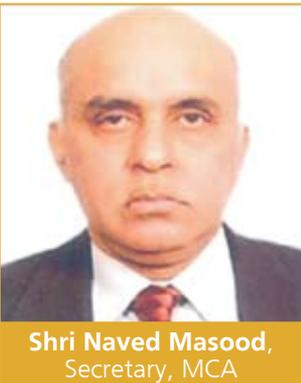




# Monthly Newsletter

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**Shri Naved Masood,**  
Secretary, MCA

## From The Secretary's Desk

The GDP numbers for the first quarter of this fiscal released by the Central Statistics Office has provided the much awaited impetus to the economy. The turnaround in GDP, at an estimated growth rate of 5.7%, the highest in the last nine-quarters, has been driven by both Manufacturing and Services sectors which grew at 5.1% and 7.4% respectively. More importantly,

fixed investment has increased to 32.7% of GDP from 32.2% during the corresponding period last year, indicating gradual movement of the economy towards a higher growth trajectory.

Other macro-economic indicators are also reassuring. WPI-based inflation has declined to a five years' low of 3.74% in August, 2014, primarily due to decline in crude oil prices and restrained increase in food prices. The growth rates of exports and imports during the past five months of the current financial year are 7.31% and 2.69% respectively, indicating improvement in the Current Account Deficit (CAD).

Taking the process of economic reforms forward, FDI limits have been further liberalized. The increased FDI cap in the Defence sector to 49% would not only reduce import dependence of military hardware, but also boost domestic investment. Raising the FDI ceiling for Railway Infrastructure to 100%, is a welcome step towards minimizing the infrastructure gap and unleashing the investment potential in the economy.

SEBI has revised its 'Offer for Sale' regulations, by allowing promoters as well as non-promoters of the top 200 listed companies to take the OFS/auction route as a fast-track mode to off load shares. With a view to attracting higher participation of retail investors in the capital market, minimum of 10% of the issue size under OFS has been reserved for retail investors, at a discounted price. This is a step forward for broad-basing the capital market.

Pursuant to the Budget Speech, 2014, the Ministry has linked four of its services rendered in the electronic mode under the MCA21 platform, with the eBiz platform of the Department of Industrial Policy and Promotion (DIPP). These four services are: incorporation of company, name application, commencement of business, and Directors Identification Number (DIN). I am also glad to announce that we have created a Data Bank portal of Independent Directors for facilitating the interface between corporates and potential independent directors.

The Ministry is continuously working on simplifying procedures for smooth implementation of the new Companies Act, by issuing several notifications, and circulars on relevant provisions of the Act. The Ministry is open to stakeholders' suggestions and feedback in understanding corporate needs, and remains committed to facilitate sustainable and inclusive corporate growth.

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### Senior Level Appointments:

- i. Shri Ajai Das Mehrotra, an Indian Revenue Service officer (IT: 1984), assumed charge as Joint Secretary in the Ministry of Corporate Affairs with effect from 29.08.2014.
- ii. Shri U. C. Nahta, has assumed charge as Member, Competition Commission of India (CCI) with effect from 12.08.2014.

**Components of MCA21 in eBiz:** The Finance Minister in his Budget Speech, 2014, had announced that by the end of this year, all Ministries of the Central Government will integrate their services with the eBiz platform, launched by the Department of Industrial Policy and Promotion (DIPP) in 2013. Taking the first step in this regard, the Ministry of Corporate Affairs has linked four of its services, i.e., (i) incorporation of company; (ii) name application; (iii) commencement of business; and (iv) Directors Identification Number (DIN) with the eBiz platform. The focus of eBiz e-governance project is to improve the business environment in the country by enabling fast and efficient access to Government-to-Business (G2B) services through an online portal.

**Issuance of PAN Card along with Incorporation of a Company:** MCA has initiated a dialogue with the Income Tax Department for allotment of the Permanent Account Number (PAN) to newly incorporated companies, immediately after issuance of certificate of incorporation of companies by the Registrar of Companies.

