



Monthly Newsletter

VOLUME - 29 March - 2020



Shri Injeti Srinivas
Secretary, MCA

Secretary's Desk

The COVID-19 has taken the whole world by storm since the beginning of March as the pandemic spread from China to virtually every country of the World. Apart from the public health emergency, it has created serious economic disruption due to lockdown, social distancing and other restrictions.

Ministry of Corporate Affairs is striving hard to simplify regulatory requirements in order to facilitate companies to survive during these difficult times.

To address the difficulty faced by the lockdown due to COVID-19, the Insolvency and Bankruptcy Board of India (IBBI) amended the CIRP Regulations to ensure that the period of lockdown imposed by Government in the wake of COVID-19 outbreak is not counted towards the internal timelines laid down with respect to the corporate insolvency process. Further, the threshold for initiation of CIRP has been raised to Rs.1 crore (from Rs.1 lakh), which would mainly prevent MSMEs from being dragged into insolvency proceedings during this period of economic upheaval.

In pursuance of Government of India's efforts to provide relief to law abiding companies and LLPs in the wake of COVID-19 the MCA has introduced these two schemes, the "Companies Fresh Start Scheme, 2020" and modified "LLP Settlement Scheme, 2020" to incentivize compliance and to reduce the compliance burden during the unprecedented public health situation caused by COVID-19. The USP of both of these schemes is a one-time waiver of additional filing fees for delayed filings by the companies or the LLPs with the registrar of Companies during the duration of the scheme (1st April 2020 to 30th September 2020). The schemes, apart from giving longer timeline for corporates to comply with various filing requirement, has significantly reduced the related financial burden on them, especially for those with long standing defaults, thereby giving them an opportunity to make a 'fresh start'. Both schemes contain provision for giving immunity from penal proceedings (including penalty for late submission) and provides additional time for filing appeals before the concerned Regional Directors against imposition of penalties, if already imposed.

Among other decisions, the Competition Commission of India (CCI) has revised guidance notes to Form-1 under the Green Channel. The guidance notes provide the scope of information and documents to be submitted along with the form. It also provides clarification regarding eligibility criterion for Green Channel. As a part of its ongoing and regular efforts to streamline M&A filing process and make it simpler and faster, in August 2019, the CCI introduced an automatic system of approval for combination under Green Channel and revised Form 1 to file the notice under section 6(2) of the Competition Act, 2002 (Act) and Regulation 5(2) of the Combination Regulation.

Taking another step forward in direction of Ease of Doing Business, CCI has allowed for pre-filing consultation (PFC) to parties seeking informal guidance on determining filing related requirements; information to be given in notice to be filed for a proposed combination; and Green Channel. In order to avoid travel from Mumbai to Delhi for PFCs, the CCI has made arrangements for conducting PFC through the video conferencing mode at the office of Regional Director, Registrar of Companies, Ministry of Corporate Affairs, Mumbai.

In an attempt to make regime for regulation of Nidhi Companies more effective and transparent, the Central Government has amended the provisions related to NIDHI under the Companies Act and the Rules. The amended provisions of the Companies Act require the Nidhi Companies to apply to the central Government for its declaration as a Nidhi Company in form NDH-4. The companies incorporated as Nidhi before Nidhi Amendment Rules 2019 (15.08.2019) have to apply within a period of one year from the date of its incorporation or within 9 months of the Nidhi Amendment Rules (15.08.2019) whichever is earlier. Companies incorporated as Nidhi after Nidhi Amendment Rules 2019 have to apply within 60 days of expiry of one year from the date of incorporation or extended period. Failing to comply with the above requirements, the company would not be allowed to file form no SH-7 and form PAS-3.

Among other major happenings, the Union Cabinet has approved the Companies (Second Amendment) Bill, 2019 to amend the Companies Act, 2013. The Bill aims at decriminalizing offenses of that are technical or procedural in nature and lack the element of fraud or cause harm to public interest. The Bill would also further ease of living for law abiding corporates.

