



# Monthly Newsletter

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Shri Injeti Srinivas  
Secretary, MCA

## Secretary's Desk

A 10 member committee which was set up in July, 2018 to review the penal provisions under Companies Act, 2013 and examine the decriminalization of certain offences has submitted its report on 27<sup>th</sup> August, 2018. The panel has suggested restructuring of corporate offences and in house adjudication mechanism so that courts get more time to deal with

serious violations. The committee undertook a detailed analysis of all penal provisions which were classified into 8 categories based on the nature of offences. It recommended that violations that are technical/procedural in nature might be shifted to an in house adjudication mechanism while a status quo be maintained for all non-compoundable offences relating to serious violations. The panel has recommended re-categorization of 16 out of 81 compoundable offences under Companies Act, 2013 shifting them from jurisdiction of special courts to in house adjudication framework. The panel also suggested de clogging the National Company Law Tribunal (NCLT) through significant reduction of compounding cases before NCLT. In addition, the report touches upon some elements of corporate governance which includes putting a cap on the remuneration of independent directors to prevent any material pecuniary relationship.

Ministry of Corporate Affairs has proposed setting up 8 special courts under the National Company Law Tribunal to deal with the insolvency cases. These courts are proposed to be set up in Mumbai, Delhi, Chennai, Kolkata and Hyderabad. The proposal aims to reduce the mounting burden on the tribunal despite it having 11 benches all over India. NCLT handles company law cases and merger and acquisitions, apart from insolvency and bankruptcy cases. A total of 9073 cases are under consideration in NCLT as on 31.01.2018 which includes 1630 cases of merger and amalgamations, 2,511 cases of insolvency and 4,932 cases under other sections of the Companies Act, 2013. Subsequently, the cases have been increasing i.e. 6,326 companies had filed cases in NCLT under the IBC till end of June, 2018.

Ministry of Corporate Affairs has notified the Companies (Accounts) Amendment Rules 2018 under section 134 of the

Companies Act, 2013 amending the Companies (Accounts) Rules, 2014. Under this amendment, clause (x) has been added to Rule 8 which enumerates the 'Matters to be included in Board's report'. This new clause requires every company to report compliance with the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013, i.e., constitution of an Internal Complaints Committee (ICC). The amendment is a positive and welcome step aimed at achieving higher compliance with the Sexual Harassment Act amongst the private sector which as of date remains low.

***“The panel has recommended re-categorization of 16 out of 81 compoundable offences under Companies Act, 2013 shifting them from jurisdiction of special courts to in house adjudication framework”***”



## POLICY DEVELOPMENTS

### Tackling Unregulated Deposit Schemes

Union Government has come up with two bills i.e. Chit Funds (Amendment) Bill, 2018 and Banning of Unregulated Deposit schemes Bill, 2018 to tackle the menace of non-regulated deposits schemes. The former Bill was introduced in the Lok Sabha during the Budget Session. The latter Bill aims to provide a comprehensive legislation to tackle illicit deposit schemes by completely prohibiting such activities. According to this Bill, all deposit taking schemes are required to be registered with the relevant regulator, failing which the "Deposit takers" will be considered "unregulated" and hence be banned. Deposit takers include all possible entities (including individuals) receiving or soliciting deposits, except specific entities such as those incorporated by legislation. Three types of offences have been categorized in the Bill, namely, running of unregulated deposits schemes, fraudulent default in Regulated Deposit Schemes and wrongful inducement in relation to Unregulated Deposits schemes.

### National CSR Awards

Ministry of Corporate Affairs (MCA) has instituted National CSR Awards, 2018 (NCSRA) to recognize companies for their CSR interventions that have made a transformative impact on society. MCA has invited entries for nominations for the awards from Ministries/ Departments of Govt of India, State & Union Territories (UT) Governments, Professional institutions: ICSI, ICAI, ICMAI and National Level Trade and Industry Chambers only. There are a total of 20 prizes which are classified in three categories.

