

Monthly Newsletter

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The first quarter of FY 2020-21 witnessed nationwide lockdown due to outbreak of COVID19 pandemic, while the early lockdown was utmost necessary to contain the spread of Coronavirus and prevent loss of lives as witnessed in European countries and the United States, the lockdown also impacted economic activities. Now the unlocking

process has started with the Government allowing various economic activities in a phased manner to put the economy back on track. The Government took swift decisions to implement various relief packages for the distressed sectors and also roll-out the stimulus package of over Rs. 20 lakh crore. The objective behind the stimulus package is to convert the current challenge into an opportunity and encourage our industries and MSMEs to become 'Atma Nirbhar' by manufacturing the commodities which we require instead of importing it. Under the 'Atma Nirbhar Bharat Abhiyaan', the MSMEs received a huge financial package in terms of collateral free debt, guarantee for subordinate debt through Funds-of-Funds and interest subvention schemes. Through adopting and promoting indigenous products, we can find a way forward that will put the country in a better position to tackle similar challenges in the future. This has been evident by the fact that prior to the pandemic, India used to produce negligible numbers of Personal Protective Equipment (PPE) but within two months India started producing more than 4.5 lakhs PPE kits per day to become world's second largest producer.

The MCA took cognizance of problems faced by corporates during lockdown and necessary steps were taken to provide relief to corporates during the current crisis eg. Raising the threshold for initiation of Corporate Insolvency Resolution Process (CIRP) from Rs. 1 Lakh to 1 Crore to prevent MSMEs from being dragged into insolvency proceedings during current crisis; Amending CIRP regulations to ensure that the lockdown period is not counted towards internal timelines laid down with respect to corporate insolvency process; Introduction of "Companies Fresh Start Scheme, 2020" and "LLP Settlement Scheme, 2020" in order to incentivize compliance and reduce compliance burden; Central Registry Centre being operational even during lockdown for fresh incorporation, name reservation etc; Board

meetings, AGM and EGM being allowed to conduct through Video Conferencing or other audio visual means; Allowing contributions by corporates to PM CARES fund and State Disaster Management Authority to combat COVID19 to qualify as CSR expenditure.

To mitigate the circumstance of businesses ending up in CIRP because of the disruption of normal business operations owing to lockdown, the Insolvency & Bankruptcy Code (IBC), 2016 has been amended through The Insolvency and Bankruptcy Code (Amendment) Ordinance, 2020 dated 5th June, 2020. The Ordinance was introduced with the intention to prevent companies from being pushed into insolvency proceedings for their failure to service debt obligations on account of pandemic induced stress and it may also be difficult to find adequate number of resolution applicants to rescue Corporate Debtor (CD) during the crisis period. The Ordinance makes the following amendments to the IBC, 2016:

(1) Introduction of section 10A : The recourse to IBC under sections 7, 9 and 10 has been suspended for any default arising on or after March 25, 2020 for a period of six months or such further period, not exceeding one year from such date. Since it is not possible to distinguish between default emanating from COVID-19 or otherwise, the simple rule applied is default arising during the period in which COVID-19 holds sway in the country. This amendment will, however, neither hit the applications, which are pending for admission on the date of commencement of nationwide lockdown, nor the applications filed for defaults arisen before March 25, 2020 or defaults that will arise after the COVID-19 period. Further, where an application has been admitted, the insolvency proceeding would continue unabated. However, it is pertinent to note that only the corporate insolvency procedures have been suspended and individual insolvency can still be triggered against a personal guarantor of the CD.

(2) Introduction of section 66 (3) : It provides that no application shall be filed by a Resolution Professional (RP) in respect of liability under sub-section (2), in respect of such default against which initiation of CIRP is suspended as per section 10A. Section 66(3) has been introduced considering the financial distress situation due to unprecedented pandemic to ease the burden on director(s) or partner(s). However, sub-section (1), which deals with fraud, has not been touched. Further, section 166 of the Companies Act, 2013, which requires a director to discharge his duties with due and reasonable care, skill, and diligence, remains unchanged.

Review of Corporate Sector:

As on 30.06.2020, the number of companies registered under the Companies Act was 2,014,969. Of these, 746,278 companies were closed, 6,706 companies were under liquidation, 43,770 companies are in the process of being struck-off from the register and 2,242 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. There are 1,215,973 active companies, including 176,528 companies, which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).

