ANNEXURE VI

A Note By ONGC Regarding the Advantages of the Commission Becoming a Company under Companies Act from its present position of Statutory Body.

Generally speaking the company can do everything as an ordinary individual. Unless it is restricted directly or indirectly by its Memorandum and Articles of Association of Companies Act, thereby implying flexibility in its working whether it is in terms of its commercial operations, matter of diversification and policy matters. In case of a statutory body it can have such rights and can do such acts only as are authorised directly by statute creating it. Merely statute does not expressly or impliedly authorise or prohibit. Thus the statutory body, it may be added, does not enjoy the flexibility, autonomy in its operations, diversifications and policy matters as in case of a company.

Personnel Matters and Service Matters

In case of a company, the rules governing employees can be adopted, changed by the board of directors more expeditiously keeping in view the company objectives without observance of any statutory rules. In case of a statutory body, since the terms and conditions are governed by statutory rules and regulations any change in them is cumbersome and it is a delaying process.

Changes in Policy Matters and Objects of Company

The present scope of objects of the company are required to be added or changed keeping in view its commercial activities or corporate or perspective plans. If the company so decides, changes in its objects for any related policy matters, is possible through Memorandum of Association. However, in case of a statutory body if any such change, even it if is absolutely necessary is thought or decided, then the procedures are quite lengthy and cumbersome in as much as
any change would require approval of parliament in due process under the Constitution.

**Public Participation**

In case of a company, there is no legal bar for such participation except that decision of government in principle is required in this regard. Such participation in a company can be achieved by offering shares to the public, entering into joint ventures. Such measures do require financial and commercial flexibility in the operations of the company. However in case of a statutory body, it is not possible for raising of capital/funds. Apart from the above, the government can raise its capital from the market in the shape of bonds, or deposits or equity or preference shares, partial or convertible debentures. This is not possible in the case of a statutory body.

**Accounts and Audit**

In case of companies, accounts are required to be maintained in terms of the Companies Act which interalia gives powers to the company for the appointment of auditors as well as internal auditors. In case of statutory corporations they have to be governed by statute and generally the Comptroller and Auditor General conducts it.

**Governance**

In case of a company, governance lies with the board of directors. The constitution of board of directors is generally as per the company law. The conduct of meetings is as per company law or Memorandum or Articles of Association. There is greater flexibility and autonomy in the matters of governance by the board of directors of the company. In case of a statutory body, members exercise specific powers as defined by statute.