

# Monthly Newsletter

VOLUME - 34 September- 2020



**Shri Rajesh Verma**  
Secretary, MCA

## Secretary's Desk

India has become the world's fifth largest economy in the world, after overtaking UK and France. Indian corporate sector has played a significant role in helping India in reaching this milestone. In spite of such economic growth, the problem of inequality remains. India has taken several measures for achieving socio-economic development goals. These efforts reiterate our firm commitment to include the marginalized sections of the society in the growth process.

In our endeavor to ensure inclusive growth for

all, the Ministry of Corporate Affairs had issued 'Voluntary Guidelines on Corporate Social Responsibility, 2009' as a first step towards mainstreaming the concept of Business Responsibility. After consultation with all concerned stakeholders, the guidelines were further refined as 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011', which were basically a set of principles that offer Indian businesses an understanding and approach to instill responsible business conduct.

Prior to the enactment of the Companies Act, 2013, Corporate Social Responsibility in India was a philanthropic activity, based on the belief that companies have a moral responsibility and must play a role in discharging their social obligations and take responsibility for the effects on environment and consequent impact on social well-being. With the enactment of Companies Act, 2013 by the Ministry of Corporate Affairs, India became the first country in the world to introduce CSR as a mandatory provision by imposing statutory obligation on companies to take up CSR projects towards social welfare activities.

Section 135 of Companies Act, 2013 (Act) contains provisions on CSR, Schedule VII of the Act enumerates activities that can be undertaken as CSR, and, Companies (Corporate Social Responsibility Policy) Rules, 2014 (Rules) prescribe the manner in which companies may comply with CSR provision of the Act. The Act and Rules were notified on 27.02.2014 and came into force from 01.04.2014. Schedule VII has since been amended to include more activities under CSR.

- i. CSR provisions are applicable to all companies with an annual turnover of Rs. 1000 crores or more, or net worth of Rs. 500 crores or more, or net profit of Rs. 5 crores or more during the immediately preceding financial year. As per CSR provisions, such companies are mandated to spend at least 2% of their average net profit in last three years on CSR activities.
- ii. Every such company is to constitute a CSR Committee having at least three Directors, including a minimum of one Independent Director. The Committee is to formulate and recommend a CSR Policy containing the activities to be undertaken by the company along with allocation of funds across these activities. The Committee is also responsible for monitoring and implementation of CSR policy from time to time.
- iii. The companies liable to spend on CSR are statutorily required to disclose their CSR policy, including the activities to be undertaken and the amount to be spent in their Board Report. Reasons for shortfall in CSR spending, if any, are required to be mandatorily disclosed in the Board Report.

As per Schedule 7 of Companies Act, 2013, the activities that can be undertaken by a company under CSR, inter alia, include Eradicating hunger and poverty along with providing safe drinking water; Promoting education, gender equality, sanitation, women empowerment etc; Ensuring environmental sustainability; protecting national heritage and undertaking rural development projects and slum area development etc. India has the most elaborate CSR mechanism and we have started a journey towards setting a benchmark in attaining sustainability goals and stakeholder activism in nation building.

Since the applicability of mandatory CSR spending in 2014, the total amount

spent on CSR by corporates has been steadily rising from a total of Rs. 10,066 crores in 2014-15 (the first year of implementation of CSR under the legislation), to Rs. 18,653 crores in 2018-19. Whereas the total number of companies have increased from 16,548 in FY 2014-15 to 24,902 in FY 2018-19. Out of these, the total contribution of unlisted companies stood higher at 89 per cent whereas for listed companies it was 11 per cent. With respect to development sectors, education and livelihood sector saw maximum funding (around 40% of the total in 2018-19), followed by hunger, poverty and healthcare (around 26%), rural development (around 12%) and environmental sustainability and conservation of resources (8%). Among the States, Maharashtra leads with highest funding in CSR followed by Karnataka and Gujarat.