Review of Corporate Sector:

As on 31.03.2020, the number of companies registered under the Companies Act was 19,95,953. Of these, 7,45,426 companies were closed, 6,637 companies were under liquidation, 42,062 companies are in the process of being struck-off from the register and 2,185 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. There are 11,99,643 active companies, including 1,87,384 companies, which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).

A total of 5,788 companies, including 265 One Person Companies (OPCs), were registered under the Companies Act, 2013 during March, 2020 with authorized capital of Rs.804.61 Crore. The breakup of the newly incorporated companies by type is as follows:

Type of Company	No. of Companies registered in March, 2020	Total Authorized Capital (In Rs. Crore)
Company limited by shares	5,766	804.60
Of which,		
(a) Private	5,657	792.36
Of which,		

One Person Companies	265	9.85
(b) Public	109	12.24
Company limited by Guarantee	22	0.01
Of which,		
(a) Private	21	0.01
(b) Public	1	0.00
Unlimited Company	-	0.00
Grand Total	5,788	804.61

During the Month of March 2020, Maharashtra had maximum number of company registrations (1,105) followed by Delhi (639) and Uttar Pradesh (535). "Business Services" topped the economic activity-wise classification (1,674) of newly registered companies.

During March 2020, 5,766 (out of 5,788) companies were registered as companies limited by shares with authorized capital of Rs. 804.60 crores. 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 March, 2020)

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	19(1)	46	00	46	}	
2.		19(1)(a)	92	06	98		@
3.		19(1)(b)	15	00	15		}
4.	5 & 6	08	09	17	12	*	
4(a)	20(1)	01	00	01	01	**	
Total		162	15	177	168		

Cases remanded by COMPAT

5.	Remanded	10	01	11	11	
----	----------	----	----	----	----	--

Cases regarding contravention of orders of Commission

6.	Causing fresh inquiry	02	02	02	02	
----	-----------------------	----	----	----	----	--

Notes and references:

- [*] Combination Cases filed u/s 5 & 6.
- [**] Combination Cases filed u/s 20(1).
- [] Out of 155 pending anti-trust cases, 69 cases are pending with DG and 86 cases (25 cases are at prima facie stage and 61 cases for hearing) are pending with CCI.

Major Event:

In order to operationalize the CSR provisions contained in the Companies (Amendment) Act, 2019, the Companies (CSR Policy) Amendment Rules,2020 has been drafted for carrying out the amendments in Companies (CSR Policy) Rules,2014. The public comments on the proposed amendments were invited on 13th March 2020 with last date for submission as 28th March 2020 which was further extended till 10th April 2020.

In view of the spread of novel Corona Virus (COVID-19) in India and emergency situation posed by it, Ministry has issued various circulars to provide clarification on COVID-19 related activities covered under CSR. Ministry vide Circular No. 10/2020 dated 23.03.2020 clarified that spending of CSR funds for COVID-19 is eligible CSR activity. Further, after setting up of Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund' (PM CARES Fund), the Ministry vide Office Memorandum No. CSR-05/1/2020-CSR-MCA dated 28.03.2020 has clarified that any contribution made by companies to the PM CARES Fund qualifies as admissible expenditure towards fulfilling their CSR obligation under the Companies Act 2013. In addition to that, Secretary, Corporate Affairs has also issued an appeal to the Chairman/CMD/MD/CEO of top 1,000 companies in the country in terms of market capitalization, to contribute generously to the PM CARES Fund, which may also include any unspent CSR amount and to contribute over and above the minimum prescribed amount under the Act.

The Ministry is taking necessary action for amending the Companies Act, 2013 [CA-13] to implement the recommendations made by Company Law Committee (2019) to remove criminalization in 46 penal provision of the CA-13 as well as to facilitate ease of living to law abiding corporates. Subsequent to approval of the Cabinet for the Companies (Amendment) Bill, 2020 on 4th March, 2020, the said Bill was introduced in the Lok Sabha on 17th March, 2020. This Bill came for consideration and passing in that House on 23rd March, 2020 but could not be considered/passed due to adjournment of the House. The said Bill, accordingly, is pending in the Lok Sabha. The text of the Bill, as introduced, is available on the website of the Ministry.