**Data Bank on Independent Directors:** The Ministry of Corporate Affairs, jointly with three professional institutions viz. the Institute of Chartered Accountants of India (ICAI), the Institute of Company Secretaries of India (ICSI) and the Institute of Cost Accountants of India (ICoAI), has set up an Independent Directors Repository portal on 12.08.2014. This portal will serve as a medium of exchange between corporates and individuals who are qualified and willing to be appointed as Independent Directors. In accordance with Section 150 of the Companies Act, 2013 companies may select an Independent Director from this data bank. The portal <http://independentdirector.in> is now operational.

**'Slum Area Development' in the CSR Schedule :** Pursuant to the Budget 2014-15 announcement, 'Slum Area Development' has been included as the eleventh item in the list of activities on Corporate Social Responsibility (CSR) in the Schedule VII of the Companies Act, 2013, vide Notification No. **G.S.R. 568(E)** dated 06.08.2014. For the purpose of CSR, 'slum area' is defined as any area declared as such

either by Central Government or by State Government or any other competent authority under any law for the time being in force.

**Calculation of 'Depreciation of Assets':** In order to bring in more clarity in calculating depreciation in assets, Paragraph 3(i) of Part A and Paragraph 4 of Part B of Schedule II of the Companies Act, 2013 have been substituted with new provisions vide Notification No. **G.S.R. 627 (E)** dated 29.08.2014. Issues, such as, residual value of an asset, deviation from the provisions in the Schedule regarding useful life or residual value, and determination of useful life of a high-valued component etc. have been dealt with elaborately. Compliance with this requirement is mandatory from the Financial Year 2015-16 onwards, and voluntary in Financial Year 2014-15.

**Powers of Boards of Directors of Companies :** Clarifications have been issued with regard to certain specific responsibilities of the Board of a Company vide Notification No. **G.S.R. 590 (E)** dated 14.08.2014 : (i) the Board has to consider the financial statements referred to in Section 134 of the Act; (ii) related party transactions, beyond a threshold, cannot be entered into by a company without the approval of its Board; however, in case of a wholly owned subsidiary, the resolution of the holding company is sufficient.

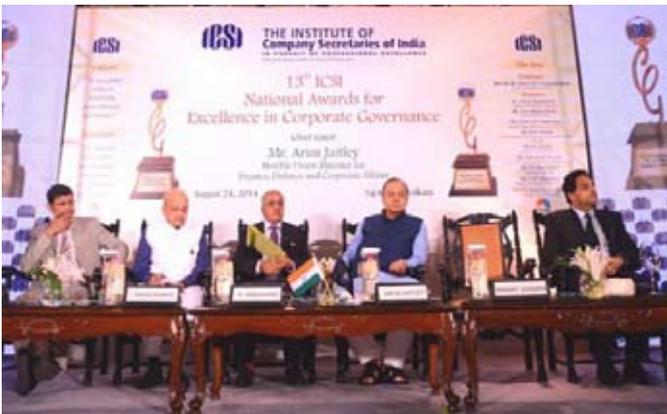
**New member appointed in Quality Review Board:** Shri Sesh Kumar, DG(IC) of the Office of the CAG, has been appointed *ex-officio* Member of the Quality Review Board vide Notification No. **G.S.R. 569 (E)** dated 07.08.2014. The Board, constituted under the Chartered Accountants Act, 1949, consists of a Chairperson and ten other members and deals with the quality of services of the members of the Institute of Chartered Accountants of India and makes recommendations in that regard.

**Company Law Settlement Scheme, 2014:** A large number of companies have not filed their statutory documents, such as Annual Returns and Financial Statements, required to be filed under the Companies Act, rendering them liable for penalties and prosecution for such non-compliance. The Ministry of Corporate Affairs, vide **General Circular No. 34/2014** dated 12.08.2014, has announced 'Company Law Settlement Scheme 2014 (CLSS-2014)', which provides a one-time opportunity for defaulting companies to file their annual statutory documents. CLSS-2014 grants immunity to companies from prosecution on payment of a reduced additional fee of 25% of the additional fees otherwise payable. The scheme also gives an opportunity to inactive companies to get their companies declared as 'dormant company' by filing a simple application

at reduced fees. This scheme is in operation from 15.08.2014 to 15.10.2014.