In order to recognize companies that have made a positive impact on the society through their innovative and sustainable CSR initiatives, Ministry of Corporate Affairs has instituted National Corporate Social Responsibility Awards. The awards seek to recognize outstanding efforts in the following categories- Four awards for excellence in CSR based on CSR spending; Five awards for CSR projects in Aspirational Districts and Eleven awards for CSR projects in National Priority Areas; besides, three separate awards are for Micro, Small and Medium Enterprises (MSMEs).

Further, in the light of rising global challenges, NVGs were revised and released as NGRBC (National Guidelines on Responsible Business Conduct) in March 2019 to align with the emerging global issues, the United Nations Guiding Principles on Business & Human Rights (UNGPs), UN Sustainable Development Goals (SDGs), Paris Agreement on Climate Change etc.

Additionally for upgrading and formulation of the NGRBCs, the Ministry of Corporate Affairs had constituted a 'Committee on Business Responsibility Reporting' to develop new BRR formats for listed and unlisted companies. The Committee comprised of representatives from MCA, SEBI, three professional institutes, and two eminent professionals who had worked on developing the NGRBCs.

After extensive consultations with various stakeholders including businesses and their associations, professional institutes, academia, civil society organizations, central Ministries and Departments, the Committee submitted its Report to the Central Government. The Report of the Committee on Business Responsibility Reporting (BRR) was released on 11th August, 2020. In its Report, the Committee recommended a new reporting framework called as the 'Business Responsibility and Sustainability Report (BRSR)' to better reflect the intent and scope of reporting on non-financial parameters. The Committee recommended two formats for disclosures: one 'comprehensive format' and the second a 'Lite version'. The Committee further recommended that the implementation of the reporting requirements should be done in a gradual and phased manner. The Committee also recommended that the BRSR be integrated with the MCA21 portal, which would ensure that all information already filed on the MCA21 portal by companies would be automatically filled while filing the BRSR. As a long-term measure, the Committee envisions that the information captured through BRSR filings be used to develop a Business Responsibility-Sustainability Index for companies. The attempt has been in the direction of making BRSR reporting format as a single source of all non-financial disclosures, thereby balancing the objective of self-regulation through disclosures and also ensuring no undue compliance burden on companies.

The COVID-19 pandemic has caused enormous suffering all over the world and India also underwent strict lockdown in order to halt the spread of the virus. This has resulted in economic disruption across the country. The Ministry of Corporate Affairs extended its support in the battle against pandemic by allowing spending CSR funds for COVID-19 related activities to qualify as CSR expenditure. Taking cognizance of job losses due to business disruptions caused by the pandemic, the companies were also allowed payment of ex-gratia to daily wagers during the lockdown period to qualify as CSR expenditure as a one time exception provided there is an explicit declaration to that effect by the Board of the company, which is duly certified by the statutory auditor.

## Review of Corporate Sector:

As on 30.09.2020, the number of companies registered under the Companies Act was 20,63,938. Of these, 7,50,929 companies were closed, 6,786 companies were under liquidation, 40,160 companies are in the process of being struck-off from the register and 2,239 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. There are 12,63,824 active companies, including

1,91,235 companies, which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).

A total of 16,641 companies, including 945 One Person Companies (OPCs) were registered under the Companies Act, 2013 during September, 2020 with authorized capital of Rs. 1,680.82 crore. The breakup of the newly incorporated companies by type is as follows:

Type of Company	No. of Companies registered in September, 2020	Total Authorized Capital (Rs. in crore)
1)	2)	3)
Company limited by shares	16,545	1,680.55
Of which,		
(a) Private	16,207	1,550.50
Of which,		
One Person Companies	945	33.44
(b) Public	338	130.05
Company limited by Guarantee	95	0.17
Of which,		
(a) Private	90	0.17
(b) Public	5	0.00
Unlimited Company	1	0.10
<b>Grand Total</b>	<b>16,641</b>	<b>1,680.82</b>

During the Month of September 2020, Maharashtra had maximum number of company registrations (2,992) followed by Uttar Pradesh (1,746) and Delhi (1,725). "Business Services" topped the economic activity-wise classification (4,632) of newly registered companies.

During September 2020, 16,641 (out of 16,545) companies were registered as companies limited by shares with authorized capital of Rs.1,680.55 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](http://mca.gov.in/MinistryV2/InformationBulletin.html).

