MINISTRY OF CORPORATE AFFAIRS

# Monthly Newsletter

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## Secretary's Desk

Even though the threat of COVID-19 hasn't fully subsided, the declining number of active cases at the national level has set conditions right to push the frontiers of economic recovery. The Government has gradually lifted restriction, on movement of people and has allowed opening up of business establishments across the country, with precautions, thus resuming economic activities. IMF in its World Economic Outlook October, 2020 has projected India's economy to rebound by 8.8% in 2021. After the steep decline into which Indian economy plunged in the first quarter of FY 2020-21, economic activity appears to have rebounded in the third quarter.

Several high frequency indicators are indicating easing of contraction in various sectors of the economy relative to pre-COVID levels. The manufacturing Purchasing Managers' Index (PMI) supported by acceleration in new orders and production rose from 56.8 in September, 2020, to 58.9 in October, indicating a strong improvement in the health of manufacturing sector. The services PMI for October, 2020 at 54.1, began expanding after a seven months sequence of contraction. Increase in global demand has led to expansion of India's exports at 5.3% in September on year-on–year basis. Tractor sales, electricity demand, two wheelers and automobile sales, steel consumption, toll collection, GST, E-way bills and railway freight carriers have already normalized to pre-COVID levels of activity or even higher. India's foreign exchange reserves stood at US$ 551.5 billion (as on 9th October) which allows us more than thirteen months of imports following acceleration in the pace of economic activity. GST collections have crossed 1 lakh crore in October, its highest level since February. These indicators suggest India's GDP growth in current year may be higher than what is projected by various agencies. The modest recovery in high frequency indicators could strengthen with further unlocking of economy and GDP growth may be projected to break out of contraction and turn positive by fourth quarter.

Micro, Small and Medium enterprises (MSMEs) which employ more than 11 crore people in the country, are among the early drivers of economic recovery. The strength and resilience of this sector became evident when in a matter of just two months despite starting from scratch during lockdown, it made India the second largest manufacturer of PPEs in the world. MSME sector has contributed more than 40% towards exports and over 30% to the GDP of India and has provided employment to a sizeable population of the nation in the past decade. The Government has recently launched major structural reforms in agricultural markets, labour laws and definition of MSMEs which provide excellent opportunity for the sector to grow and create more jobs in the primary and secondary sectors. According to the new definition, an enterprise is being classified as micro, small or medium on the basis of following criteria:

a) Micro enterprise- where investment in plant and machinery does not exceed ₹1 crore and turnover does not exceed ₹5 crore.

b) Small enterprise- where investment in plant and machinery does not exceed ₹10 crore and turnover does not exceed ₹50 crore.

c) Medium enterprise- where investment in plant and machinery does not exceed ₹50 crore and turnover does not exceed ₹250 crore.

The following initiatives have been taken by the Government to support economic recovery of the MSME sector:

1- Ease of Doing Business for MSMEs- New registration of MSMEs through 'Udyam Registration' with link to Government e-Marketplace (GeM) portal for ensuring their participation in Government procurement and TReDS platform for helping the MSMEs in realizing their delayed payments. The registration is based on self-declaration by MSMEs with no requirement to upload documents, papers, certificates or proofs. CHAMPIONS portal has been launched to help MSMEs in terms of finance, raw material, labour, permissions etc. Similarly SAMADHAAN portal has been launched to enable Micro and Small Enterprises to directly register their cases related to delayed payment by central Ministries/ Departments/ CPSEs/ State Governments and other buyers. PSUs have been directed to clear payments within 45 days of acceptance of goods/ services.

2- Labour Market- The Government has simplified and rationalized 44 central labour laws into four codes namely codes on wages, industrial relations, social security and operational safety and health and working conditions. These codes tend to reduce the burden of labour regulation compliance and thus will promote Ease of Doing Business and instigate investor confidence in MSMEs.

3- Credit Support- The Government has provided various credit support facilities-₹3 lakh crore Emergency Working Capital Facility for businesses including MSMEs; Distressed Assets Fund Sub-ordinate Debt for MSMEs which provides guarantee cover worth ₹20,000 crore and Funds of Funds for MSMEs for infusing ₹50,000 crore into equity.

