



Monthly Newsletter

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Secretary's Desk

International Monetary Fund (IMF) in its latest World Economic Outlook update released in July has projected that India will grow by 7.3% in 2018-19 and 7.5% in 2019-20. Despite the lowered growth forecast due to higher oil prices and monetary tightening, India would still be fastest growing economy. Infrastructure sector growth in India gathered momentum in June, 2018 posting an increase of 6.7% year on year due to

increased production of refinery products, coal and cement.

Over the past few years, multiple efforts have been made to solve the problem of rising non-performing assets (NPAs). In this line, the Government approved a bank led, five pronged comprehensive scheme called Shashakt for the resolution of stressed assets with the public sector banks on 3rd July. According to the scheme, the stressed assets will be divided into three classes depending on their size. NPAs upto Rs.50 crore will be managed by dedicated verticals within banks and dealt with within a period of 90 days. For NPAs between Rs. 50 to Rs. 500 crore, banks will enter into a inter creditor agreement, authorizing the lead bank to implement a resolution plan within 180 days. For NPAs beyond Rs. 500 crore, asset management companies would be set up financed by alternative investment fund.

In order to allow the trial courts to pay more attention on offences of serious nature, the Ministry has constituted a 10 member committee on 16th July to review the penal provisions under Companies Act, 2013. The committee is to examine the nature of all 'acts' categorized as compoundable offences viz. offences punishable with fine only or punishable with fine or imprisonment or both under the Act and recommend if any of such 'acts' may be re-categorized as 'acts' which attract civil liabilities wherein the company and its 'officers in default' are liable for penalty. It will also review the provisions relating to non-compoundable offences and recommend whether any such provisions need to be re-categorized as compoundable offence. The panel would seek to put in place the broad contours of an in-house adjudicatory mechanism where penalty may be levied in a MCA21 system driven manner so that discretion is minimized.

The Financial Creditors have realized claims of approximately Rs. 50,666 crore in 37 cases where resolution plans are submitted under the IBC framework since its enactment, which works out to 50% recovery. Apart from the direct impact in terms of time bound resolution or liquidation, the IBC has also impacted the borrowing and lending culture in the country.

Promoters of companies in default have started feeling that any delay in loan repayment could mean losing their companies after the RBI's one day default norm. They are eager to do a one-time settlement (OTS) of their accounts without even being prompted by banks. In past few months a number of companies have cleared their overdue resulting in NPA accounts amounting to over Rs. 26,000 crore getting standardized.

Ministry of Corporate Affairs has put up an initial draft of National Financial Reporting Authority (NFRA) rules on 2nd July for select stakeholder consultation. The body would have powers to review financial statement of companies, can seek explanations and probe irregularities with respect to accounting and auditing issues. The authority would also have powers to recommend accounting and auditing standards.

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POLICY DEVELOPMENTS

IBC (Second Amendment) Bill, 2018

The Parliament cleared the amendments to the Insolvency and bankruptcy Code (IBC) which seeks to replace the Ordinance promulgated on 6th June, 2018. The Bill provides relief to the home buyers who will be treated at par with the financial creditors and be able to decide the future of the defaulting builders. It also lowers the voting threshold needed to taking critical decisions to 66% from 75%. Apart from these provisions that were a part of the Ordinance, the Bill introduces a new provision wherein the lenders deciding on a corporate rescue plan would have to first seek the approval of Competition Commission of India (CCI) before finalizing the scheme. The objective is to shorten the time taken for bankruptcy proceedings.

Cartelization Penalty

National Company Law Appellate Tribunal (NCLAT), vide Order dated 25th July, 2018 has upheld the order issued on 31st August, 2016 by CCI imposing penalty of about Rs. 6714.83 Crores on 11 leading cement manufacturers along with Cement Manufacturers Association (CMA) in the case of the price cartelization. As per CCI order, these 11 cement manufacturers together control a market share of around 58% and enjoy a position of dominance indulging in arbitrary increase in cement prices. This important Order of the Commission has been upheld by the first appellate authority, i.e., NCLAT.