## MONTHLY MIS REPORT FROM COMPETITION COMMISSION OF INDIA

(as of September, 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)	36	-	36	36	}
2.	19(1)(a)	94	08	102	100	
3.	19(1)(b)	10	-	10	10	
	<b>Sub Total</b>	<b>140</b>	<b>8</b>	<b>148</b>	<b>146</b>	
4.	6(2)& 6(5)	08	10	18	07	*
4(a)	20(1)	-	-	-	-	
<b>TOTAL</b>		<b>148</b>	<b>18</b>	<b>166</b>	<b>153</b>	

### 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:

- [\*] Combination Cases filed u/s 6(2)& 6(5).
- [@] Out of **146** pending anti-trust cases, **79** cases are pending with DG and **67** cases (**27** cases are at prima facie stage and **40** cases for hearing) are pending with CCI

## MAJOR EVENTS:

### 1. AMENDMENT IN THE COMPANIES ACT, 2013

- The Ministry has taken necessary action for amending the Companies Act, 2013 [CA-13] to implement the recommendations made by Company Law Committee (2019) to decriminalize 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 4<sup>th</sup> March, 2020. The said Bill was introduced in the Lok Sabha on 17<sup>th</sup> March, 2020. The Bill came up for discussion on 23<sup>rd</sup> March, 2020 but could not be considered and the House got adjourned sine die. Thereafter in the last Session of Parliament, the said Bill has been passed by Lok Sabha on 19<sup>th</sup> September, 2020 and Rajya Sabha on 22<sup>nd</sup> September, 2020. It has received the assent of Honourable President on 28.09.2020 and has been published in the Gazette on the same date. The Amendment Act is available on the website of M/o Corporate Affairs.
2. The Centre for Insolvency and Bankruptcy, IICA organized a web talk on "International Insolvency Law in India: A Non Indian View of Designing the Cross Border Insolvency Regime" with Prof. Dr. Bob Wessels, University of Leiden, Leiden Law School, The Netherlands on September 25, 2020.
  3. IICA in association with IoD, Delhi jointly organized Independent Director's Dialogue Series on September 10, 2020 titled "Building Corporate Governance Competencies in the Boardroom through Independent Directors". The program aimed to orient Independent Directors (IDs) on various skill sets they should possess and enhance the quality of functioning of corporate boards in India.
  4. Chairperson, CCI addressed the ICN Annual Conference 2020-Merger Working Group Plenary on 'Issues related to digitization & its impact on merger analysis'. The conference was jointly hosted by the US Department of Justice (DOJ) and US Federal Trade Commission (FTC). A video message of Chairperson, CCI for the ICN Conference was also shared with the organizers.

## NOTIFICATIONS

- (i) Vide notification dated 07.09.2020, the Companies (Acceptance of Deposits) Rules, 2014 has been amended and for the words "five years", the words "ten years" has been substituted in rule 2, in sub-rule (1), in clause (c), in sub-clause (xvii). Accordingly, an amount of twenty five lakh rupees or more received by a start up company, by way of a convertible note (convertible into equity shares or repayable within a period not exceeding ten years [earlier five years] from the date of issue) in a single tranche, from a person shall not be treated a deposit. Similarly, for the words "five years", the words, "ten years" has been substituted in rule 3, in sub-rule (3), in the second proviso, in clause (i). Accordingly, now the maximum limit in respect of deposits to be accepted from members shall not apply to a private company which is a start up, for ten years (earlier five years) from the date of its incorporation. (Notification no. G.S.R. 548(E)).
- (ii) Vide notification dated 28.09.2020, 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 31<sup>st</sup> December, 2020). [G.S.R 589 (E)]
- (iii) Vide notification dated 28.09.2020, the Companies (Meetings of Board and its Powers) Rules 2014, have been amended to allow companies additional period of three months i.e. upto 31/12/2020, 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 with physical presence of directors. [G.S.R 590 (E)]

