



# Monthly Newsletter

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Shri Injeti Srinivas  
Secretary, MCA

## Secretary's Desk

The Report of the High Level Committee on Corporate Social Responsibility (CSR) was presented to the Union Minister of Finance and Corporate Affairs, by Secretary (Corporate Affairs). The Committee has given wide-ranging recommendations, emphasizing on **CSR projects with multiplier effect innovative technology based solution to social problems** and not to serve as a means of resource gap funding for government schemes. It

recommends making CSR expenditure tax deductible and carry forward of unspent balance for a period of 3 – 5 years. Among others, alignment of Schedule VII with the Sustainable Development Goals (SDGs) by adopting a SDG plus framework, development of a **CSR exchange portal to connect contributors, beneficiaries and implementation agencies and violation of CSR compliance to be made a civil offence** and shifted to the penalty regime are important recommendations with a view to strengthening the CSR ecosystem.

Report of the Competition Law Review Committee was submitted to Union Finance and Corporate Affairs Minister. In giving recommendations, the Committee has focused on promoting ease of doing business, boosting start-ups and tackle challenges associated with the new economy. One of the key recommendations is introduction of a **"Green Channel"** for combination notification to speed up regulatory approvals for mergers and acquisitions. Express provisions have been introduced to identify "hub and spoke" agreements to increase the ambit of law to cover business organization and models related with the new age markets that do not fit the gamut of horizontal or vertical anti-competitive structures. Additional enforcement mechanism of Settlements & Commitments, issuance of guidelines on imposition of penalty, introduction of a Governing Board to strengthen advisory and advocacy functions, merging of DG's office with CCI as an 'Investigation Division' and opening CCI offices at regional level to perform non-adjudicatory functions and interaction with State authorities are the other recommendations of the Committee.

Ministry of Corporate Affairs amended the provisions relating to issue of shares with Differential Voting Rights (DVRs) provisions under the Companies Act, to empower promoters of Indian companies with potential of becoming Unicorns, who cede control to global investors owing to capital requirements. The key changes are: (i) An enhancement in the previously existing cap of 26% of the total post issue paid up equity share capital to a revised cap of 74% of total voting power in respect of shares with Differential Voting Rights of a company; (ii) Removal of the earlier requirement of distributable profits for 3 years for a company to be eligible to issue shares with Differential Voting Rights. Another major step taken is that, the time period within which Employee Stock Options (ESOPs) can be issued by Startups recognized by the Department for Promotion of Industry & Internal Trade (DPIIT) to promoters or Directors

holding more than 10% of equity shares, has been enhanced from 5 years to 10 years from the date of their incorporation.

Ministry of Corporate Affairs amended the Companies (Share Capital & Debentures) Rules by removing Debenture Redemption Reserve requirement for Listed Companies, NBFCs and HFCs; in pursuance of the Budget announcements for 2019-20 by Union Finance & Corporate Affairs Minister. This decision is in line with the Government's objectives of providing greater 'Ease of Doing Business' to companies in the country, as part of its 100 Days Action Plan. The provisions relating to creation of Debenture Redemption Reserve (DRR) have been revised with the objective of: (i) removing the requirement for creation of a DRR of 25% of the value of outstanding debentures in respect of listed companies, NBFCs registered with RBI and for Housing Finance Companies registered with National Housing Bank (NHB) both for public issue as well as private placements; (ii) reduction in DRR for unlisted companies from the present level of 25% to 10% of the outstanding debentures. The guiding intent behind the amendment is creation of a level-playing field between NBFCs, HFCs and listed companies' on the one hand and also between them and Banking Companies & All India Financial Institutions on the other (which are already exempted from DRR). The measure has been taken by the Government with an objective to reduce the cost of the capital raised by companies through issuance of debentures. The move will expectedly impact the bond market positively by bringing about a significant deepening as well as safeguarding interests of investors.

On the occasion of 10th Anniversary celebrations of Competition Commission of India (CCI), Smt. Sitharaman remarked that CCI should be ready for the CCI 2.0 mode to help foster healthy competition by staying pro-actively alert and by taking suomotu action of developments both in domestic and international markets.