A total of 10,954 companies, including 626 One Person Companies (OPCs), were registered under the Companies Act, 2013 during June, 2020 with authorized capital of Rs. 1318.89 Crore. The breakup of the newly incorporated companies by type is as follows:

Type of Company	No. of Companies registered in June, 2020	Total Authorized Capital (Rs. in crore)
Company limited by shares	10,903	1318.70
Of which,		
(a) Private	10,690	957.98
Of which,		

One Person Companies	626	23.88
(b) Public	213	360.72
Company limited by Guarantee	51	0.19
Of which,		
(a) Private	49	0.04
(b) Public	2	0.15
Unlimited Company	-	0.00
Grand Total	10,954	1318.89

During the Month of June 2020, Maharashtra had maximum number of company registrations (1,699) followed by Delhi (1,246) and Uttar Pradesh (1,200). "Business Services" topped the economic activity-wise classification (3,399) of newly registered companies.

During June 2020, 10,903 (out of 10,954) companies were registered as companies limited by shares with authorized capital of Rs.1318.70 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 of June, 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(1)	48	00	48	47	}
2.	19(1)(a)	89	03	92	91	
3.	19(1)(b)	15	00	15	15	
	Sub Total	152	03	155	153	
4.	5 & 6	07	07	14	07	*
4(a)	20(1)	01	00	01	01	
Total		160	10	170	161	

Cases remanded by COMPAT

5.	Remanded	11	00	11	11	
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Cases regarding contravention of orders of Commission

6.	Causing fresh inquiry	02	00	02	02	
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Notes and references:

1. [*] Combination Cases filed u/s 5 & 6.

2. [] @] Out of 153 pending anti-trust cases, 71 cases are pending with DG and 82 cases (20 cases are at prima facie stage and 62 cases for hearing) are pending with CCI.

Major Events:-

1. AMENDMENT TO THE COMPANIES ACT, 2013:-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. Approval of the Cabinet for such amendments in the CA-13 through Companies (Amendment) Bill, 2020 was obtained on 4th March, 2020. The said Bill was introduced in the Lok Sabha on 17th March, 2020. The Bill came up for discussion on 23rd March, 2020 but could not be considered and the House got adjourned sine die. The Bill is pending in the Lok Sabha. A copy of the Bill is available on the website of Lok Sabha and M/o Corporate Affairs. The Ministry is considering, subject to due approvals, promulgation of an Ordinance (Companies (Amendment) Ordinance, 2020) for implementing the amendments proposed through the Companies (Amendment) Bill, 2020. A Note in this regard has been forwarded to the Cabinet Secretariat on 27th April, 2020 for obtaining approval of the Cabinet.
2. Insolvency and Bankruptcy Code (Amendment) Ordinance, 2020 has been promulgated on 5th June, 2020 thereby providing for insertion of section 10A in Insolvency and Bankruptcy Code, 2016 (the Code) to temporarily suspend initiation of corporate insolvency resolution process (CIRP) under section 7, 9 and 10 of the Code for a period of six months or such further period, not exceeding one year from the cut-off date i.e., 25th March, 2020. The defaults arising between the 25th of March, 2020 and completion of the suspension period will remain as non est for the purpose of initiation of CIRP under the Code as a permanent carve-out. Thus, such default cases will permanently remain outside the purview of the Code. This relief would enable companies affected by COVID-19 pandemic to recover from the financial stress without facing immediate threat of being pushed into insolvency proceedings as soon as suspension period of the three sections is over. Further, Section 66 of the Code is also amended to disallow the resolution professional from filing application for action against the directors or partners of the corporate debtor with respect to default arising post 25th of March, 2020 till the period of suspension of section 7, 9 and 10 of the Code. This ensures protection to directors or partners of the corporate debtors as the case may be, with respect to such default, to keep the businesses of corporate debtor going without having the threat of personal liability.
3. A sub-committee of Insolvency Law Committee was constituted vide Ministry's order dated 24th June, 2020 to propose a detailed scheme for implementing prepack and prearranged insolvency resolution process under Insolvency and Bankruptcy Code, 2016.
4. AMENDMENT TO THE COMPANIES ACT, 2013:- The Ministry is considering, subject to due approvals, promulgation of an Ordinance (Companies (Amendment) Ordinance, 2020) for implementing the amendments proposed through the Companies (Amendment) Bill, 2020. A Cabinet Note in this regard has been forwarded to the Cabinet Secretariat on 27th April, 2020 for obtaining approval of the Cabinet. Subsequently, a Supplementary Cabinet Note has been sent on 19th May, 2020. The proposal is likely to be considered by the Cabinet shortly.
5. Business Response to COVID-19 through CSR : The three essential and complementary aspects of development; social, economic and physical require local solutions implemented with the knowledge and engagement of local people and supported by the CSR funds of companies with light oversight. Since the onset of COVID-19, the focus of NGOs and Corporate has been inclined towards addressing immediate relief activities through financial and social support in the fight against COVID-19. The past few months have witnessed active support from companies in India not only in monetary terms, but also in non-monetary forms. A compendium was developed and published by NFCSR at IICA that exhibits the innovative and necessary CSR activities, being undertaken by the top 100 companies in India. The Compendium captures the CSR initiatives of the companies who have positively impacted the lives of lakhs of people in various developmental sectors in accordance with the Schedule VII and SDG indicators.
6. Services being provided uninterrupted during COVID-19 Pandemic : IICA Knowledge Resource Centre has provided all the digital services uninterrupted during