Limited Liability Partnerships (LLPs)

The Ministry of Corporate Affairs has sent notices to 7,775 LLPs for not filing annual returns for at least two consecutive years. At the same time, Registrar of Companies (RoCs) across the country are striking off LLPs in their respective jurisdiction for not operating any business. This move is also a part of the drive to curb the menace of black money wherein a list of 2.26 lakhs (in last fiscal year) and 2.25 lakhs of companies have already been struck off earlier.

ICAI Memoranda

The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi on 18th July, 2018 approved : (i) Memorandum of Understanding (MoU) between the Institute of Chartered Accountants of India (ICAI) and Bahrain Institute of Banking and Finance (BIBF), Bahrain to work together to strengthen the accounting, financial and audit knowledge base within Bahrain ; (ii) MoU between the Institute of Chartered Accountants of India (ICAI) and National Board of Accountants and Auditors (NBAA), Tanzania to establish mutual co-operation framework in the areas of Member Management, Professional Ethics, Technical Research, Continuing Professional Development, Professional Accountancy Training, Audit Quality Monitoring, Advancement of Accounting Knowledge, Professional and Intellectual Development; and (iii) ex-post facto "Mutual Recognition Agreement (MRA)" signed in

2010 and Approval for fresh MRA between the Institute of Chartered Accountants of India (ICAI) and the Institute of Certified Public Accountants (CPA), Ireland for promotion of mutual co-operation framework for the advancement of accounting knowledge, professional and intellectual development, advancing the interests of their respective members and positively contributing to the development of the accounting profession in Ireland and India.

Review of Corporate Sector:

As on 30th June, 2018, the number of companies registered under the Companies Act was 17,79,761. Of these, 5,43,467 companies were closed, 6,117 companies were under liquidation, 38,858 companies are in the process of being struck-off from the register, 103 companies were in the process of being re-activated and 1,390 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. There are 11,89,826 active companies, including 1,65,739 companies which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).

A total of 9,042 companies, including 441 One Person Companies (OPCs), were registered under the Companies Act, 2013 during June, 2018 with authorized capital of Rs. 7197.66 Crore. The breakup of the newly incorporated companies by type is as follows:

Type of Company	No. of Companies registered in June, 2018	Total Authorized Capital (In ₹ in Crore)
Company limited by Shares	8,997	7,197.6
Of which,		
(a) Private	8,796	5,054.61
Of which,		
One Person Companies	441	12.90
(b) Public	201	2130.08
Company limited by Guarantee	45	0.06
Of which,		
(a) Private	42	0.06
(b) Public	3	-
Unlimited Company	-	-
Grand Total	9042	7197.66

During the Month of June, 2018, Maharashtra had maximum number of company registrations (1,659) followed by Delhi (1,211) and Uttar Pradesh (916). "Business Services" topped the economic activity-wise classification (4,740) of newly registered companies.

During June, 2018, 8,997 (out of 9042) companies were registered as companies limited by shares with authorized capital of Rs. 7197.66 crore. For more statistical details about the growth of the corporate sector, the reader is invited to the 'Monthly Information Bulletin on Corporate Sector', at URL:mca.gov.in/MinistryV2/InformationBulletin.html.

MONTHLY MIS REPORT FROM COMPETITION COMMISSION OF INDIA (As on July-2018)

S. No.	Sections	Cases pending as on last day of previous month (A)	Cases received during the month (B)	Total Cases (A+B)	Net Cases pending with CCI for final disposal	Remarks
1.	19(1)	90	-	90	89	#
2.	19(1)(a)	113	07	120	108	@
3.	19(1)(b)	14	01	15	13	
4.	5&6	07	11	18	14	*
TOTAL		224	19	243	224	

Cases remanded by COMPAT

5.	Remanded	12	-	12	11	
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Cases regarding contravention of orders of Commission

6.	Causing fresh inquiry	01	-	01	01	
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Notes and references:

- [#] Split cases: (a) Suo-Moto Case No. 07/2014 is segregated in to 02 sub cases w.e.f. August 2016 to facilitate exploration of investigation by DG. (b) Suo-Moto Case No. 02/2015 is segregated in to 66 sub cases w.e.f. July 2016 to facilitate exploration of investigation by DG.
- [@] Details of three oldest cases are attached as per Annexure-1.
- [*] Combination Cases filed u/s 5 & 6.