At the workshop on 'E-commerce: Changing Competition Landscape in India', organised by Competition Commission of India (CCI), interim observations coming from the e-commerce study by CCI launched in April 2019 were presented in the Inaugural Session capturing the key trends. The broad issues of platform neutrality, platform to business terms and discount structures in the online ecosystems of product retail, hotel booking and food ordering and delivery were touched upon in the presentation. Views of all stakeholders are sought till 30th September 2019. The final study report is expected to be published in Q3 of 2019-20 (October-December).

The Supreme Court upheld changes to the Insolvency and Bankruptcy Code (IBC) that recognizes homebuyers as financial creditors and allows them to initiate proceedings under the law against real estate developers in case they default on debt repayments. The Centre had made an amendment to the IBC, treating allottees of real estate companies as financial creditors entitled to trigger the code under Section 7.

IBC provisions pertaining to personal guarantor to corporate debtor would be coming into effect soon, followed by those related to partnership and proprietorship. Separately, government is reviving the existing framework, of 'Fresh Start' provisions under the IBC, with a view to simplifying it further.

## Review of Corporate Sector:

As on 31.07.2019, the number of companies registered under the Companies Act was 19,15,092. Of these, 6,85,424 companies were closed, 6,403 companies were under liquidation, 41,057 companies were in the process of being struck-off from the register, 78 companies were in the process of being re-activated and 1,945 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. There are 11,80,185 active companies, including 1,85,937 companies, which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).

A total of 10,699 companies, including 667 One Person Companies (OPCs), were registered under the Companies Act, 2013 during July, 2019 with authorized capital of Rs. 4,507.56 Crore. The breakup of the newly incorporated companies by type is as follows:

Type of Company	No. of Companies registered in July, 2019	Total Authorized Capital (In Rs. Crore)
Company limited by shares	10,654	4,506.56
Of which,		
(a) Private	10,342	4,446.54
Of which,		

One Person Companies	667	23.61
(b) Public	312	60.02
Company limited by Guarantee	45	1
Of which,		
(a) Private	41	1
(b) Public	4	-
Unlimited Company	-	-
<b>Grand Total</b>	<b>10,699</b>	<b>4,507.56</b>

During the Month of July, 2019, Maharashtra had maximum number of company registrations (1,951) followed by Delhi (1,296) and Uttar Pradesh (1,056). "Business Services" topped the economic activity-wise classification (3,141) of newly registered companies.

During July 2019, 10,654 (out of 10,699) companies were registered as companies limited by shares with authorized capital of Rs.4,506.56 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 on August-2019)

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	19(1)	90	00	90	63	#
2.		19(1)(a)	86	03	89	82	
3.		19(1)(b)	14	00	14	14	
4.	5 & 6	12	06	18	08	*	
<b>Total</b>		<b>202</b>	<b>09</b>	<b>210</b>	<b>202</b>		

### Cases remanded by COMPAT

5.	Remanded	10	-	10	10
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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:

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

3. [ ] Out of 159 anti-trust cases 80 cases are pending with DG and 79 cases (15 cases are at prima facie stage and 64 cases for hearing) are pending with CCI.

## Major Events

- (i) A High Level Committee on Corporate Social Responsibility (CSR) constituted under the Chairmanship of Secretary, MCA to review the existing CSR framework submitted its report on 13th August, 2019 to Hon'ble Minister of Corporate Affairs. This report is available at [www.mca.gov.in](http://www.mca.gov.in)
- (ii) Hon'ble Vice President of India on 2nd August, 2019 launched the Insolvency Research Foundation (IRF) – A joint initiative by Indian Institute of Corporate Affairs (IICA) and Society of Insolvency Practitioners of India (SIPI).
- (iii) Insolvency and Bankruptcy (Amendment) Bill, 2019 has been passed by the Parliament and notified on 16th August, 2019. The amendment seeks to fill critical gaps in the corporate insolvency resolution framework as enshrined in the Insolvency and Bankruptcy Code and remove certain doubts and ambiguities that have arisen in order to ensure desired outcomes of the Code. A meeting of Insolvency Law Committee was held on 29th August, 2019 wherein the issues related to Corporate Insolvency Resolution Process (CIRP), issues in Personal Insolvency and introduction of enabling provision for Mediation in the Code were discussed.

