ABSTRACT
SEBI formed a committee on corporate governance in June 2017 under the Chairmanship of Mr. Uday Kotak with a view to enhancing the standards of corporate governance of listed entities in India. The committee consisted of officials from the government, industry, professional bodies, stock exchanges, academicians, lawyers, proxy advisors, etc. The committee was requested to submit its report within four months. The further details of this topic are outlined and examined in this research paper.

Keywords: Corporate governance, Kotak committee

INTRODUCTION
India accounts for nearly 3 per cent of world GDP and 2.5 percent of global stock market capitalization. With over 5,000 listed companies and more than 50 companies in the global Fortune 2000, India represents a vibrant mix of small and large companies that access capital from domestic and international investors to fund their growth. Many of these companies are amongst the largest employers. Moreover, a large number of small investors in India rely on corporate India’s good performance so that the returns they obtain on their investments can ensure their financial security. Beyond doubt, corporate India represents a key engine that powers nation building; and nation building requires sound principles of governance, whether it is a country or a company. As corporate India’s health is critical for India’s future, sound corporate governance needs to be the key enabler to manifest this reality.

Corporate governance deals with the ways in which suppliers of capital to corporations, especially faceless, powerless small investors, can assure themselves of getting fair treatment as stakeholders. A promoter, or a professional manager, raises funds from equity investors either to put them to productive use or to cash out his/her holdings in the firm. The investors need the manager/s/promoter’s specialized human capital to generate returns on their funds. But how can small suppliers of capital ensure that, once they invest their funds, owners and/or professional managers will invest their money responsibly and return some of the profits generated from such investments? Corporate governance deals with the mechanisms to address this key question. So after considering all we can definitely said that-

“A Good Corporate Governance system plays most outstanding role in modern business world.”

MEANING OF CORPORATE GOVERNANCE
The Institute of Company Secretaries of India (ICSI) defines: “Corporate Governance is the application of best management practices, compliance of law in letter and spirit and adherence to ethical standard for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders.”
RECOMMENDATIONS OF UDAY KOTAK COMMITTEE ON CORPORATE GOVERNANCE

The following recommendations are:

Chapter I: Composition and Role of the Board of Directors
Chapter II: The Institution of Independent Directors
Chapter III: Board Committees
Chapter IV: Enhanced Monitoring of Group Entities
Chapter V: Promoters/Controlling Shareholders and Related Party Transactions
Chapter VI: Disclosures and Transparency
Chapter VII: Accounting and Audit related issues
Chapter VIII: Investor Participation in Meetings of Listed Entities
Chapter IX: Governance Aspects of Public Sector Enterprises
Chapter X: Leniency Mechanism
Chapter XI: Capacity building in SEBI for Enhancing Corporate Governance in Listed Entities

OBJECTIVES OF THE STUDY

The main objectives of the study are stated below:

1. To indicate the Recommendations of Uday Kotak Committee on Corporate Governance in an effective way.
2. To provide direction to the company and organization towards the Recommendations of Uday Kotak Committee on Corporate Governance.
3. It also provides a vision for best corporate governance practices.

REVIEW OF LITERATURE

Reviews of literature of the study are stated below:

SEBI: REPORT OF THE UDAY KOTAK COMMITTEE ON CORPORATE GOVERNANCE

The Committee’s approach has been to focus on addressing immediate challenges and gaps in governance while at the same time, anchoring its discussions firmly in the long term. The Committee believes that such a focus on the long term is necessary to enable our companies shape a strong and resilient governance apparatus for the foreseeable future. Irrespective of the timeframe, at its core, the Committee believes that well-governed companies need to fulfill two major roles: the first to focus on long-term value creation and the second to protect shareholders interests by applying proper care, skills and diligence to business decisions. In relation to the governance processes that would help achieve these outcomes; the Committee was guided by the following conceptual underpinnings:

First, high-quality information represents the basic input for governance because it reduces the twin problems of reliability and asymmetric information, which refer to the fact that professional managers, board members and auditors possess significantly greater information than the average investor in these companies. These may get exacerbated by the possibility that good news may be revealed aggressively while bad news may be allowed to percolate slowly or remain undislosed. Therefore, high-quality information is the primary ingredient for enabling shareholders to exercise their voting rights in general meetings of the company and express their views on such key corporate decisions. Even directors and auditors have to rely on high-quality information about the operations of the company to duly discharge their fiduciary duties. Thus high-quality information is the key pillar of corporate governance.
Second, good corporate governance primarily helps overcome potential agency problems which can occur if managers who are agents of all shareholders (particularly the faceless, powerless ones) pursue their personal interests to the possible detriment of investors’ interests. Last, but not the least, regulatory monitoring and optimal use of the proverbial carrot and stick represents a key element of corporate governance.