A nominating organisation can nominate up to a total of 10 entries in all categories of Awards. Companies may directly submit their application/s in a suitable category to these organisations. The nominations can be made on [www.csr.gov.in](http://www.csr.gov.in). Last date for submission of applications and nominations is 30<sup>th</sup> September 2018.

### MoU between IICA and CPA Canada

The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi has approved the signing of the "Memorandum of Understanding (MoU)" between "Institute of Chartered Accountants of India (ICAI)" and "Chartered Professional Accountants of Canada (CPA Canada)"

The aim of the MoU is to work together to develop a mutually beneficial relationship in the best interest of ICAI members, students and their organizations. It will provide an opportunity to the ICAI members to expand their professional horizon and simultaneously ICAI will become an entity to aid strengthen brand building of local nations. Further, it will foster strong working relations between the ICAI & CPA Canada. The MoU would help encourage more and more, young Indian Chartered Accountants to take up the recognition of "CPA Canada" professional designation

to further help them pursue professional opportunities in Canada.

### Centralised Scrutiny and Prosecution mechanism (CSPM)

Ministry of Corporate Affairs has instituted a Centralized Scrutiny and prosecution mechanism in April, 2018 for the financial year 2015-16 onwards on a pilot basis for enforcement of CSR provisions. CSPM has been tasked with the examination of records of top 1000 companies mandated to spend on CSR. Based on inquiry, preliminary notices have been issued to 272 companies.

### Review of Corporate Sector:

A. As on 31<sup>st</sup> July, 2018, the number of companies registered under the Companies Act was 17,87,515. Of these, 5,43,006 companies were closed, 6,111 companies were under liquidation, 38,802 companies are in the process of being struck-off from the register, 103 companies were in the process of being re-activated and 1,381 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. There are 11,98,112 active companies, including 1,67,336 companies which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).

B. A total of 7,745 companies, including 407 One Person Companies (OPCs), were registered under the Companies Act, 2013 during July, 2018 with authorized capital of Rs. 2331.26 Crore. The breakup of the newly incorporated companies by type is as follows:

Type of Company	No. of Companies registered in July, 2018	Total Authorized Capital (In ₹ in Crore)
Company limited by Shares	7,714	2,331.26
Of which,		
(a) Private	7,563	2,195.39
Of which,		
One Person Companies	407	11.86
(b) Public	151	135.87
Company limited by Guarantee	31	-
Of which,		
(a) Private	30	-
(b) Public	1	-
Unlimited Company	-	-
<b>Grand Total</b>	<b>7,745</b>	<b>2,331.26</b>

C. During the Month of July 2018, Maharashtra had maximum number of company registrations (1,366) followed by Delhi (1,032) and Uttar Pradesh (782). "Business Services" topped the economic activity-wise classification (3,810) of newly registered companies.

D. During the month of July 2018, 7,714 (out of 7,745) companies were registered as companies limited by shares with authorized capital of Rs. 2331.26 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/Information Bulletin.html](http://mca.gov.in/MinistryV2/InformationBulletin.html).

### Monthly MIS Report from CCI

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)	89	-	89	88	#
2.	19(1)(a)	108	08	116	105	@
3.	19(1)(b)	13	-	13	12	
4.	5&6	14	04	18	09	*
<b>TOTAL</b>		<b>224</b>	<b>12</b>	<b>236</b>	<b>214</b>	

### Cases remanded by COMPAT

5.	Remanded	11	-	11	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. 2. [@] Details of three oldest cases are attached as per Annexure-1. 3.[\*] Combination Cases filed u/s 5 & 6.
- [@] Details of three oldest cases are attached as per Annexure-1.
- [\*] Combination Cases filed u/s 5 & 6.

### Events

1) Insolvency and Bankruptcy Board of India (IBBI) Chairperson Dr. M.S. Sahoo inaugurated one day refresher programme for Insolvency Professionals (IPs) on 24<sup>th</sup> August, 2018. It marks the beginning of a series of one day classroom programmes to be delivered from various locations across the country over the next three months. It is one of its kind in the country funded under Pradhan Mantri Kaushal Vikas Yojana (PMKVY). The programme focuses on ethics and conduct of IPs and the recent developments in the insolvency and bankruptcy regime in India.

