



Monthly Newsletter

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From the Editorial Desk:

I. MCA over the past year, has consistently engaged in improving the formulation and implementation of laws related to the corporate sector in India. True to its motto of “Empowering Business, Protecting Investors” and its function as regulator, integrator, facilitator and educator, MCA has taken many notable initiatives in 2017, a summary of which is presented in the Box below:

1. MCA has given a major thrust to prevent misuse of shell companies by striking-off about 2.26 lakh inactive companies from the Register of Companies and disqualifying more than 3 lakh Directors who were on boards of companies that have defaulted in filing financial statements or annual reports for three consecutive years.
2. MCA and Central Board of Direct Taxes (CBDT) have concluded an MoU for data exchange to facilitate data and information sharing between them on an automatic and regular basis to put in place an early warning system against shell companies indulging in illegal activities.
3. Insolvency and Bankruptcy Board of India (IBBI) notified the IBBI (Voluntary Liquidation Process) Regulations, 2016, IBBI (Information Utilities) Regulations, 2017, IBBI (Fast Track Insolvency Resolution Process for Corporate Persons) Regulations, 2017, and IBBI Companies (Registered Valuers and Valuation) Rules, 2017, to improve the regulatory environment.
4. MCA put a major thrust on transparency through digitization of records and taking its core processes online. MCA website is regularly updated and caters to a wide range of individuals, companies and other stakeholders.
5. MCA21 is an end-to-end holistic e-Governance project and has been running successfully for 9 years. Continuous steps for improving the Government to Business (G2B) and Government to Citizen (G2C) services through up-gradation of hardware, technology and enhanced monitoring tools.
6. Various workshops and Investors Awareness Programmes (IAPs) were organized to promote awareness on topics related to Indian corporate sector.
7. MCA has instituted National CSR Awards to recognize and promote corporate initiatives in the area of Corporate Social Responsibility (CSR) and promote inclusive growth and sustainable development.
8. NCLT and NCLAT have increasingly been involved in arbitration and settlement related issues of corporate governance apart from dealing in insolvency cases under the IBC, 2016.

II. As we move into 2018, with new hopes and promises, let's look back at some of the major events that shaped the Indian economy in 2017.

1. GST was launched throughout the country on 1st July, 2017. It is the single largest tax reform in the country since independence and has unified the entire country into one single market. GST rates have also been substantially brought down since its inception. The economy appears to be settling in well under the GST regime after initial hiccups.

2. India moved up 30 ranks in the World Bank's 'Ease of Doing Business' report for 2018. India registered its highest ever increase in the rankings owing to a series of bold reform initiatives. India is among top 10 improvers in the world and biggest gainer in South Asia.

3. Moody's has upgraded India's rating to Baa2 from Baa3 and changed the outlook on the rating to stable from positive. India's rating has been upgraded after a period of 13 years. India's sovereign credit rating was last upgraded in January 2004. This is the recognition of major economic and institutional reforms undertaken by Government.

4. Government announced bank recapitalization worth ₹2.11 lakh crore over the next 2 years. It will go long way in tackling the twin balance sheet problem in India. Bank recapitalization, along with implementation of the IBC, 2016 will pave the way for a healthy banking sector in 2018. This, in turn, will have positive impact on the long term growth.

5. After the demonetization drive from November, 2016, Government has taken innumerable measures to eradicate black money and ensure formalization and digitalization of the Indian economy. According to provisional data released by RBI, volume of transactions through digital means crossed the 1 billion mark in December for the first time.

III. For the first time in many years, the World Bank's outlook for the global economy is better than expected wherein the world is witnessing a "highly synchronized" economic expansion. The Global Economic Prospects recently released by World Bank states that with an "ambitious government undertaking comprehensive reforms", India has "enormous growth potential" compared to other emerging economies and it projected country's growth rate to 7.3 per cent in 2018 and 7.5 for the next two years. Government is committed to boosting investments in infrastructure, education and health for boosting employment and promoting ease of doing business. Thus, with favorable external conditions and strong fundamentals, stage is set for India to become the fifth largest Economy by 2018 (as estimated by Centre for Economic and Business Research, World League Table) from its current seventh position.

Amendment of Companies Act, 2013

A bill to amend the Companies Act, 2013 in order to strengthen corporate governance standards, initiate strict action against defaulting companies, and help improve the ease of doing business in the country, was passed by the Parliament. The Rajya Sabha passed the Companies (Amendment) Bill, 2017 on 20th December, 2017 whereas,

Lok Sabha had earlier passed it in July, 2017 during the Monsoon Session. The amendment is expected to ensure better corporate governance and improve the ease of doing business by helping to simplify procedures, making compliance easier and taking stringent action against defaulting companies. The Bill provides for more than 40 amendments to the Companies Act, 2013.