4- Strengthened Insolvency Framework- Government has increased the minimum threshold to initiate Corporate Insolvency Resolution Process (CIRP) to ₹1 crore from ₹1 lakh. This step safeguards MSMEs from being dragged into insolvency for non-payment of debt. Additionally, fresh initiation of insolvency proceedings has been suspended till 24th December, 2020.

Among other factors, three factors that will ensure an overall sustained economic revival are: inclusive job growth, robust services sector rebound and strong private demand. The Government has focused on revival of infrastructure, construction, manufacturing and retail industries, which can quickly generate employment for low skilled workers and improve private sector performance. Within the manufacturing sector, the Government is looking towards tapping into potential of capital goods, chemicals and electronic industries through measures announced under the Aatmanirbhar Bharat Abhiyan. The announcement of interest-free 50 years loans to State Governments to boost infrastructure spending is likely to help MSMEs not only survive the crisis but come out strong. Revival of private demand is essential for recovery of economy as a whole. Rural demand has been doing well due to good monsoons and Government's employment support under MGNREGA. Although urban demand hasn't picked up momentum yet, the recent announcement by the Government of payment of cash in lieu of LTC and ₹10,000 festival advance to Government employees and a bonus for employees in Group 'C' and non-gazetted employees in Group 'B' equivalent to thirty days emoluments will boost demand in the festive season. These measures supporting consumption and investment demand would invigorate growth over the remaining part of the year.

Government of India has set up ₹100 trillion investment target for infrastructure by 2024-25 and development of bond market is essential to help achieving this target. The capital markets too have recovered following disruptions caused by coronavirus outbreak and the recovery has been broad-based with not only the large caps, but mid and small caps have also recovered. While most of the emerging economies including Brazil, Taiwan, South Korea, Thailand, South Africa and Malaysia have witnessed FPI outflow this year, India on the other hand has received about $11 billion in net FPI investment in equity market till October, 2020. Global investors are optimistic on India's economic resilience as evident by gross FDI inflows crossing US$ 35 billion during the period April-August, 2020.

Indian economy is recovering at a better than expected rate and the recent economic indicators point towards visible green shoots. The rebound of -7.5% GDP growth in the second quarter from -23.9% in the first quarter of current year has pointed towards a 'V' shaped recovery. Various global and domestic agencies have also predicted that India would move towards positive growth territory in third and fourth quarters. Also the incessant progress in forward looking RBI consumption indices and business sentiments for the next year bodes hope of a stronger economic rebound. Such encouraging tidings suggest that 2021-22 will be a good year for the Indian economy after the Covid led turmoil in 2020. With continued Government support on all fronts and availability of vaccine on the horizon, even more sectors are set to resume operations thus putting the economy firmly back on the track.

## Review of Corporate Sector:

A. As on 31.10.2020, the number of companies registered under the Companies Act was 20,80,837. Of these, 7,52,688 companies were closed, 6,821 companies were under liquidation, 39,403 companies are in the process of being struck-off from the register and 2,246 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. There are 12,79,679 active companies, including 1,97,559 companies, which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).

B. A total of 16,707 companies, including 927 One Person Companies (OPCs), were registered under the Companies Act, 2013 during October, 2020 with authorized capital of Rs. 1,756.28 Crore. The breakup of the newly incorporated companies by type is as follows:

| Type of Company | No. of Companies registered in October, 2020 | Total Authorized Capital (Rs. in Crore) |
|---|---|---|
| 1) | 2) | 3) |
| Company limited by shares | 16,587 | 1,755.95 |
| Of which, | | |
| (a) Private | 16,207 | 1,482.28 |
| Of which, | | |
| One Person Companies | 927 | 33.01 |
| (b) Public | 380 | 273.67 |
| Company limited by Guarantee | 120 | 0.33 |
| Of which, | | |
| (a) Private | 116 | 0.33 |
| (b) Public | 4 | 0.00 |
| Unlimited Company | - | 0.00 |
| **Grand Total** | **16,707** | **1,756.28** |

A. During the Month of October 2020, Maharashtra had maximum number of company registrations (3,124) followed by Uttar Pradesh (1,812) and Delhi (1,744). "Business Services" topped the economic activity-wise classification (4,635) of newly registered companies.

B. During October 2020, 16,587 (out of 16,707) companies were registered as companies limited by shares with authorized capital of Rs. 1,755.95 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/ Information Bulletin.html.