Graduate Insolvency Programme (GIP) at Indian Institute of Corporate Affairs (IICA) has successfully organized 'Week with the Legends' from 02.03.2020 to 06.03.2020. The objective of the programme was to bring the iconic insolvency experts together in the institute for five days.

The Forum of Indian Regulators Centre at IICA successfully conducted a Seminar on "Insolvency issues that affect functioning of Regulators and Regulated Entities: From the perspective of fraud in insolvency' led by HH James Pickering, QC, Head of Enterprise Chambers, London for the Chairpersons & Members of Forum of Indian Regulators (FOIR)" on March 06, 2020.

IICA in association with the Ministry of Corporate Affairs has conducted a training program on "Provisions of Companies Act 2013, Understanding Governance, Regulatory and

Compliance Management with respect to Goals & Functions of MCA" for the Officers of MCA and its attached offices on 4-6 March, 2020 at Goa.

Notifications:-

- (i) Vide notification dated 2nd March, 2020, the following further amendments have been made in the earlier notification number G.S.R. 463(E), dated the 5th June, 2015 issued under section 462 with respect to the exemptions to the Government Companies:-
 - In the definition of 'Government Company' in clause (45) of section 2 of the Act, an explanation has been inserted to provide that for the purposes of such clause, the "paid-up share capital" shall be construed as "total voting power", where shares with differential voting rights have been issued.
 - Existing modification in respect of Chapter XII, first and second proviso to sub-section (1) of section 188 (relating to approval of related party transactions by members in certain cases) is altered as under:
 - (i) A Government company in respect of contracts or arrangements entered into by it with any other Government company, or with Central Government or any State Government or any combination thereof;
 - (ii) A Government company in respect of contracts or arrangements entered into by it with any other Government company, or with Central Government or any State Government or any combination thereof;
 - Vide notification G.S.R.169 (E) dated 12th March, 2020 the Companies (Incorporation) Second Amendment Rules, 2020 were notified and in Form No. INC-28 the option of filling "Section of Insolvency and Bankruptcy Code, 2016 under which order passed" has been inserted.
 - Vide Notification G.S.R.170(E) dated 12th March, 2020 amendment to the Companies (Registration Offices and Fees) Rules, 2014 was made for inserting the option of filing under Insolvency and Bankruptcy Code, 2016 in Form No. GNL-2.
 - Vide notification No.G.S.R.186(E) dated 19th March, 2020, the Companies (Meetings of Board and its Powers) Rules 2014, have been amended to allow companies, upto 30/6/2020, to conduct Board Meetings through Video Conference (VC) or other audio visual means for passing resolutions in respect matters which were earlier required to be passed in meetings which required physical presence of directors. This has been done to provide relief to companies in view of the pandemic caused by Covid-19.
 - Vide order S.O.1219 (E) dated 24th March, 2020, the Companies (Auditor's Report) Order,2020 has been made applicable from the financial year 2020-21 instead of being applicable from the financial year 2019-20 as notified earlier. This will significantly ease the burden on companies & their auditors for the financial year 2019-20.

