

# Pilot Project: Post IPO Corporate Governance

Presented by:

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Association

Before:

Core Group of Experts, NFCG

Hotel Intercontinental, The  
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April 12, 2008



# Introduction



# About Us

- Midas Touch Investors Association is a non profit organization working for
  - protection of investor interest,
  - development of a fair, participative and efficient Capital Market through
  - advocacy & judicial process, since 1996.
- Main founder- Virendra Jain- first investor rights activist in the country. His relentless crusade and sustained efforts have resulted in institutionalizing investors voice in various forums and underlined importance of responsible Corporate Governance.

# Activities undertaken by Midas Touch Investors Association

- Broadly, activities relating to:
  - Unfair or unethical corporate governance.
  - Creation of a level playing field amongst all categories of investors & various stakeholders.
  - Empowering investors.
- These were carried out through:
  - Advocacy &
  - Pro active role as an activist organisation

# Activities undertaken by Midas Touch Investors Association

- Deposition before JPC: 80% suggestions recommended- 2001
- Helped over 2 lakh unit holders of CANSTAR to recover Rs. 975 crores from Canara Bank's Mutual Fund- PIL 1997
- Brought the concept of Vanishing Companies (post IPO) to notice of Government and Public- PIL 1998-99.
  - It triggered wide ranging action & reforms in: Administrative functioning & legislative framework.
  - Primary & Secondary market, SCR Act, SEBI Act and Companies Act, which are still on going after a decade.
- Has been active in highlighting structural and systemic deficiencies and remedial measures through representations, suggestions, presentations, depositions and Public Interest litigation.
- Creation, development and running of Investor Helpline, sponsored by IEPF- a unique online portal for assistance in grievance redressal – since 2006.

# Research work

- Investors Beware- first book in the post SEBI era with an indepth analysis of the prevailing regulatory framework chronicling (with case studies) organizations activities and experiences. Author: Virendra Jain

Published By- Macmillan India Limited.

- Midas Touch has submitted numerous well researched representations for strengthening of the system / laws / regulations to the Government, JPC, Standing Committees & Regulators.
- Has undertaken study / research on various issues.



# Proposal for Research Work



# Research Topic

- **Post IPO Corporate Governance Study**
  - Regarding End Use of Funds
    - By a 15 companies sample out of
    - 250 IPOs / FPOs during 2003-2007 which raised around Rs.1,30,000 crore.

# OBJECTIVE

- To ascertain:
  - Improvement in Corporate Governance after introduction of CG norms.
  - Compliances:
    - Timely
    - Late
    - Not at all
  - Disclosures:
    - Adequate
    - Opaque
- Identification of gaps or grey areas in the existing framework, if any.
- Recommendations / suggestions

# Assistance & Time Frame

- **Financial:**
  - Project cost: Rs.16 lakh (based on 12 months time)
    - In case of earlier completion, the assistance requirement would be reduced on a pro rata basis.
- **Data for selected companies:**
  - Offer documents
  - Annual Reports
  - Periodical disclosures filed with SEs.
- **Time frame- 10-12 months**

# Scope of Study

- Material variations, if any, whether properly explained by the company in quarterly disclosures under Listing Agreement.
  - Where commercial production not commenced or money not fully utilized:
    - Implementation status of the project vis a vis Offer Document.
    - Balance of un-utilized money raised and
    - The form in which it has been invested.
- Material variations, if any, whether properly explained by the company in Director's Report.

# Hypothesis

- Proper utilization of funds, especially funds raised from the Public is a critical factor in good Corporate Governance.
- During last decade numerous companies diverted IPO proceeds- such instances paint entire corporate sector in a bad light for mis governance by few.
  - Inadequate reporting requirements, &
  - Weak monitoring systems, were largely responsible.
- Introduction of CG Norms have strengthened / introduced
  - internal control systems of the companies,
  - independent & professional oversight and
  - qualitatively enhanced reporting requirements.
- The monitoring system- though improved- appears weak for evaluation.

# Data Source

- Offer Document / Prospectus.
- Annual Reports
- Periodical disclosures filed by the company with SEs alongwith its date.
- Any other information from reliable sources.



THANK YOU