the COVID-19 Pandemic. Users are accessing the digital resources remotely with the KRC-RemoteXs facility. Apart from the subscribed the following databases were also provided to the users:

1. EBSCO Business Source Ultimate, eBook Academic Collection and HBR Ascend and HBR eBooks
2. Bloomsbury Collections- Databases and eBooks (through user id & password also)
3. Cambridge University Press- Free access to Academic textbooks on Cambridge Core
4. Lexis Nexis Subscription services
5. EPWRF India Time Series.
6. EBSCO Collection Manager.
7. Open Edition.
8. J-Gate (through user id & password)

Trial access links of following databases are also added at KRC-RemoteXs portal

1. West Law India
2. SCC Online
3. Hein Online

In addition to above mentioned databases KRC has provided 40+ Open Access e-Resources Links, J-Gate etc.

KRC has provided Online KRC Membership and supporting the users in accessing the digital content to the users. Full-text e-resources to the individual users as per their request is also an additional feature. KRC is managing e-newspaper and magazine service to its users on daily/weekly basis. KRC has subscribed to emagster.com where more than 13000 e- magazines and newsletters are being provided through digital mode. The Institutional repository developed by KRC using Dspace open source software now have more than 1185+ books, articles, case studies etc on various subject are as of Corporate Affairs which is highly being used by the users for their academic and research purpose. KRC is also managing email campaigns to alumni about institute's ongoing webinars, panel discussions and current course curriculum.

7. IICA organized webinars on topics relevant to the current times of Covid-19, eg. Webinar with Dr. Thibault Schrepel, Faculty Associate, Berkman Center, Harvard University & Assistant Professor, European

Economic Law, Utrecht University School of Law, Netherlands on "Competition Law and Blockchain" held on 3rd June 2020; Webinar with Mr. Ariel Ezrachi, Slaughter and May Professor of Competition Law and Director, Centre for Competition Law and Policy, University of Oxford on "Digital Markets and Competition Law" held on 10th June 2020 etc.

8. Competition Commission of India, Chairman, CCI has signed the extension of the BRICS Memorandum of Understanding on cooperation in the field of competition law and policy. CCI, as the Co-Chair of Operational Framework Working Group of International Competition Network (ICN) is all set to play a leading role in near future, in the Network's activities along with Competition Bureau, Canada. CCI, on finding them guilty of cartelization, directed four Industrial and Automotive Bearings manufacturers (NEIL, Schaeffler, SKF and Tata Bearings) and their respective officials, to cease and desist in future from indulging into practices which contravene the provisions of the Competition Act.

Notifications:-

- (i) Vide Notification dated June 5, 2020, the following amendments have been made in the Companies (Share Capital and Debentures) Rules, 2014:-

(a) Second proviso to sub rule (4) of rule 8 related to issue of Sweat Equity Share has been amended and now the said second proviso shall be read as under:

“Provided further that a startup company, as defined in notification number G.S.R. 127(E), dated the 19th February, 2019 issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India, may issue sweat equity shares not exceeding fifty percent of its paid up capital upto ten years from the date of its incorporation or registration.”