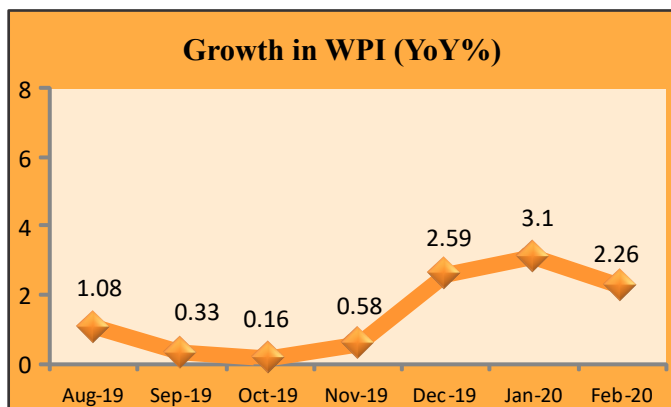
Circulars:-

- (i) Through the General Circular No. 07/2020 dated 05.03.2020, the Ministry has extended the time limit of filing Form NFRA-2, for the reporting period Financial Year 2018-19, upto 150 days from the date of deployment of this form on website of National Financial Reporting Authority.
- (ii) Through the General Circular No. 08/2020 dated 06.3.2020, the Ministry has issued a clarification in supersession of earlier Circular No. 04/2020 dated 17.2.2020 for filing of forms in the registry (MCA-21) by the Insolvency Professional (Interim Resolution Professional or (IRP) or Resolution Professional (RP) or Liquidator) appointed under Insolvency Bankruptcy Code, 2016 for statutory compliances in respect of companies under Corporate Insolvency Resolution Process (CIRP).
- (iii) Through the General Circular No. 09/2020 dated 12.3.2020, the Ministry has extended the due date of filing of e-forms AOC-4, AOC-4 CFS, AOC-4 XBRL and e-form MGT-7 upto 30.6.2020, for the companies having jurisdiction in UT of J&K and UT of Ladakh without levy of additional fees.
- (iv) Through the General Circular No. 11/2020 dated 24.3.2020, the Ministry has implemented various measures under Companies Act, 2013 and Limited Liability Partnerships Act, 2008 to support and enable companies and LLPs in India to focus on taking necessary measures to address the COVID-19 threat including the economic disruptions caused by it. The following are the special measures implemented through such Circular:-
 - (a) The mandatory requirement of holding meetings of the Board of the companies within the intervals provided in section 173 of the Companies Act, 2013 (CA-13) (120 days) stands extended by a period of 60 days till next two quarters i.e., till 30th September. Accordingly, as a one-time relaxation, the gap between two consecutive meetings of the Board may extend to 180 days till the next two quarters, instead of 120 days as required in the CA-13.
 - (b) As per Para VII (1) of Schedule IV to the CA-13, Independent Directors (IDs) are required to hold at least one meeting without the attendance of Non independent directors and members of management. For the financial year 2019-20, if the IDs of a company have not been able to hold such a meeting, the same shall not be viewed as a violation. The IDs, however, may share their views amongst themselves through telephone or e-mail or any other mode of communication, if they deem it to be necessary.
 - (c) Requirement under section 73(2)(c) of CA-13 to create the deposit repayment reserve of 20% of deposits maturing during the financial year 2020-21 before 30th April 2020 shall be allowed to be complied with till 30th June 2020.
 - (d) Requirement under rule 18 of the Companies (Share Capital & Debentures) Rules, 2014 to invest or deposit at least 15% of amount of debentures maturing in specified methods of investments or deposits before 30th April 2020, may be complied with till 30th June 2020.
 - (e) Newly incorporated companies are required to file a declaration for Commencement of Business within 180 days of incorporation under section 10A of the CA-13. An additional period of 180 more days is allowed for this compliance.
 - (f) Non-compliance of minimum residency in India for a period of at least 182 days by at least one director of every company, under Section 149 of the CA-13 shall not be treated as a non-compliance for the financial year 2019-20.
 - (v) Through the General Circular no. 12/2020 dated 30.3.2020, the Ministry has launched the "Companies Fresh Start Scheme, 2020 which inter alia provides opportunities to Companies to make good any filing related defaults, regardless of duration of defaults, and make a fresh start as a fully compliant entity. The Scheme condones the delay in filing the belated documents and gives immunity from prosecutions and proceedings for imposition of penalty which might arise on account of such delayed filing of documents. No additional fees shall be charged for late filing during a Moratorium period from 1st April to 30th September, 2020 in respect of documents, returns etc. required to be filed in MCA-21 Registry.
 - (vi) Through the General Circular No. 13/2020 dated 30.3.2020, the Ministry has modified LLP Settlement Scheme 2020 in view of COVID-19 to facilitate LLPs. The modified scheme shall be applicable from 1.4.2020 to 1.9.2020. Under the said scheme, the defaulting LLPs are permitted to file belated documents due for filing till 31.8.2020 on payment of normal filing fee and without paying any additional fee. The defaulting LLPs which have filed the belated documents during the scheme period shall not be subjected to prosecution for such defaults.

