

**Press Note No. 3/2011 dated 8.2.2011**

**Direction under Section 212**

Section 212 of the Companies Act, 1956 requires holding companies to attach with their balance sheet a copy of the balance sheet, profit and loss account etc of each of its subsidiaries. In recent years, with the globalization of the Indian economy, there has been a large increase in the number of holding companies and subsidiaries. Accounting policies and practices have also evolved, and Accounting Standards have been issued regarding preparation of consolidated financial statements.

The Ministry has been receiving a large number of applications seeking permission not to attach the accounts of subsidiaries. The Ministry has been granting such permission on case-by-case basis on the basis of certain conditions which are intended to protect the interests of investors.

The matter has been carefully re-examined in the context of the emerging trends in the economy and regulatory and accounting practices. It has been decided that the permission may be granted on a general basis wherever the Board of Directors of the holding company gives its consent and the conditions prescribed by the Ministry are complied with. The Ministry has accordingly issued directions through a general circular no. 2/2011 file no. 51/12/2007-CL-III for this purpose. The conditions to be met by the companies are following:-

- (i) The Board of Directors of the Company has by resolution given consent for not attaching the balance sheet of the subsidiary concerned;
- (ii) The company shall present in the annual report, the consolidated financial statements of holding company and all subsidiaries duly audited by its statutory auditors;
- (iii) The consolidated financial statement shall be prepared in strict compliance with applicable Accounting Standards and, where applicable, Listing Agreement as prescribed by the Security and Exchange Board of India;
- (iv) The company shall disclose in the consolidated balance sheet the following information in aggregate for each subsidiary including subsidiaries of subsidiaries:- (a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investment (except in case of investment in the subsidiaries) (f) turnover (g) profit before taxation (h) provision for taxation (i) profit after taxation (j) proposed dividend;

- (v) The holding company shall undertake in its annual report that annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the holding and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be kept for inspection by any shareholders in the head office of the holding company and of the subsidiary companies concerned and a note to the above effect will be included in the annual report of the holding company. The holding company shall furnish a hard copy of details of accounts of subsidiaries to any shareholder on demand;
- (vi) The holding as well as subsidiary companies in question shall regularly file such data to the various regulatory and Government authorities as may be required by them;
- (vii) The company shall give Indian rupee equivalent of the figures given in foreign currency appearing in the accounts of the subsidiary companies along with exchange rate as on closing day of the financial year.