Regulations for Grievances and Complaints

The Insolvency and Bankruptcy Board of India (IBBI) has notified the IBBI (Grievance and Complaint Handling Procedure) Regulations, 2017 in the Gazette of India on 7th December, 2017. The Regulations enable a stakeholder, e.g., debtor, creditor, claimant, service provider, resolution applicant or any other person having an interest in an insolvency resolution, liquidation, voluntary liquidation or bankruptcy transaction under the Insolvency and Bankruptcy Code, 2016, to file a grievance or a complaint against a service provider, e.g., insolvency professional agency, insolvency professional, insolvency professional entity or information utility. The Regulations provide for an objective and transparent procedure for disposal of grievances and complaints by the IBBI. Where the IBBI is of the opinion that there exists a prima facie case, it may order an inspection under sub-regulation (3) of Regulation 3, order an investigation under sub-regulation (2) of Regulation 7 or issue a Show Cause Notice under sub-regulation (2) of Regulation 11 of the IBBI (Inspection and Investigation) Regulations, 2017, as may be warranted and the matter shall be proceeded accordingly.

Recognition to valuers organisations

In pursuance to the Companies (Registered Valuers and Valuation) Rules, 2017, the IBBI has recognised two registered valuers organisations. The Institution of Estate Managers and Appraisers will handle one asset class of "land and building" while the Institution of Valuers' Registered Valuers Foundation will handle three asset classes of "land and building", "plant and machinery" and "securities or financial assets". These organisations will also conduct educational courses in valuation, grant membership and certificate of practice to individuals, conduct training for its members and lay down and enforce code of conduct for the registered valuers, who are its members.

Guidelines for Technical Standards for Core Services

Based on recommendations of the Technical Committee, the IBBI has laid down Technical Standards for performance of Core Services for the following matters under Regulation 13 of the IBBI (Information Utilities) Regulations, 2017: (i) Standard terms of service; (ii) registration of users; (iii) unique identifier for each record and each user;

(iv) submission of information; (v) identification and verification of persons; (vi) authentication of information; (vii) verification of information; data integrity; (viii) consent framework for providing access to information to third parties; (ix) security of the system; (x) security of information; (xi) risk management framework; (xii) preservation of information; and (xiii) purging of information. An information utility shall comply with applicable technical standards, while providing services. These guidelines are also available at www.mca.gov.in and www.ibbi.gov.in.

Call for suggestions on IBC, 2016

In its first meeting held on 8th December, 2017, under the Chairmanship of Secretary, MCA, the Insolvency Law Committee (ILC) decided to invite suggestions/comments from stakeholders about the provisions of the IBC and the Rules and Regulations notified thereunder. Comments/suggestions along with brief justification could be sent online at MCA website uptill 10th January, 2018. It may be recalled that MCA had constituted an ILC on 16th November, 2017 to take stock of the functioning and implementation of the IBC, identify the issues that may impact the efficiency of the corporate insolvency resolution and the liquidation framework prescribed under the Code, and make suitable recommendations to address such issues, enhance efficiency of the processes prescribed and the effective implementation of the Code.

Women Directors on Company Boards

Section 149 of Companies Act, 2013 read with the corresponding rules requires every listed company and prescribed class of companies to have a women director. Securities and Exchange Board of India (SEBI) has also mandated for appointment of at least one woman director on the boards of listed companies under SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. As on 31st March, 2017, 25.01% of the directors on the boards of companies are women directors as per information from MCA21 Registry. Section 172 of the Act lays down punishment for non-compliance. Registrar

of Companies have filed prosecutions against 202 non-compliant public unlisted companies. In case of 36 unlisted PSUs reference have been made to administrative Ministries for ensuring compliances in this regard. 54 and 88 number of companies including PSUs listed on National Stock Exchange and Bombay Stock Exchange respectively which had not appointed women directors as on 30.09.2017 have been levied fine for non-appointment of women directors, as per fine structure prescribed by SEBI.

CSR expenditure

CSR expenditure for the year 2015-16 as disclosed by 7,983 companies, aggregated to ₹13,625.25 Crore. Companies that are mandated to make CSR expenditure need to make an annual disclosure of the same in their Board report, details of which are also included in the e-form AOC-4 filled by a company on the MCA21 portal.