**ECONOMIC TIMES: KOTAK PANEL REPORT ON CORPORATE GOVERNANCE NOT A MAGIC WAND: COMMITTEE MEMBERS**

Focused on evolutionary steps, the Uday Kotak panel report on corporate governance is not a "magic wand" that will cleanse functioning of listed companies overnight but provides for measures that will hold good for next generation of reforms, according to some committee members. As part of proposing far reaching measures for improving corporate governance at listed companies, the panel has recommended limiting chairmanship to non-executive directors, appointing at least one woman as independent director and increasing the number of board meetings to five in a year.

The report of the committee, headed by noted banker Uday Kotak, which was submitted to markets regulator SEBI earlier this month has elicited mixed responses. Union minister Piyush Goyal had opined that the report has gone “completely off the mark” even as he opined that there are many things good as well as inappropriate in it.

**LIVEMINT.COM: MOVING TOWARDS BETTER CORPORATE GOVERNANCE**

The recommendations that the committee headed by Uday Kotak submitted to the Securities and Exchange Board of India (SEBI) last week should be seen against this backdrop. The committee has recommended sweeping changes that will make corporate affairs more transparent as well as improve the standard of corporate governance in listed companies. As committee member Krishnamurthy Subramanian told this newspaper, the way to achieve this is by strengthening the three gatekeepers—the board, the auditors and the regulator.

The role of independent directors on the board is extremely important as they protect the interest of all stakeholders, especially the small investors. The committee has laid down the path for greater presence and role of independent directors. No board meeting can be conducted without the presence of an independent director. The committee has recommended that at least half of the board members should be independent directors. It has also suggested measures so that independent directors inducted in the board are truly independent. Given their importance in governance, it has been recommended that listed companies should have to give detailed reasons if an independent director resigns. These recommendations need to be welcomed. Independent directors will now be in a much better position to objectively protect the interest of different stakeholders, including the small shareholder. However, it may not be easy for companies to find good independent directors. The committee has also recommended the separation of roles of chairperson and managing director, and the chairperson should be a non-executive director.

**TITLE OF THE STUDY**

After going through existing literature in the library, researchers has selected topic as under: “recommendations of Uday Kotak committee on corporate governance”

**GAP ANALYSIS**

On the basis of evaluation of literature and objectives, researcher found the gap in this area. After considering a few research have been taken for the study, researcher is found following gap:

Recommendations of Uday Kotak Committee on Corporate Governance have been partially accepted and yet it was not studied.
RESEARCH METHODOLOGY

Researcher analyzed all the data based on secondary data. So main source of this research paper is secondary data and after considering these authenticated journals, articles etc. done all the analysis of corporate governance.

FINDINGS OF THE STUDY

The following findings are:

In light of various developments in the realm of corporate governance across the globe and in continuation of its role as a proactive regulator, the Securities and Exchange Board of India (SEBI) constituted a committee under the chairmanship of Uday Kotak in June 2017 to suggest suitable policy and regulatory changes required to be carried out in order to enhance the efficiency of corporate governance norms for Indian listed entities (Kotak Committee).

The Kotak Committee, submitted its report (Report or Kotak Committee Report) on October 5, 2017 after careful and detailed deliberation with various experts and stakeholders. The Report contained recommendations pertaining to a plethora of regulatory changes to align Indian corporate governance norms with global best practices, while being premised on local business realities unique to India, such as the prevalence of large, concentrated shareholding blocks (as opposed to a dispersed shareholding pattern observed in few developed markets such as the United States of America), family run businesses and 'promoter-raj'.

News reports suggested that the recommendations of the Kotak Committee were to be considered and implemented in a phased manner. In its board meeting on March 27, 2018, SEBI, after detailed consideration and due deliberation, accepted several recommendations of the Kotak Committee without any modifications and accepted a few other recommendations with certain modifications as to timelines for implementation, applicability thresholds among others.

SEBI also decided to refer certain recommendations, which were criticized by market participants as being an example of ‘jurisdictional over-reach’, to various agencies (i.e. government, other regulators, professional bodies, etc.), considering that the matters involved related to them.