Online applications have been invited for filling up of 06 posts of Judicial Member and 05 posts of Technical Member in National Company Law Tribunal vide Ministry's vacancy circular No.A-12023/03/2019 dated 26th August, 2019.

## Notifications:-

- (i) Vide notification No. S.O. 2947 (E) dated 14th August, 2019 the provisions of sections 6, 7 and 8, clauses (I), (iii) and clause (iv) of section 14, section 20, section 31, sections 33, 34 and 35 and sections 37 and 38 of the Companies (Amendment) Act, 2019 have been brought into force w.e.f. 15th August, 2019. Accordingly, such new provisions included in the Companies Act, 2013 to strengthen good corporate governance and compliance framework enshrined in such Act have been brought into force.

- (ii) Vide notification No.G.S.R 574(E) 16th August, 2019 the Ministry has amended the Companies (Share Capital and Debentures) Rules, 2014 and accordingly, the Rule 4 (Equity Shares with Deferential Rights), Rule 5 (Certificate of Shares [where shares are not in demat form]), Rule 12 (Issue of Equity Stock Options) and Rule 18 (Debenture).
- (iii) Vide notification No.G.S.R. 603(E) dated 28th August, 2019, the Ministry has amended the Companies (Incorporation) Rules, 2014 for substituting the forms RD-1 (Form for filing application to Regional Director) and RD GNL-5 (Form for filing addendum for rectification of defects or incompleteness).
- (iv) Vide Notification No. S.O. 3119(E) 28th August, 2019 the Ministry has issued the amendments in the earlier notification no. S.O.1796(E), dated 18th May, 2016 by substituting the entries "State of Maharashtra" with the entries "Whole State of Maharashtra except Pune, Ahmednagar, Kolhapur, Solapur, Satara, Sangli, Ratnagiri and Sindhudurg districts of the State of Maharashtra" in the Table, against Serial number 2, in column (3).
- (v) The Ministry issued the notification No. S.O. 3120(E) dated 28th August, 2019, in supersession of the earlier notification no. S.O.2564(E), dated 17th July, 2019 for designation of Court of District Judge-1 and Additional Sessions Judge, Pune for the districts of Pune, Ahmednagar, Kolhapur, Solapur, Satara, Sangli, Ratnagiri and Sindhudurg of the State of Maharashtra.

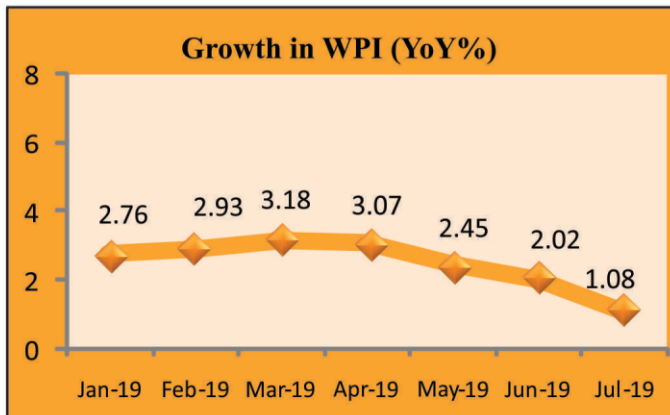
## Circulars:-

A General Circular was issued on 21st August, 2019 clarifying doubts/ambiguities with regard to "Appointed Date" referred to in section 232(6) of the Companies Act, 2013. The clarification was necessary to bring harmony in practices in ascertaining the "appointed date" relating to schemes of mergers/ amalgamations and provide clarity on the accounting treatment. Accordingly, the requests made by the stakeholders for issue of clarification on this matter have been addressed. (General Circular No.09/2019 dated 21.08.2019).