Some Macro Indicators

Wholesale Price Index (WPI)

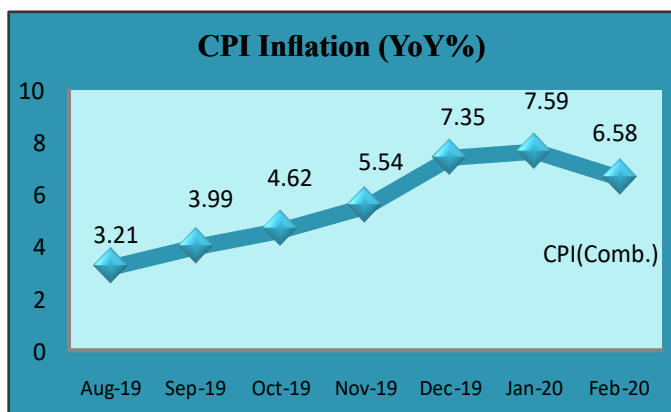
The annual rate of inflation, based on monthly WPI, stood at 2.26% for the month of February, 2020 (over February, 2019) as compared to 3.1% for the previous month and 2.93% during the corresponding month of the previous year.



Source: DIPP

Consumer Price Index (CPI)

The CPI (Combined) on Base 2012=100 is being released for the month of February 2020. All India Inflation rates (on point to point basis i.e. current month over same month of last year, i.e., February 2020 over February 2019) given below:



Source: MOSPI

Index of Industrial Production

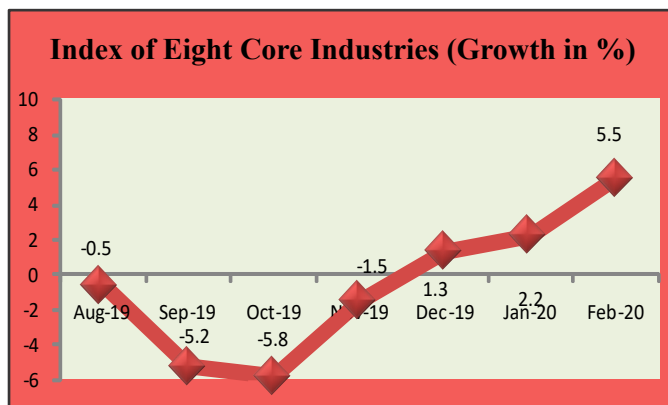
The Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 for the month of February, 2020 stands at 133.3, which increased by 4.5 percent compared to the level in the month of February, 2019.



Source: MOSPI

Index of Eight Core Industries

The combined Index of Eight Core Industries stood at 132.9 in February, 2020, which increased by 5.5 per cent as compared to the index of February, 2019.



Source: DIPP

Performance of Selected indicators of Listed Non-Government Non-financial Companies (in Percent)

Trends in the selected corporate performance indicators published by RBI of a sample of non-government non-financial listed companies for the third Quarter FY 2019-20 & 2018-19 as below:

Indicator		Q3:2018-19	Q3:2019-20
No. of Companies		2,703	2,702
Components of Expenditure to Sales	Cost of Raw Materials to Sales	52.4	49.2
	Staff Cost to Sales	10.2	11.2
Profit Allocation Ratios	Interest Burden	22.3	29.1
	Tax Provisions to EBT	23.8	20.4
	Other Income to Net Profit	42.5	48
Profitability Ratios	Operating Profits to Sales	14.5	15.5
	EBITDA to Sales	17.8	18.3
	EBIT to Sales	14.2	13.2
	Net Profit to Sales	7.9	5.9

Source: RBI