## MONTHLY MIS REPORT FROM COMPETITION COMMISSION OF INDIA

(as of October, 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) | 36 | - | 36 | 36 | @ |
| 2. | | 19(1)(a) | 100 | 04 | 104 | 100 | |
| 3. | | 19(1)(b) | 10 | - | 10 | 10 | |
| | **Sub Total** | | **146** | **4** | **150** | **146** | |
| 4. | 6(2)& 6(5) | | 07 | 6 | 13 | 10 | * |
| 4(a) | 20(1) | | - | - | - | - | |
| **TOTAL** | | | **153** | **10** | **163** | **156** | |

## Cases remanded by COMPAT

| | | | | | | |
|---|---|---|---|---|---|---|
| 5. | Remanded | 11 | - | 11 | 11 | |

## Cases regarding contravention of orders of Commission

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

### Notes and references:

1. Kindly refer to Annexure-1 for 3 oldest pending anti-trust cases.
2. Out of **146** pending anti-trust cases, **74** cases are pending with DG and **72** cases (**28** cases are at prima facie stage and **44** cases for hearing) are pending with CCI.

## MAJOR EVENTS:

1. On 22nd October 2020, Chairperson, CCI addressed the UNCTAD's Eighth UN Review Conference on Competition and Consumer Protection virtually - for the session on 'Cross Border Cartels and on International Cooperation' under Section-F of the UN Set of Guiding Policies & Procedures.

2. United States India Business Council (USIBC) and Competition Commission of India (CCI) organized Virtual Roundtable on Approaches to Competition Law in Digital Economy on 28th -29th October 2020.

3. The School of Competition Law & Market Regulation, Indian Institute of Corporate Affairs (IICA) in collaboration with the Centre for Competition Law and Policy, NLU Jodhpur organized a Virtual conference on "Competition Law and Market Definition in Digital Era" on 24th October, 2020. The main agenda for the conference was to discuss the importance of delineating relevant market and factors affecting the definition of market in digital technology cases.

4. IICA in association with IMI, Kolkata jointly organized a Power Panel on October 1, 2020 titled "Developing and Sustaining Effective Boards". The program was aimed to orient Independent Directors (IDs) on various skill sets they should possess to develop and sustain effective boards in India.

5. IICA organized a Power Panel discussing the "Role of Proxy Advisors in Corporate Governance Standards". The panel featured the promoters of prominent proxy advisory firms of the country. The objective behind the discussion was to orient the Independent Directors (IDs) about the role proxy advisors play in upholding the standards of corporate governance standards in the country.

## NOTIFICATIONS

1. The Companies (Prospectus and Allotment of Securities) Rules, 2014 were amended on 16/10/2020 making it sufficient for companies to pass only one previous special resolution in order to make an offer or invitation of any securities to qualified institutional buyers on private placement basis during the year. This would provide ease in raising finance to companies. (G.S.R. No. 642 (E), dated 16.10.2020).

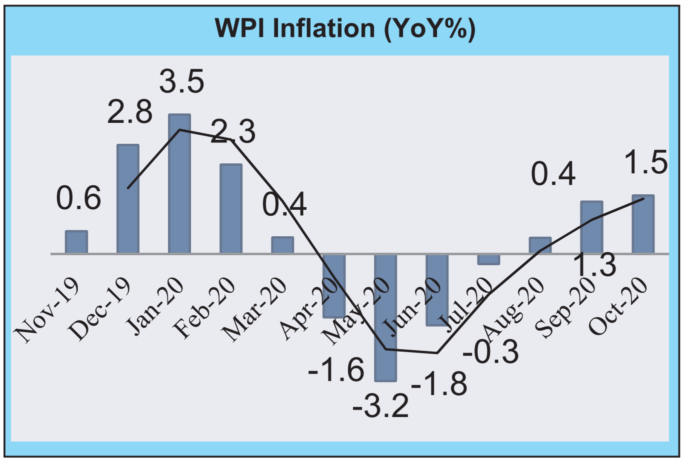
## CIRCULARS

1. A Circular has been issued on 20/10/2020 to clarify that 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 2020-21. Earlier in March, 2020 similar relaxation was given for the previous financial year 2019-20 and in view of requests received, this relaxation has been given for the current financial year as well. (General Circular No.36/2020, dated 20.10.2020).