2) The Competition Commission of India shifted its office from Hindustan Times house, K.G Marg, New Delhi to its new premises at Tower-I, NBCC office Complex, Kidwai Nagar (East), New Delhi during August, 2018. The new office of the Commission was inaugurated by Shri Arun Jaitly, Hon'ble Union Minister of Finance and Corporate Affairs on 30<sup>th</sup> August, 2018 and Secretary, CA was also present on the occasion.

3) IBBI-IGIDR Insolvency and Bankruptcy reforms conference was held on 3<sup>rd</sup> and 4<sup>th</sup> of August, 2018 in India Habitat Centre, New Delhi. The inaugural session was graced by P.P. Chaudhary, Hon'ble Minister of State for law and Justice and Corporate Affairs along with Shri Injeti Srinivas, Secretary, CA. The major themes discussed in the sessions over the two days are : How is IBC working ?, Challenges in

arriving at a resolution plan, Building institutional capacity for IBC, a market for stressed assets, ecosystem for IBC reform etc.

### Notifications:-

(i) Vide notification No. S.O. 3921(E) dated 7<sup>th</sup> August, 2018, section 10 of the Companies (Amendment) Act, 2017, which replaced section 42 of the Companies Act, 2013 [Private placement], has been brought into force.

(ii) Vide Notification No. G.S.R 752(E) dated 7<sup>th</sup> August, 2018, the Companies (Prospects and Allotment of Securities) Rules, 2014 has been amended to substitute the Rule 14 relating to private placement and accordingly, form no. PAS-4 has been modified.

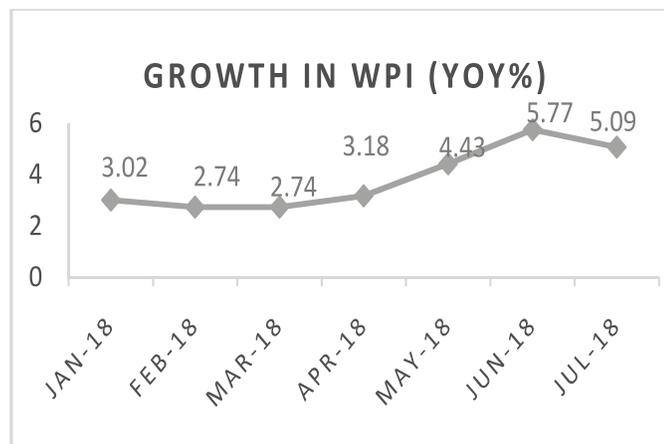
(iii) Vide Notification No. G.S.R. 797(E) dated 21<sup>st</sup> August, 2018, the Companies (Registration Offices and Fees) Rules, 2014 has been amended for extending the date from 31<sup>st</sup> August, 2018 to 15<sup>th</sup> September, 2018 for filing of e-form DIR-3 KYC without fee and fee of Rs.5000/- shall be payable on or after the 16<sup>th</sup> September, 2018.

(iv) Vide Notification No. G.S.R. 798(E) dated 21<sup>st</sup> August, 2018, the Companies (Appointment and Qualification of Director) Rules, 2014 has been amended to extend the date of submission of e-form 'DIR-3 KYC' from 31<sup>st</sup> August, 2018 to 15<sup>th</sup> September, 2018. The form no. DIR-3 KYC has also been amended to facilitate the foreign directors to provide their residential address in the said form.