## CIRCULAR

- (i) Through the General Circular no. 29/2020 dated 10.09.2020, the Ministry has decided that if cost audit report for the financial year 2019-20 by the cost auditor to the Board of Directors of the companies is submitted by 30th November, 2020 then the same would not be viewed as violation of rule 6(5) of Companies (cost records and audit) Rules, 2014. Consequently, the cost audit report for the financial year ended on 31st March, 2020 shall be filed in e-form CRA-4 within 30 days from the date of receipt of the copy of the cost audit report by the company. However, in case a company has availed extension of time for holding Annual General Meeting then e-form CRA-4 may be filed within the timeline provided under the proviso to rule 6(6) of the Companies (Cost Records and Audit) Rules, 2014.
- (ii) Through the General Circular no. 30/2020 dated 28.09.2020 and in continuation of General Circular no.12/2020 dated 30.03.2020 & in view of the large scale disruption caused by the COVID-19 Pandemic and after due examination, the Ministry has decided to extend Companies Fresh Start Scheme, 2020 till 31st December, 2020. All other requirements provided in the circular dated 30.03.2020 shall remain unchanged.
- (iii) Through the General Circular no. 31/2020 dated 28.09.2020 and in continuation of General Circular no.13/2020 dated 30.03.2020 & in view of the large scale disruption caused by the COVID-19 Pandemic and after due examination, the Ministry has decided to extend LLP Settlement Scheme, 2020 till 31st December, 2020. All other requirements provided in the circular dated 30.03.2020 shall remain unchanged.
- (iv) Through the General Circular no. 32/2020 dated 28.09.2020 and in continuation of General Circular no.23/2020 dated 17.06.2020 & after due examination, the Ministry has decided to extend the "Scheme for relaxation of time for filing forms related to creation or modification of charges under the Companies Act, 2013" till 31st December, 2020. The other requirements provided in the circular dated 17.06.2020 shall remain unchanged.
- (v) Through the General Circular no. 33/2020 dated 28.09.2020 and in continuation of General Circular no.14/2020 dated 08.04.2020, No.17/2020 dated 13.04.2020 and No.22/2020 dated 15.06.2020 and after due examination, the Ministry has decided to allow companies to conduct their EGMs through VC or OAVM or transact items through postal ballot in accordance with the framework provided in the aforesaid Circulars upto 31.12.2020. The other requirements provided in the Circulars dated 08.04.2020, 13.04.2020 and 15.06.2020 shall remain unchanged.
- (vi) Through the General Circular no. 34/2020 dated 29.09.2020 and in continuation of General Circulars no.11/2020 dated 24.03.2020 and 24/2020 dated 19.06.2020 & in view of requests received from various stakeholders seeking extension of time on account of large scale disruption caused by the COVID-19 Pandemic, the Ministry has decided to extend the time in respect of matters referred to in paras V, VI of the circular dated 24.06.2020, from 30.09.2020 to 31.12.2020. The other requirements provided in the Circulars dated 24.03.2020 and 19.06.2020 shall remain unchanged.

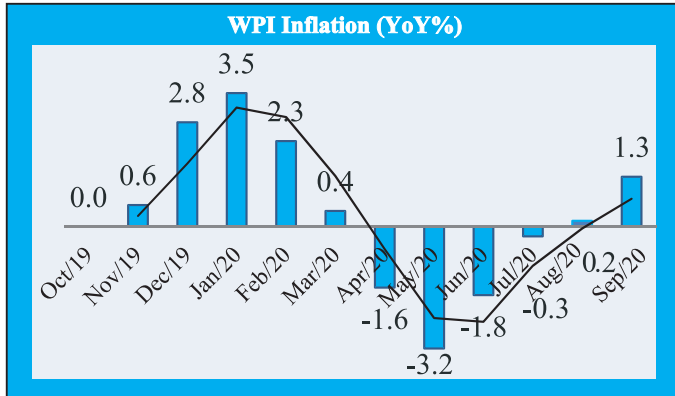
## ORDERS

Through an Order issued on 17<sup>th</sup> September, 2020, the tenure of the Company Law Committee (set up on 18<sup>th</sup> September, 2019) has been extended till 17<sup>th</sup> September, 2021. This Committee has been set up to make recommendations to the Ministry on matters relating to decriminalisation of offences, introduction of settlement mechanisms, measures for ease of doing business, remove bottlenecks in the functioning of bodies set up under Companies Act, 2013/LLP Act, 2008 etc.