(b) sub clause (v) of clause (b) of sub rule (7) of rule 18, which deals with debentures, is substituted as under:

“(v) In case a company is covered in item (A) of sub-clause (iii) of clause (b) or item (B) of sub-clause (iv) of clause (b), it shall on or before the 30th day of April in each year, in respect of debentures issued by such a

company, invest or deposit, as the case may be, a sum which shall not be less than fifteen percent., of the “In case a company is covered in item (A) of sub-clause (iii) of clause (b) or item (B) of sub-clause (iv) of clause (b), it shall on or before the 30th day of April in each year, in respect of debentures issued by such a company, invest or deposit, as the case may be, a sum which shall not be less than fifteen percent., of the amount of its debentures maturing during the year, ending on the 31st day of March of the next year in anyone or more methods of investments or deposits as provided in sub-clause (vi):

Provided that the amount remaining invested or deposited, as the case may be, shall not any time fall below fifteen percent of the amount of the debentures maturing during the year ending on 31st day of March of that year”. [G.S.R. 372(E)]

- (ii) Vide notification dated 23.06.2020, the Companies (Meetings of Board and its Powers) Rules 2014, have been amended to allow companies additional period of three months i.e. upto 30/9/2020, 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. [G.S.R 395 (E)]
- (iii) Vide notification dated 23.06.2020, the Companies (Appointment and Qualification of Directors) Rules, 2014 have been amended to extend the period within which existing Independent directors may apply (online) for inclusion of their names in the databank for Independent Directors by another three months (i.e. upto 30th September, 2020). [G.S.R 396 (E)]
- (iv) Vide notification dated 29.06.2020, the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 have been amended to provide that in case of applications for removal of names under section 248(2) of the Companies Act, 2013 by specified Government companies, the indemnity bond will be affirmed by the authorised representative of the Administrative Ministry/Department as per new Form STK-3A and not by the directors of the concerned Government Companies in form STK-3. [G.S.R. 420(E)]

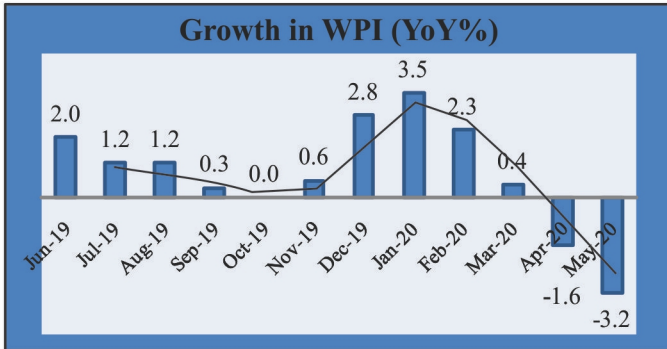
Circulars:-

- (i) Through the General Circular no. 22/2020 dated 15.06.2020, the Ministry has allowed companies to conduct their EGMs through video conferencing (VC) or other audio visual means (OAVM) or transact items through postal ballot upto 30th September, 2020 in accordance with the framework provided in the earlier general circulars No. 14/2020 dated 8th April, 2020 and No. 17/2020 dated 13th April, 2020 issued by the Ministry.
- (ii) Through the General Circular no. 23/2020 dated 17.06.2020, the Ministry has introduced a Scheme, namely "Scheme for relaxation of time for filing forms related to creation or modification of charges under the Companies Act, 2013" for the purpose of condoning the delay in filing certain forms related to creation/ modification of charges. The scheme is applicable in respect of filing of Form No. CHG-I and Form No. CHG-9 (both referred as 'form' or 'forms) by a company or a charge holder, where the date of creation / modification of charge:
 - (a) is before 01.03.2020, but the timeline for filing such form had not expired under section 77 of the Act as on 01.03.2020, or
 - (b) falls on any date between 01.03.2020 to 30.09.2020
- (iii) Through the General Circular no. 24/2020 dated 19.06.2020 the Ministry has extended the time from 30th June, 2020 to 30th September, 2020 in respect of matters referred to in paras V & VI of the General circular No. 11/2020 dated 24.3.2020 regarding creation of deposit repayment reserve of 20% under section 73 (2) (c) of the companies Act 2013 and to invest or deposit 15% of amount of debentures under rule 18 of Companies (Share capital and Debentures) Rules 2014.