**'Capitalization of Costs' Clarified :** The Ministry has clarified, vide **General Circular No. 35/2014** dated 27.08.2014 that cost incurred on account of delay in commencement of commercial production, after the plant is otherwise ready does not increase the worth of fixed assets, hence, it cannot be treated as capitalization of costs, relying on Accounting Standards (AS-10 and AS-16). It is also clarified that part capitalization is allowed for a completed project within a unit, and AS10 & AS16 are applicable irrespective of whether the power projects are 'Cost Plus Projects' or 'Competitive Bid Projects'.

**ICSI Corporate Governance Awards :** The Hon'ble Union Minister for Finance, Defence and Corporate Affairs, Shri Arun Jaitley conferred the **13<sup>th</sup> ICSI National Awards for Excellence in Corporate Governance** on CS J.S. Amitabh, of Rural Electrification Corporation Limited and CS H.M. Mistry of TATA Power Company Limited in Kolkata on 24.08.2014.



*Hon'ble Union Minister of Finance, Defence and Corporate Affairs, Shri. Arun Jaitley and Shri R. Sridharan, President, ICSI among other dignitaries present at the 13<sup>th</sup> ICSI National Awards for Excellence in Corporate Governance organized in Kolkata on 24.08.2014.*

**Lateral Entry of OCI Chartered Accountants:** Overseas Citizens of India (OCI), with qualification as Chartered Accountants have been allowed practice rights in India through a bridging scheme for enrolments/lateral entry. The scheme has been notified by the Institute of Chartered Accountants of India (ICAI) on 22.07.2014. The terms and conditions of the scheme are given at [www.icaai.org](http://www.icaai.org).

**CCI Imposes Penalty on Car Companies:** In an investigation by the Director General, Competition Commission of India, fourteen Car companies were found to be indulging in practices resulting in denial of market access to independent repairers, by retaining a monopolistic control over the spare parts and diagnostic

tools of their respective brands. The prices fixed for spare parts were also found to be arbitrarily high. The denial of access to branded spare parts and diagnostic tools hampered the ability of independent repair service providers in the aftermarket for repair and maintenance of cars. The Competition Commission of India (CCI) has imposed a fine of Rs. 2544.64 crore, calculated at the rate of 2% of the average turnover, on 14 car companies for involving in anti-competitive practices.

#### **Investor Protection and Awareness:**

- A.** In collaboration with the three Professional Institutes (i.e., Institute of Chartered Accountants of India, Institute of Company Secretaries of India, and Institute of Cost Accountants of India), 542 Investor Awareness Programmes were conducted in different towns/cities of the country during August, 2014.
- B.** Till the end of August, 2014, as many as 3081 companies have uploaded information about unpaid and unclaimed amounts of investors (share application moneys, dividends, debentures, deposits etc.) lying with them on the dedicated website ([www.iepf.gov.in](http://www.iepf.gov.in)). This website has been set up for companies to file details of unpaid and unclaimed amounts of investors for the last seven years or less, which are yet to be transferred to the Investor Education and Protection Fund, so as to enable the investor to reclaim the said money from the company. The total amount reported by companies by end August, 2014 amounts to Rs. 3901.88 crore.

**Unpaid and Unclaimed Amounts of Investors:** As specified in Section 205C of the Companies Act, 1956, companies are required to transfer such amounts as have remained unclaimed and unpaid on account of dividends, matured deposits and debentures with companies for a period of seven years from the date that they become due for payment to Investor Education and Protection Fund (IEPF). With a contribution of Rs. 189.96 Crore in 2013-14, the total amount credited to this fund since 2001-02 stands at Rs. 883.33 Crore.