## Some Macro Indicators

### Wholesale Price Index (WPI)

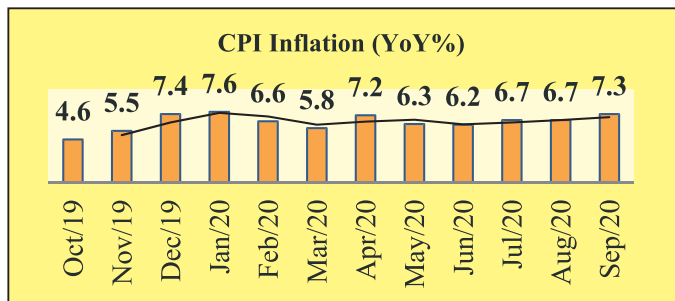
The annual rate of inflation, based on monthly WPI, stood at 1.32% (provisional) for the month of September, 2020 (over September, 2019) as compared to 0.33% during the corresponding month of the previous year.



Source: DPIIT

### Consumer Price Index (CPI)

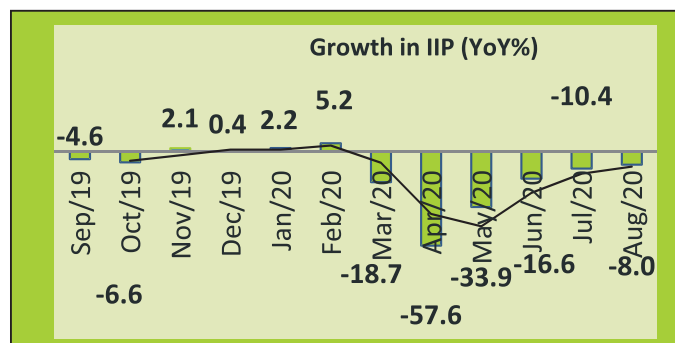
The CPI (Combined) on Base 2012, all India Inflation rates (on point to point basis i.e., September, 2020 over September, 2019) stood at 7.34%.



Source: MOSPI

### Index of Industrial Production

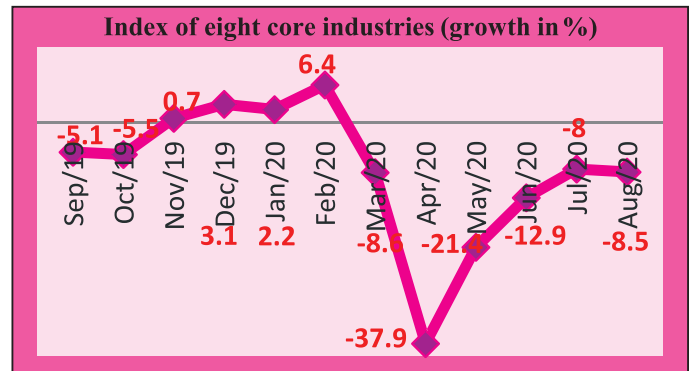
The quick estimates of Index of Industrial Production (IIP) with base 2011-12 for the month of August, 2020 stands at 116.1 which is 8% lower as compared to August, 2019.



Source: MOSPI

### Index of Eight Core Industries

The combined Index of Eight Core Industries stood at 117.6 in August, 2020, which declined by 8.5% as compared to the Index of August, 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 fourth quarter of FY 2019-20 is as below:

Performance of Listed Non-Government Non-Financial Companies (Y-o-Y Growth in Per cent)		
Indicator	Q4:2018-19	Q4:2019-20
No. of Companies	2,701	2,620
Value of Production	6.4	-9.8
Expenditure	6.9	-8
Operating Profits	3.8	-19.9
Depreciation	5	23.1
Interest	5.9	14.9
Tax Provision	-1.7	-28.8
Net Profits	42.6	-103

Source:RBI