against Professionals guilty of fraud and all complaints against them are being reviewed. A High-Level Committee (HLC) has been constituted for suggesting revamp of the disciplinary systems of Chartered Accountants, Company Secretaries, and Cost Accountants.

3. Action has also been taken to disqualify directors on the Board of Companies that have failed to file financial statements and/or annual returns for a continuous period of three financial years during 2013-14 to 2015-16. Around 3.09 lakh directors have been affected by this action. A preliminary inquiry has shown that over 3,000 disqualified directors are directors in more than 20 companies each, which is beyond the limit prescribed by the Law. With a view to check the problem of dummy directors, the action is underway to seed DIN with PAN and Aadhaar at the stage of DIN application through biometric matching for new applications. The same may be extended to legacy data in due course.

4. A separate initiative is underway to develop a State-of-the-Art software application to put in place an 'Early Warning System' (EWS), which will be housed in SFIO. The objective is to strengthen the Regulatory Mechanism.

5. In the light of the evidence with respect to abuse of the corporate structure through multi-layering, not more than two layers are now permitted beyond the wholly owned subsidiary. This is in addition to the existing restriction which prohibits a company to make an investment through more than two layers of

investment companies. In order to address the criminality angle, the director, additional director or assistant director of SFIO have been recently authorized to arrest any person believed to be guilty of any fraudulent activities punishable under the Act. Under Section 447 of the Act, which defines fraud, stringent punishment including imprisonment up to 10 years is stipulated. Further, reference has been made to the Ministry of Finance to include it as a Scheduled Offence under the Prevention of Money Laundering Act.

6. And finally the bold step: The Government is planning to set up a National Financial Reporting Authority (NFRA) as it seeks to rein in the Institute of Chartered Accounts of India (ICAI) for its perceived failure in enforcing discipline. Section 132 of the Companies Act, 2013 provides for the establishment of National Financial Reporting Authority. However, the provision has not been notified yet. Under the provisions of the Companies Act, 1956, the Centre was to prescribe accounting standards prepared by ICAI in consultation with the National Advisory Committee on Accounting Standards (NACAS). Such powers are to be transferred to NFRA under the 2013 Act.

Consequently, NFRA would have taken away several powers that are currently vested with ICAI. There were rumors that several Chartered Accountants had successfully lobbied with the government to block the notification. The issue had been on the hindsight for the last few years but is now simmering again after Prime Minister Narendra Modi publicly aired his criticism over ICAI's disciplinary record -a charge that the institute is now trying to do away with. At the CA Day event on July 1, Modi had said that just around 25 auditors had faced action in over a decade and around 1,400 cases were pending. ICAI is expected to fix the issue shortly, but that has not stopped the government from reopening the possibility for NFRA.

The law provides for NFRA to look into matters of professional or other misconduct and also suspends CAs and firms from practice for 6 months to 10 years. Sources said various options were being considered for the agency and a new mechanism for appeal was also being considered. This also comes at a time when ICAI is pushing to revise joint audit of Indian companies after its plea for a mechanism was rejected by a committee headed by former Competition Commission of India chairman Ashok Chawla in a report to the Prime Minister's Office.

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Real Estate Regulatory Authority (INDIA)

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Any common man`s lifetime aim is not to earn lots and lots of money or to become very popular, but to own a shelter for himself, which in formal terms is a house. He feels like he has received a lifetime achievement award if he has got a house for himself in his own name. This is very evident from the lifestyle of Indians. It has been gaining trend since the time the system of joint families started collapsing and the concept of nuclear families began gaining high importance. This is also the time many companies realized the potential this housing sector had. One of the reasons being large size of a population and increasing standards of living in the country, which was a result of many reforms during the 1990's, namely the LPG reforms. These increasing standards of living also led people to think of houses which were costly. This claim of the people was further strengthened by the banks. Banks were in a budding stage during the early 2000`s and wanted to utilize every small opportunity to benefit from it. The thing that attracted them the most was housing sector. The population of India was about 100 crore, but less than 60 percent of people had their own houses. This led the banks to begin lending loans at a cheaper rate and often at a faster rate. This encouraged people also to approach them in return for their lifetime aim.

How did it all start?

When everything for a match is ready, it depends on the players to enter and play the match. Likewise, the people were ready to spend, banks were ready to lend and the government was willing to promote the sector. The players, the real estate firms, have entered the field. They initially acquired lands in key areas in most of the metropolitan cities and when the time has come, they began constructing the buildings. They did not only construct the buildings according to plan but also offered the option of customization, improvisation etc. in order to attract more customers. People also did not hesitate to spend the amount quoted as it was not a lump sum they had to pay. So, the companies began large-scale construction, mainly in metropolitan cities, where people migrated to, for various obvious reasons.

Along with good comes the bad

Everything was very fine in this sector until irregularities erupted. Companies advertised very fancily and attractively that people would have the urge to possess something in such a project. The companies would often give ads about how close the project is to the nearest landmark. In terms of real-estate, a project refers to a particular construction being done by the company in a single place. Thus, these projects looked very good in the picture. As people say, one who intends to cheat people need not look for a particular activity. This was proved in the housing sector as well. Many companies were formed just for the purpose of cheating the customers and fleeing away with the money received. It subsequently leads to the loss of money, dream-shattering for the working population and also deaths in some cases. One best example of this situation is the AGRIGOLD group. This particular company has collected large sums of money from the public and at the end when it was supposed to give the customers back the houses they were waiting for, the company was found to have invested in lands in various places which ended up getting depreciated in terms of value and also that the company had not started the construction of any of its promised projects. The people were sad and were furious and ended up at their offices which were already shut down. All this tells that the company was very well aware of what it had to do since the incorporation, i.e, to cheat the common people by hitting on their aim of life as people would easily be convinced into their projects.

The Entry of RERA:

The Government of India enacted the Real Estate (Regulation and Development) Act 2016 on 26th March 2016 and all its provisions came into effect, from May 1, 2017. The Government of India was very particular about bringing forward a law that would give protection to the people from things like these. Though such frauds have been taking place since 2005, the law was brought into the parliament in the year 2013. This explains the real response of the government towards the common folks. It was passed in the year 2015 as REAL ESTATE REGULATORY AUTHORITY. This led to the formation of a state regulatory body for every state which is controlled by a central authority for a proper control. Every state government has to appoint the members to this body.
The following are some provisions of the law: -

- Under RERA, each state will have to set up regulatory bodies as appellate tribunals to solve the disputes between buyer and builder within 120 days.
- The developer will have to put 70% of the money collected from a buyer in a separate account to meet the construction cost of the project.
- RERA will make it mandatory for all commercial and residential real estate projects where the land is over 500 sq. mt. or eight apartments will have to register with the regulator before launching a project.
- RERA also seeks to impose strict regulations on the promoter and ensure that construction is completed on time.
- Carpet area has been clearly defined in the bill to include usable spaces like kitchen and toilets imparting clarity which was not the case earlier.
- A developer's liability to repair structural defects has been increased to 5 years from the earlier 2 years.
- The buyer will pay only for the carpet area (area within walls). The builder can't charge for the super built-up area, as is the practice at present.
- Developers will be able to sell projects only after the necessary clearances. Under RERA, builders and agents will have to register themselves with the regulator and get all projects with more than eight apartments registered before launch.
- To enable informed decisions by buyers, Real Estate Regulatory Authorities will ensure publication on their websites information relating to profile and track record of promoters, details of litigations, advertisement and prospectus issued about the project, details of apartments, plots and garages, registered agents and consultants, development plan, financial details of the promoters, status of approvals and projects etc.

This law in simple is a mutual benefit to both the buyers and the sellers. The buyers will be benefitted from the details of the project they are buying would be specified and verified. This will provide him with the guarantee that he is in possession of his property he has been paying for. This submission of details to the government regarding the complete details also acts as a proof to the buyers in case of any deviation from the originally promised projects. It also benefits the sellers. This is because many companies have suffered from the default of payments by the buyers. In some cases, the projects had to be stalled for a long period of time which dented the reputation of the company.
Is RERA Act of any use?
This act is proving to be very useful. The government, in this case, might have followed the concept of BETTER LATE THAN NEVER. Anyway, time is consumed if people have to be made good. So, there has been something that the government has done for the protection of the working population of the country and it was a good attempt as it also reduced the unregulated powers of such fraudulent

companies.

Will India Travel with Time?

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With the recent cabinet reshuffle, the country is on the look-out for major systemic changes and advancements. Be it Ms. Nirmala Sitaraman being appointed the second ever Women Defence Minister of the country, or Mr. Piyush Goyal elevated to the post of the Railway Minister, or Mr. Suresh Prabhu being appointed as the Minister of Commerce and Industry. The kind of situations that each one of them will face in the immediate future is being discussed and re-discussed by the expert analysts in different fields. Did the Centre make the right decision? This question can only be answered after looking into the approach that each of the ministers takes towards the extremely important ministry that they head.

One such major ministries that have had their heads changed is the Ministry of Commerce and Industry. Mr. Suresh Prabhu, ex-Railway Minister who recently drew flak among the public and the media for the many tragic rail accidents that happened, has a lot of expectations to fulfill. Mostly because of the fact that the BJP Government flagship project was to make India self-sufficient by introducing schemes like Make-in India, Start-Up India, Digital India etc.

India’s present situation is very arbitrary. Many factors like political and economic distress in the world, strict migration and trade policies initiated by the POTUS, China’s commitment to help Pakistan, Brexit etc. have caused the global economic slowdown. India, though, maintained a growth rate in the GDP that hovered around 7 % until, of course, the demonetization move and the rollout of the GST. Now, let's not be hard on GST. Any newly introduced system will have the initial problems and it is not wise to judge the entire idea with the initial lapses. So, let’s wait like we always do.

So what does Mr. Suresh Prabhu have the cut-out for him just as he enters the big arena? His contributions to the growth of the Indian economy will be of integral significance because of the sheer fact that India is expected to develop at a faster pace than the global economy. The minister has some pressing problems to work upon like:

- Falling exports: The fall in exports is a result of the global economic slowdown and the fall in the INR due to the booming imports of Gold and the currency rate fluctuations guided by Brexit, Fed rate hike etc. India’s Current Account deficit stands at $112.4 billion as on June 15, 2017. Indian exports have seen falling exports for almost 4 consecutive years, with exports standing at Rs 19.05 lakh crores in 2013-14, 18.96 lakh crores in 2014-15, 17.61 lakh crores in 2015-16.
- Permanent solution for the food safety deal at WTO: The food safety deal that India had settled with the US that guarantees a higher minimum subsidy for the Indian farmer, is temporary. Come November, the Minister has the task to convince the big players in the WTO on the minimum subsidy that the Government wants to provide the farmers with. The subsidy is a minimum amount at which the Government procures the produce of the farmer, irrespective of the price in the market. This is something the farmers of India cannot do away with, given the erratic rainfalls and the debt they face on farm loans with huge speculation over their waiver in different states.
- Trade Agreements: The many boundary conflicts with the neighboring countries like Pakistan and China have affected India's chances of creating good Trade Relations with these countries when India has to stress on Exports to revive its Balance of Trade position. The recent Dokhlam stand-off between India and China and the China Pakistan Economic Corridor (CPEC), have created a lot of speculations on India’s relationship with her neighbors. The Minister will have

to make cautious steps while deciding on the Trade Agreements that he will have to enter into for the benefit of India to progress economically.

After what Mr. Suresh Prabhu managed to achieve in the Railways, which have been regarded as fine achievements in a complicated entity like the Indian Railways, expectations are galore on what he would achieve for the economy. Will he be able to do it yet again? Can't be answered as yet.
So Let us wait, as we always do, to see if we can find a leader, who can make India travel with time….