## Some Macro indicators

### Wholesale Price Index (WPI)

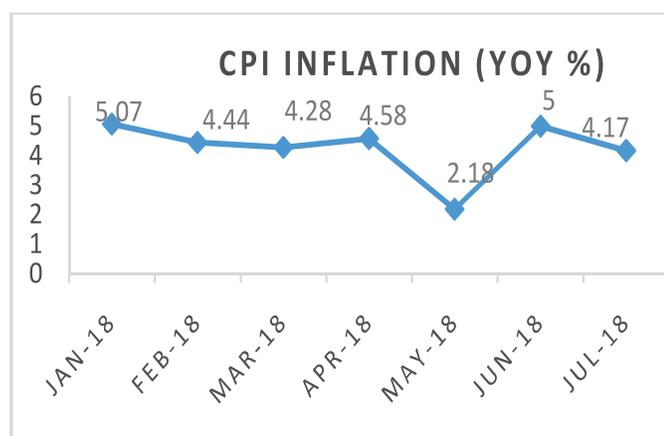
The annual rate of inflation, based on monthly WPI, stood at 5.09% (provisional) for the month of July, 2018 (over July, 2017) as compared to 5.77% (provisional) for the previous month and 1.88% during the corresponding month of the previous year.



Source: DIPP

### Consumer Price Index (CPI)

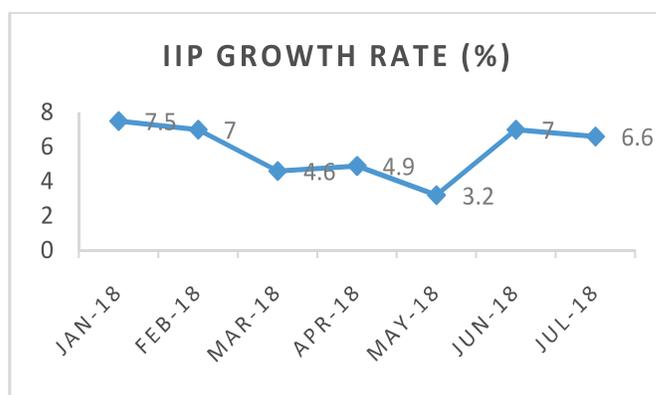
The CPI (Combined) on Base 2012=100 is being released for the month of July 2018. All India Inflation rates (on point to point basis i.e. current month over same month of last year, i.e., July 2018 over July 2017) given below:



Source: MOSPI

### Index of Industrial Production

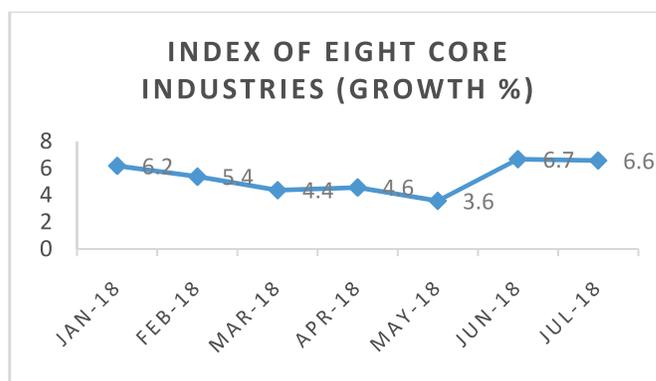
The Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 for the month of July 2018 stands at 125.8, which is 6.6 percent higher as compared to the level in the month of July 2017.



Source: MOSPI

### Index of Eight Core Industries

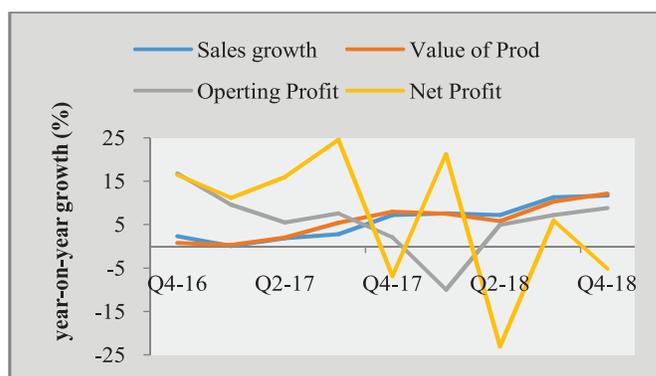
The Eight Core Industries comprise 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP). The combined Index of Eight Core Industries stands at 128.4 in July, 2018, which was 6.6 per cent higher as compared to the index of July, 2017



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:



Source: RBI