## Some Macro Indicators

### Wholesale Price Index (WPI)

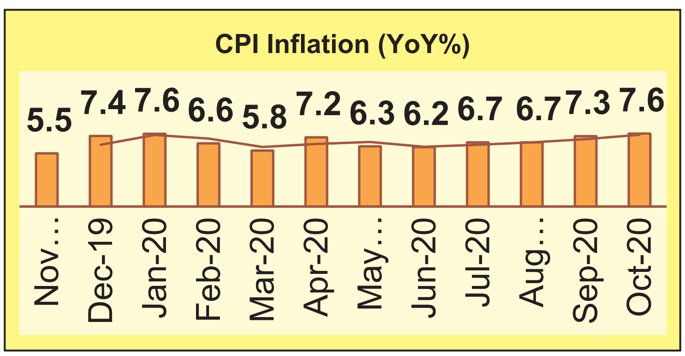
The annual rate of inflation, based on monthly WPI, stood at 1.48% (provisional) for the month of October, 2020 (over October, 2019) as compared to 0.0% during the corresponding month of the previous year.




Source: DPIIT

## Consumer Price Index (CPI)

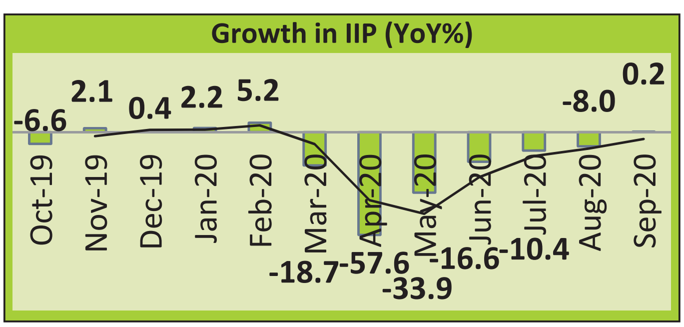
The CPI (Combined) on Base 2012, all India Inflation rates (on point to point basis i.e., October, 2020 over October, 2019) stood at 7.61%.




Source: MOSPI

## Index of Industrial Production

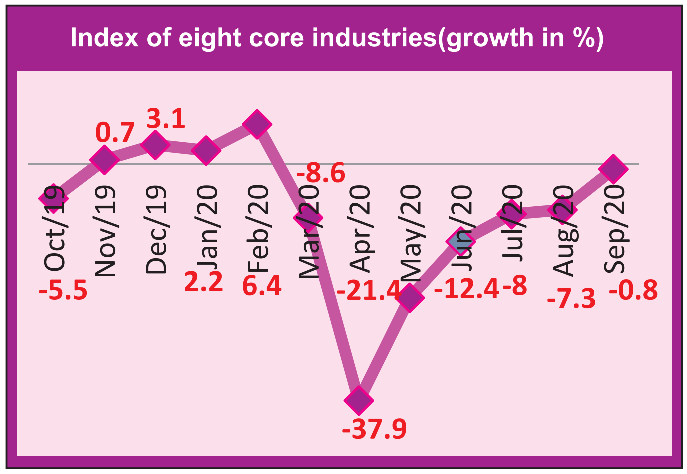
The quick estimates of Index of Industrial Production (IIP) with base 2011-12 for the month of September, 2020 stands at 123.2 which is 0.2% higher as compared to September, 2019.




Source: MOSPI

## Index of Eight Core Industries

The combined Index of Eight Core Industries stood at 119.7 in September, 2020, which declined by 0.8% as compared to the Index of September, 2019.




Source: DPIIT

## 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 first quarter of FY 2020-21 is as below:

| Performance of Listed Non-Government Non-Financial Companies (Y-o-Y Growth%) | | |
|---|---|---|
| **Indicator** | Q4:2019-20 | Q1:2020-21 |
| **No. of Companies** | 2,620 | 2,536 |
| Sales | -11.3 | -37 |
| Value of Production | -9.8 | -39 |
| Expenditure | -8 | -38.7 |
| Operating Profits | -19.9 | -40.5 |
| EBITDA | -13.9 | -32.4 |
| Depreciation | 23.1 | 1.9 |
| Interest | 14.9 | 5.9 |
| Net Profits | -103 | -103.5 |

Source:RBI