Review of Corporate Sector

As on 30th November, 2017, the number of companies registered under the Companies Act was 17,11,806. Of these, 5,36,505 companies are closed; 5,958 companies are under liquidation; 31,633 companies are in the process of being struck-off from the register; 112 companies are in the process of being re-activated; 1,149 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013; and 3 companies have not filed their Annual Returns/ Balance Sheets for the past two consecutive years or more, and therefore not counted as active. Thus, there are 11,36,446 active companies, including 1,54,477 companies which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).

A total of 7,885 companies, including 444 One Person Companies (OPCs), were registered under the Companies Act, 2013 during November, 2017 with authorized capital of ₹1659.78 Crore. The breakup of the newly incorporated companies during November, 2017 by type is as follows:

| Type of Company | No. of Companies registered in November, 2017 | Total Authorized Capital (In ₹ in Crore) |
|------------------------------|---|--|
| (1) | (2) | (3) |
| Company limited by shares | 7,867 | 1,659.67 |
| Of which | | |
| (a) Private | 7,293 | 917.49 |
| Of which, | | |
| One Person Companies | 444 | 10.39 |
| (b) Public | 130 | 731.80 |
| Company limited by Guarantee | 18 | 0.11 |
| Of which, | | |

| Type of Company | No. of Companies registered in November, 2017 | Total Authorized Capital (In ₹ in Crore) |
|--------------------|---|--|
| (a) Private | 18 | 0.11 |
| (b) Public | 1 | - |
| Unlimited Company | - | - |
| Grand Total | 7,885 | 1,659.78 |

During the Month of November, 2017, Maharashtra had maximum number of company registrations (1,387) followed by Delhi (1,094) and Karnataka (747). "Business Services" topped the economic activity-wise classification (4,306) of newly registered companies. During November, 2017, 7,867 (out of 7885) companies were registered as companies limited by shares with authorized capital of ₹ 1659.67 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.

Swachhta Pakhwada

Swachhta Pakhwada was observed between 16th – 31st December, 2017 in MCA Headquarters and its offices at the field level. Secretary, CA reviewed the preparedness in this regard on 15th December, 2017, wherein he requested both industry Associations and professional institutes to share with the Ministry, the initiatives taken as well as any relevant IEC materials developed by them.

Notifications:

- (i) Vide notification S.O. No. 3804(E), issued on 4th December, 2017 this Ministry has designed Special Court for the State of Karnataka with the concurrence of the Chief Justice of the High Court of Karnataka, for providing speedy trial of offences punishable with imprisonment of two years or more under the Companies Act, 2013.
- (ii) Vide notification GSR No. 1480(E), issued on 4th December, 2017 this Ministry has substituted "Annexure III" in the Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015 for the purpose of filing their financial statements. "Annexure III" prescribes the taxonomy for preparing cost audit report.
- (iii) Vide notification GSR No. 1498(E), issued on 7th December, 2017 Companies (Cost Records and Audit) Amendment Rules, 2017 have been amended for bringing them in line with the Indian Accounting Standards (Ind AS) notified

vide Companies (Indian Accounting Standards) Rules, 2015.

- (iv) Vide notification GSR No. 1526(E), issued on 20th December, 2017 Companies (Cost Records and Audit) Second Amendment Rules, 2017 have been amended due to introduction of Goods and Service Tax (GST).

General Circulars

- (i) This Ministry has issued General Circular No. 15/2017 on 4th December, 2017 for filing of Form CRA-4, for the financial years starting on or after 1st April, 2016, without additional fees till 31st December, 2017.
- (ii) This Ministry vide General Circular No. 16/2017 on 29th December, 2017 has decided to introduce a Scheme namely "Condonation of Delay Scheme, 2018" [CODS-2018]. The scheme shall come into force w.e.f. 1st January, 2018 and shall remain in force up to 31st March, 2018. Some of the major salient features of CODS-2018 are as under:-
 - (iii) This scheme is applicable to all defaulting companies (other than the companies which have been struck off/whose names have been removed from the register of companies under section 248(5) of the Act).
 - (iv) The defaulting company after filing overdue documents under this scheme, shall seek condonation of delay by filing form e-CODS attached to this scheme online on the MCA21 portal. The filing fee for form e-CODS is ₹30,000/- only.
 - (v) The DIN of the disqualified directors of the defaulting companies will be temporarily activated for filing the overdue documents.

Online Forms

Validation Tool for Costing Taxonomy version 2.0.4 has been updated to incorporate changes carried out in Cost Audit Report to be filed as Annexure with e-Form CRA-4.