Senior Level Appointments:

The following officers of Indian Corporate Law Service (ICLS) were promoted to Senior Administrative Grade (SAG): (i) Shri Vijay Kumar Khubchandani, DII in O/o DGC&A, MCA HQ; (ii) Dr. Raj Singh, DII in MCA, HQ.

Notifications:-

(i) Vide Notification No. S.O. 3299(E) issued on 5th July, 2018, section 20 of the Companies (Amendment) Act, 2017 has been brought into force.

(ii) Vide Notification No. S.O. 3300(E) issued on 5th July, 2018, four sections (Section 15, 16, 75 and 76) of the Companies (Amendment) Act, 2017 were notified on 05.07.2018 and would come into force from 15.08.2018.

(iii) Vide Notification No. G.S.R 708(E) issued on 27th July, 2018, the Companies (Incorporation) Rules, 2014 has been amended to substitute 'financial year' for 'calendar year' to explain the term 'resident in India' and to substitute the requirement of 'declaration' instead of 'affidavit' from subscribers and first directors for the incorporation of a company.

(iv) Vide Notification No. G.S.R. 616(E) issued on 5th July, 2018, the Companies (Registration Offices and Fees) Rules, 2014 has been amended for prescribing the fee for filing e-Form 'DIR-3 KYC' under rule 12A of the Companies (Appointment and Qualification of Director) Rules, 2014.

(v) Vide Notification No. G.S.R. 615(E) issued on 5th July 2018, the Companies (Appointment and Qualification of Director) Rules, 2014 has been amended to bring into force a new e-Form 'DIR-3 KYC' to intimate the latest particulars of the director(s) to the Central Government.

(vi) Vide Notification No. G.S.R 614(E) issued on 5th July 2018, the Companies (Registration of Charges) Rules, 2014 has been amended to increase the time period from 30

days to 300 days for filing of form no. CHG-4 (satisfaction of charges). Now a charge holder is also eligible to file CHG-4.

(vii) Vide Notification No. G.S.R. 613(E) issued on 5th July 2018, the Companies (Authorised to Register) Rules, 2014 has been amended to enable 'society' and 'trust' to convert into companies. This rule shall be effective from 15.08.2018.

(viii) Vide Notification No. G.S.R. 612(E) issued on 5th July 2018, the Companies (Authorised to Register) Rules, 2014 has been amended to make mandatory to attach Auditor's certificate with Form DPT-1 certifying about the company's default, if any, in repayment of deposit or interest thereon and the status of default made good. The limit of maintaining liquid assets and creation of deposit reserve account has been increased from 15% to 20% of deposit maturing during the financial year and consequently DPT-3 form has been modified. This rule shall be effective from 15.08.2018

(ix) Vide Notification No. S.O. 3684(E) issued on 27th July, 2018, 2 Sections (Section 5 and 6) of the Companies (Amendment) Act, 2017 have been brought into force.

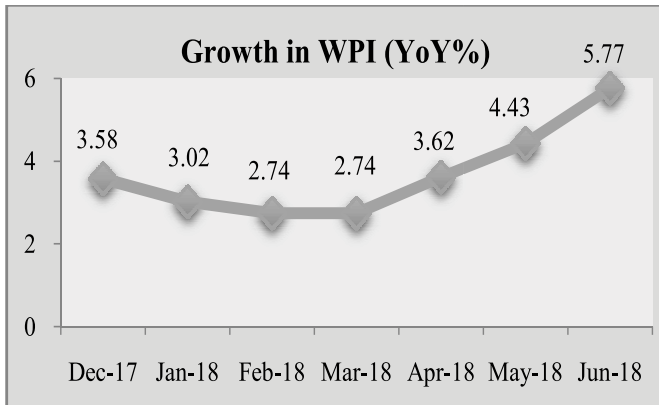
(x) Vide Notification issued on 31st July, 2018, Section 36 of the Companies (Amendment) Act, 2017 has been brought into force.