KEY RECOMMENDATIONS OF THE KOTAK COMMITTEE APPROVED BY SEBI

INCREASING TRANSPARENCY - ENHANCED DISCLOSURE REQUIREMENTS

Corporate governance norms are aimed at reduction of agency costs for residual owners of a corporation (its shareholders) incurred by them in monitoring and ensuring effective functioning of a corporation as per its objectives (by the management). Effective disclosures, thus, are fundamental to corporate governance. The Kotak Committee, had made various recommendations pertaining to enhancing disclosure requirements of listed entities. Some recommendations of the Kotak Committee, which have been approved by SEBI pertain to the following:-

DISCLOSURE OF UTILIZATION OF FUNDS FROM QUALIFIED INSTITUTIONAL PLACEMENT (QIP)/PREFERENTIAL ISSUES

Full disclosure of utilization of funds raised through Preferential Allotment and QIPs undertaken in the relevant financial year have to be made in the Annual Report of the listed company until such funds are fully utilized.

DISCLOSURES OF AUDITOR CREDENTIALS, AUDIT FEE, REASONS FOR RESIGNATION OF AUDITORS

A listed entity will now be required to disclose in its Annual Report, the details of all fees paid by the listed entity and its subsidiaries (on a consolidated basis) to the statutory auditor and to all other entities in the network firm/network entity of which the auditor is a part. Further, the notice being sent to shareholders for an Annual General Meeting (AGM) where the statutory auditor(s) is/are proposed...
to be appointed/re-appointed will have to include the following disclosures as a part of the explanatory statement to the notice:-

1. Proposed fees payable to the statutory auditor(s) along with terms of appointment and in case of a new auditor, any material change in the fee payable to such auditor from that paid to the outgoing auditor along with the rationale for such change;

2. Basis of recommendation for appointment, including the details in relation to and credentials of the statutory auditor(s) proposed to be appointed.

Apart from the above, detailed reasons for resignation of an auditor as given by the said auditor has to now be disclosed to the stock exchanges.

**DISCLOSURE OF EXPERTISE/SKILLS OF DIRECTORS**

The listed entity is required to disclose a chart or a matrix setting out the skills/expertise/competence of the board of directors in its Annual Report containing a list of core skills/expertise/competencies identified by the board of directors as required in the context of its business(es) and sector(s) for it to function effectively, and those actually available with the board in the Financial Year -2018-2019. Further, detailed disclosures of competencies of every board member, along with their names have to be disclosed in the Annual Report for the Financial Year 2019-2020.

**ENHANCED DISCLOSURE OF RELATED PARTY TRANSACTIONS (RPT)**

A listed entity has to submit within 30 days of publication of its standalone and consolidated financial results for the half year, disclosures of RPTs on a consolidated basis, in the format prescribed in the relevant accounting standards for annual results, to the stock exchanges and to publish the same on its website. Further, listed entities will now have to include disclosures of transactions of the listed entity with any person or entity belonging to the promoter/promoter group which hold(s) 10 per cent or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results in its Annual Report.

**MANDATORY DISCLOSURE OF CONSOLIDATED QUARTERLY RESULTS WITH EFFECT FROM FINANCIAL YEAR 2019-2020**

A listed entity has to mandatorily disclose consolidated quarterly results with effect from Financial Year 2019-2020.

**RESHAPING THE INSTITUTION OF THE BOARD OF DIRECTORS AND ENHANCING THE ROLE OF COMMITTEES OF THE BOARD**

The board of directors of a company, being entrusted to keep a check on the management, is its primary governance body. The board of directors owe a fiduciary duty to a company as a whole, and have the function of protecting the interests of various stakeholders. Therefore, institutionalizing a board of directors is of primal importance to effective corporate governance. The Kotak Committee had recommended various measures to strengthen the institution of the board of directors, some of which have been approved by SEBI. The approved changes pertain to:


The top 500 listed entities (by market capitalization) having a public shareholding of 40 per cent or more, have to separate the office of CEO/MD and Chairperson with effect from April 1, 2020.

**AUGMENTING BOARD STRENGTH AND DIVERSITY**

The top 1000 listed entities (by market capitalization), and the top 2000 listed entities, have to mandatorily have a minimum of six directors on their boards by April 1, 2019 and April 1, 2020 respectively. The top 500 listed entities (by market capitalization) and the top 1000 listed entities have
to have a minimum of one woman independent director by April 1, 2019 and April 1, 2020 respectively.

**ENHANCED QUORUM**

Quorum of the board of directors will be one-third of the total strength of the board of directors or three directors, whichever being higher, from April 1, 2019 for the top 1000 listed entities (by market capitalization) and from April 1, 2020 for the top 2000 listed entities.

**CAPPING THE MAXIMUM NUMBER OF DIRECTORSHIPS**

No person will be allowed to hold the office of director in more than eight listed entities at the same time (of which independent directorships are capped at seven) with effect from April 1, 2019. Further, with effect from April 1, 2020, such number will be capped at seven.