Some Macro Indicators

Wholesale Price Index (WPI)

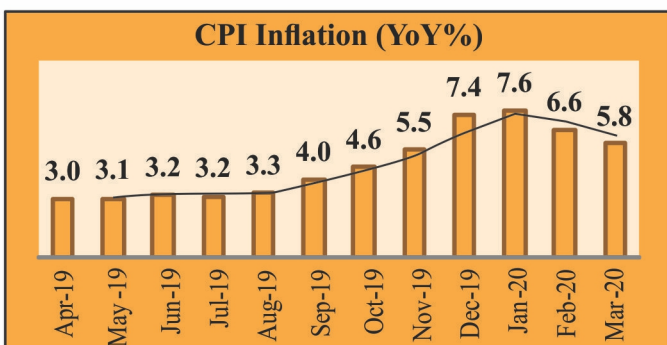
The annual rate of inflation, based on monthly WPI, stood at -3.21% (provisional) for the month of May, 2020 (over May, 2019) as compared to 2.79% during the corresponding month of the previous year.



Source: DPIIT

Consumer Price Index (CPI)

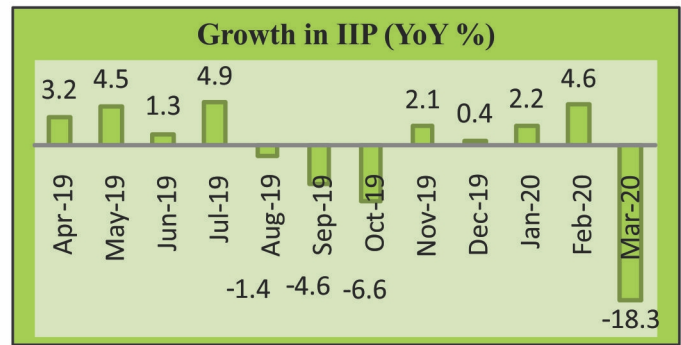
In view of the preventive measures and announcement of nation-wide lockdown by the Government to contain spread of COVID-19 pandemic, the price collection of Consumer Price Index (CPI) through personal visits of price collectors was suspended with effect from 19th March, 2020. Accordingly, All-India General CPI has not been compiled for the months of April and May 2020. However, All India year-on-year inflation rates for Consumer Food Price Index (CFPI) for the month of May 2020 for Rural, Urban and Combined sector are 9.69%, 8.36% and 9.28% respectively.



Source: MOSPI

Index of Industrial Production

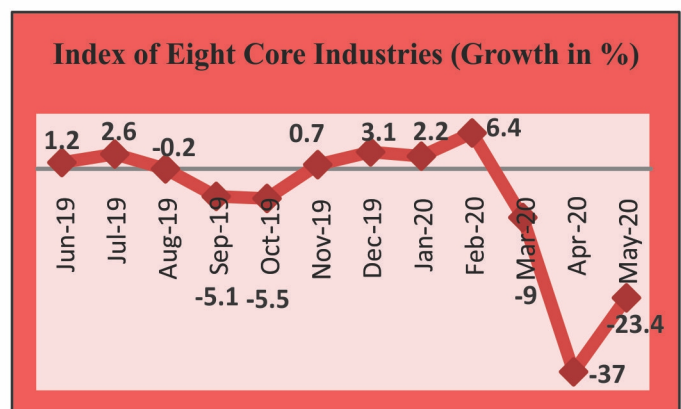
The government, in its July release, did not provide year-on-year change and only released index numbers for the month of May 2020, similar to the June release wherein only index number was released and year-on-year change was not given for the month of April (stating it is not appropriate to compare the IIP data with earlier months due to the COVID-19 lockdown).



Source: MOSPI

Index of Eight Core Industries

The growth rate of Index of Eight Core Industries for May 2020 remained negative, however it improved from declined April figure of -37% to -23.4% in May.



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 third quarter of FY 2019-20 is as below:

Performance of Listed Non-Government NFC according to Size of Paid-up-Capital (Y-o-Y Growth in Per cent)			
No. of companies	2,702	Depreciation	21.6
Sales	-3.2	Gross Profits	-8.7
Expenditure	-6.7	Interest	17.9
Operating Profits	1.8	EBT	-8.7
Other Income	-18.1	Tax Provision	-23.4
EBITDA	-1.9	Net Profits	-26.9

Source: RBI