#### **Review of Corporate Sector:**

- A.** As on 31.08.2014, the number of companies registered under the Companies Act was 14.16 lakhs. Of these, 2.59 lakh companies were closed and 27,218 companies are in the process of being closed. As many as 1.42 lakh companies have not filed their Annual Returns/ Balance Sheets (i.e., Annual Statutory Filings) for more than three consecutive years. In other words, there are about 9.87 lakh active companies, including 1.27 lakh companies which were incorporated within

the preceding eighteen months (not due for Annual Statutory Filings).

- B.** A total of 6,676 companies were registered under the Companies Act, 2013 during August, 2014 with authorized capital of Rs. 1,006 crore. The break-up of the newly incorporated companies by type is as follows:

Type of Company	No. of Companies registered in August, 2014	Total Authorised Capital (in ₹ Crore)
(1)	(2)	(3)
Companies Limited By Shares	6647	1005.35
Of which, (a) Private	6520	820.35
Of which, One Person Companies	218	4.63
(b) Public	127	185.00
Companies Limited By Guarantee	27	0.05
Of which, (a) Private	24	0.05
(b) Public	3	0.00
Unlimited Companies (Private)	2	0.26
Of which, (a) Private	2	0.26
(b) Public	0	0.00
<b>Total</b>	<b>6676</b>	<b>1005.66</b>

- C.** Under the category of companies registered as limited by shares, Delhi had maximum number of registrations (1,250) followed by Maharashtra (1,199) and Uttar Pradesh (514). Economic activity-wise maximum number of companies (2,878) were registered under Business Services (IT and R&D). 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](http://mca.gov.in/MinistryV2/InformationBulletin.html)

### Major Events Attended by Senior Officials of the Ministry:

1. Shri Naved Masood, Secretary, MCA, attended the 156<sup>th</sup> Meeting of the Board of Security Exchange Board of India held in New Delhi on 10.08.2014.
2. Shri Naved Masood, Secretary, MCA, visited Offices of Regional Director (North-Western Region), Registrar of Companies and Official Liquidators, at Ahmedabad, on August 27-28, 2014.
3. Shri M.J. Joseph, Additional Secretary, MCA, attended an Executive Development Program on "Senior Managers in Government" at Harvard University, USA from 20.07.2014 to 08.08.2014.
4. Economic Adviser and Director (Statistics) attended the third meeting of Sub-committee on Private Corporate Sector including PPPs, constituted by Ministry of Statistics and Programme Implementation, on 22.08.2014 at Sardar Patel Bhavan, New Delhi. The sub-committee, headed by Prof. B. Goldar, is looking into issues related to use of MCA21 data for estimation of National Accounts Statistics on Corporate Sector.
5. MCA celebrated the Sadbhavana Diwas (Communal Harmony Day) on 20.08.2014. The day was marked by pledge taking ceremony by all officers and staff of the Ministry, reaffirming their commitment to strive for national integration, peace, affection and communal harmony among all Indian.

### Major Events IICA:

1. The Indian Institute of Corporate Affairs (IICA) organised re-orientation programme for capacity building of Independent Directors and Aspiring Directors on 08.08.2014 at New Delhi.
2. Asian Centre for Organisation Research and Development (ACORD) in collaboration with IICA organised a workshop on Corporate Social Responsibility (CSR) titled "The New Mandate on CSR" to discuss emerging questions on CSR on 28.08.2014 at New Delhi.

### Major Events at CCI:

1. Shri Ashok Chawla, Chairperson, CCI attended the inaugural session of 2<sup>nd</sup> International Conference on 'Interface between Intellectual Property & Competition Law' organized by ASSOCHAM on 29.08.2014 in New Delhi.
2. Workshop on 'Capacity Building Initiative for Trade Development (2<sup>nd</sup> Phase)' was organized by the Office of Director General, CCI for its officers during 31.07.2014 to 02.08.2014.