**EXPANDED ELIGIBILITY CRITERIA FOR INDEPENDENT DIRECTORS**

No person who is a part of the promoter group can be appointed as an Independent Director. Further, to avoid the problem of ‘board interlocks’, a person who is a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director, will not be eligible to be an independent director in the listed entity.

**ENHANCED ROLE OF COMMITTEES**

(i)**AUDIT COMMITTEE** - The Audit Committee will have to review the utilization of loans and/or advances from/investment by the holding company in the subsidiary exceeding Rs 100 crore or 10 percent of the asset size of the subsidiary, whichever is lower.

(ii)**NOMINATION AND REMUNERATION COMMITTEE** – The Nomination and Remuneration Committee, which is currently mandated by the LODR Regulations to recommend to the board of directors the appointment and removal of the senior management of a listed entity, shall now have to identify and recommend to the board, the appointment and removal of persons for the positions/offices one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case chief executive officer/manager is not a part of the board), specifically including the position of the company secretary and the chief financial officer. Such positions/offices will now be considered to be a part of the ‘senior management’. Further, it shall now be the duty of the Nomination and Remuneration Committee specifically to recommend to the board, all remuneration, in whatever form, payable to members of the senior management.

(iii)**RISK MANAGEMENT COMMITTEE** - The functions of the Risk Management Committee shall now specifically cover cyber security.

**DOWN-STREAMING CORPORATE GOVERNANCE**

In light of the increasingly complex corporate structures being used by businesses, which function through a web of subsidiaries incorporated in India/abroad, governance practices at subsidiary level is of increased importance to the shareholders of a listed entity. SEBI, in recognition thereof, has approved the following recommendations of the Kotak Committee:

**ENHANCED OBLIGATIONS ON LISTED ENTITIES WITH RESPECT TO SUBSIDIARIES**

One independent director from the board of directors of a listed entity should also be a director on the board of directors of its unlisted foreign material subsidiary (as opposed to the extant requirement pertaining to an unlisted material subsidiary incorporated in India). Additionally, the board of all listed entities will now have to be appraised of significant transactions involving all unlisted subsidiaries (as opposed to the extant requirement of significant transactions of only unlisted material subsidiaries). A material subsidiary is defined as a subsidiary, whose income or net worth exceeds 10 percent (as opposed to 20 percent) of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
SECRETARIAL AUDIT TO BE MANDATORY FOR LISTED ENTITIES AND THEIR MATERIAL UNLISTED SUBSIDIARIES

All listed companies and their material subsidiaries incorporated in India will have to undertake secretarial audit and annex a secretarial audit report given by a practicing company secretary with their Annual Reports.

SHAREHOLDER PARTICIPATION AND INVOLVEMENT

SEBI has approved the following recommendations of the Kotak Committee to increase shareholder participation and engagement in the affairs of a listed company:

The top 100 listed entities by market capitalization have to hold their AGM within five months from the date of closing of the Financial Year 2018-2019 i.e. by August 31, 2019. Mandatory webcast of AGMs has been mandated for top 100 entities by market capitalization with effect from Financial Year 2018-19. Requirement of shareholder approval being majority of minority for royalty/brand payments to a related party exceeding 2% of consolidated turnover (instead of the proposed 5%).

LIMITATIONS OF THE STUDY

The following limitations are:

1) Limitation of secondary data will remain with the study of the Recommendations of Uday Kotak Committee on Corporate Governance.

2) The study was limited to reflect the Recommendations of Uday Kotak Committee on Corporate Governance.

3) Perception and understanding of corporate leaders regarding corporate governance committee may be different.

CONCLUSION

The approved changes to corporate governance norms are aimed towards aligning corporate governance standards to global best practices. Most of the approved recommendations, are firmly rooted in local business realities, where most listed entities are promoter-led as opposed to being professionally managed, thus increasing risks of promoter-raj at the cost of minority shareholders. To conclude, while there may exist certain issues and glitches, such as the fact that various recommendations of the Kotak Committee which have been approved have been made applicable to top companies in terms of market capitalization, precluding smaller listed entities from such compliance requirements even though it is usually some of the smaller listed entities wherein corporate governance standards are found to be wanting, the approved recommendations are indeed welcome and are expected to extol corporate India to a leadership position with regards to corporate governance.

Some argue that added compliance requirements are de facto abdication of the regulators role and will have the effect of increasing regulatory burden on listed companies, and consequently increase transaction costs/agency costs; in terms of cost benefit analysis for the Indian securities markets at large, it is clearly a move forward. Enhanced monitoring and disclosures arising out of structural modifications will benefit all shareholders, especially the smallest. Needless to add, robust governance will enhance the credibility of the entire public markets and attract more investors in the long term.

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