## Some Macro Indicators

### Wholesale Price Index (WPI)

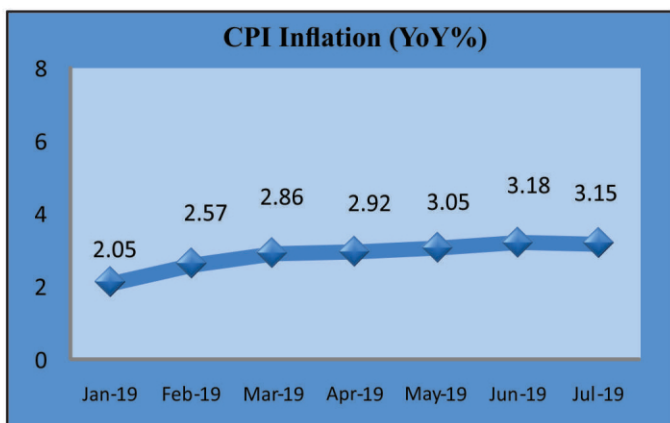
The annual rate of inflation, based on monthly WPI, stood at 1.08% (provisional) for the month of July, 2019 (over July, 2018) as compared to 2.02% (provisional) for the previous month and 5.27% during the corresponding month of the previous year.



Source: DIPP

### Consumer Price Index (CPI)

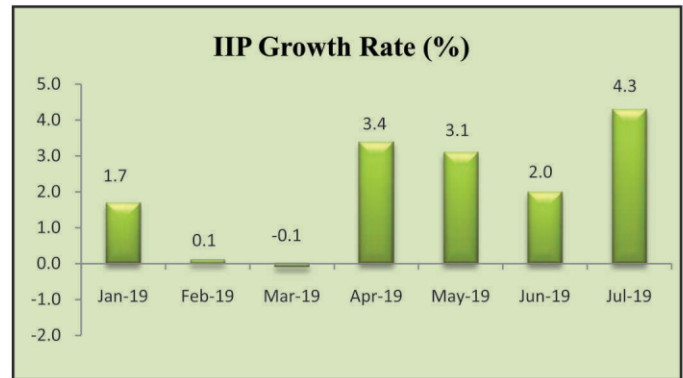
The CPI (Combined) on Base 2012=100 is being released for the month of July, 2019. All India Inflation rates (on point to point basis i.e. current month over same month of last year, i.e., July, 2019 over July, 2018) given below:



Source: MOSPI

### Index of Industrial Production

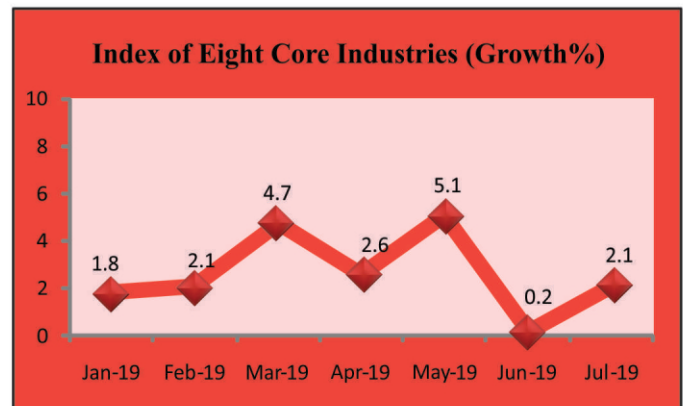
The Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 for the month of July, 2019 stands at 131.1, which is 4.3 percent higher as compared to the level in the month of July, 2018.



Source: MOSPI

### Index of Eight Core Industries

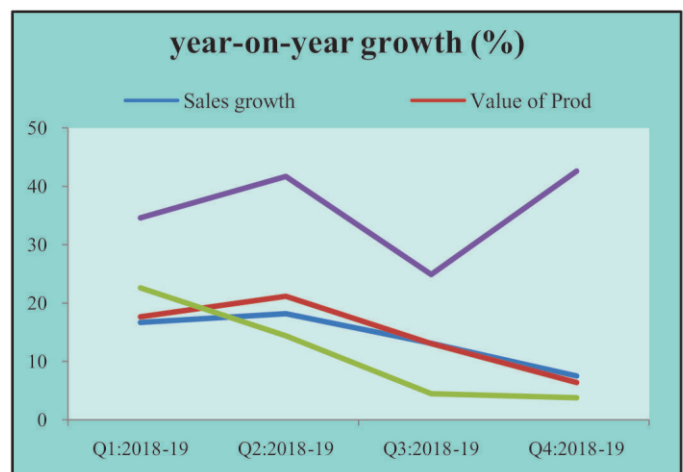
The combined Index of Eight Core Industries stood at 131.9 in July, 2019, which was 2.1 per cent higher as compared to the index of July, 2018.



Source: DIPP

### 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 as below:



Source: RBI