(xi) Vide Notification No. G.S.R. 725(E) issued on 31st July, 2018, companies (Accounts) Rules, 2014 has been amended to provide for a disclosure for maintenance of cost records and inclusion of a statement regarding constitution of internal complaints committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 in Board's report of a company. An abridged form of Board's report for One Person Company and Small Company has also been provided for.

Some Macro indicators

Wholesale Price Index (WPI)

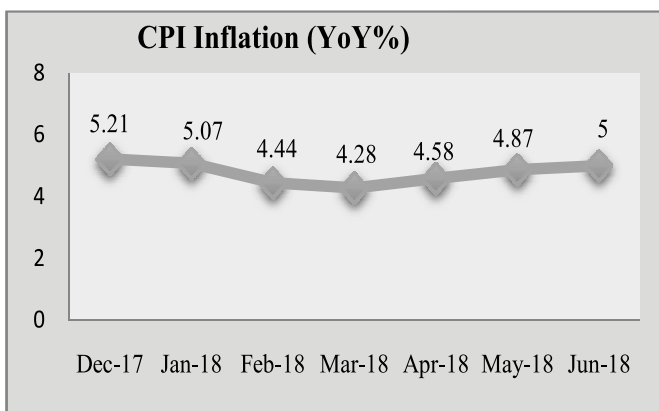
The annual rate of inflation, based on monthly WPI, stood at 5.77% (provisional) for the month of June, 2018 (over June, 2017) as compared to 4.43% (provisional) for the previous month and 0.90% during the corresponding month of the previous year.



Source: DIPP

Consumer Price Index (CPI)

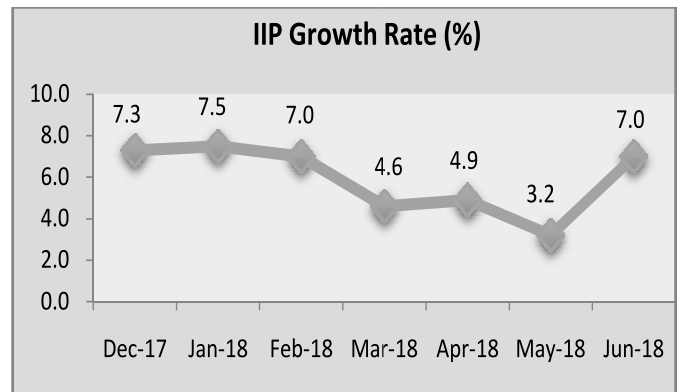
The CPI (Combined) on Base 2012=100 is being released for the month of June 2018. All India Inflation rates (on point to point basis i.e. current month over same month of last year, i.e., June 2018 over June 2017) given below:



Source: MOSPI

Index of Industrial Production

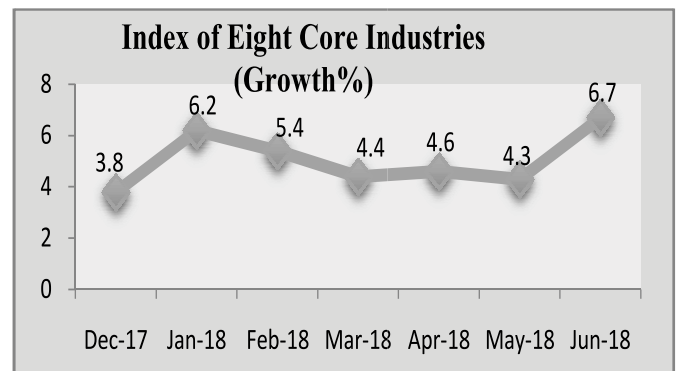
The Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 for the month of June 2018 stands at 127.7, which is 7.0 percent higher as compared to the level in the month of June 2017. The cumulative growth for the period April-June 2018 over the corresponding period of the previous year stands at 5.2 percent.



Source: MOSPI

Index of Eight Core Industries

The Eight Core Industries comprise 40.27 per cent of the weight of items included in IIP. The combined Index of Eight Core Industries stands at 129.8 in June, 2018, which was 6.7 per cent higher as compared to the index of June, 2017.



Source: DIPP

Growth in Sales, Value of Production and Operating Profits

Trends in the selected corporate performance indicators published by RBI of a sample of non-government non-financial listed companies are as below:

