

Update

MCA's voluntary guidelines for maintenance of websites – a step towards better information sharing



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With technological developments, it has become easier for any stakeholder to know a company better. Stakeholders no longer have to rely on the websites of stock exchanges, middlemen, business news for relevant information. To put it chastely, information on a company's website would be the one of the most reliable sources of information for any stakeholder.

From the company's point of view, any piece of information put on its website would mean transparency, greater visibility and enhanced accessibility, which would save the company from having to cater to persistent petty queries.

To serve the dual purpose of helping stakeholders and the company, the MCA has come up with voluntary guidelines for providing general information on a company's websiteⁱ.

Applicability:

Even if voluntary, the guidelines are applicable to only the following:

- a. Company not having paid up capital of less than Rs. 10 crores or
- b. Having more than 100 members

Information to be displayed:

In keeping with the suggestions received during the "India Corporate and Investor Meet" held in February 2012, information pertaining to the following shall be displayed on the functional website of such a company which opts to follow the Guidelines:

- a. Information about the company and its line of business.
- b. Details of Board of Directors of the company, Audit Committee.
- c. Important financial ratios, including the amount spent on Corporate Social Responsibility ("CSR").
- d. Financial information regarding the subsidiary of the company.
- e. Information relating to shares relating to dividend, shareholding pattern and the likes.
- f. Information of particular relevance to investors' like shareholders' complaints in the last three years, complaints about insider trading transaction in last three years.
- g. A developed investors' complaint mechanism whereby the investor can also register his complaint on the company's website.
- h. Details regarding related parties transactions in the last three years
- i. CSR and environment protection related initiatives of company.

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Information to be displayed as per other provisions:

Listing Agreement related requirements to be put up on the company's website

- a. Maintaining a functional website which required, apart from information already provided above, details of agreements entered into with the media companies and/or their associates. (Clause 54)
- b. The code of conduct for all Board members and senior management of the company. (Clause 49)

Requirements under Securities and Exchange Board Of India (Prohibition of Insider Trading) Regulations, 1992

- a. In case the company organizes any meeting with its analyst, relevant information relating to the same shall be posted on the website (Regulation 6).
- b. In keeping with the above point, investors may be provided with a direct access to analyst briefing material, significant background information and questions and answers. (Regulation 7)
- c. Information placed with stock exchanges on a continual basis. (Regulation 7)

Requirements under Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

- a. The Board may after giving a reasonable opportunity to be heard, pass an order granting or rejecting exemption from obligation to make an open offer for acquiring shares. The order so passed should be put up in the website of the company. (Regulation 11)
- b. Public announcement, detailed public statement and draft letter of offer in accordance with the Regulations. (Regulation 16)
- c. Order of the Board withdrawing the public offer. (Regulation 23)

Our analysis

The guidelines are an important step towards investor empowerment apart from better corporate governance. It is also in line with the proposed Companies bill, 2011. The guidelines will also help in bringing parity in maintaining websites by companies. As of now it is voluntary but going ahead for increased transparency and accessibility, one may expect the same to be binding.

ⁱ http://www.mca.gov.in/Ministry/pdf/voluntary_guidelines.pdf