



# Monthly Newsletter

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Secretary, MCA

## Secretary's Desk

Companies (Amendment) Ordinance, 2018 was promulgated on 2<sup>nd</sup> November, 2018 to amend certain provisions of the Companies Act, 2013. The Ordinance puts into effect several recommendations made in the *"Report of the Committee to Review Offences under the*

*Companies Act, 2013"*, brought out in August 2018 by Ministry of Corporate Affairs (MCA). The Report had made an assessment of the existing regulatory framework under the Companies Act, and proposed amendments to improve corporate compliance. The amendments introduce changes to improve compliance and corporate governance, and have modified penalties leviable for various offences. One of the objectives is to reduce the burden of routine matters before National Company Law Tribunals established under the Companies Act, and strengthen enforcement against serious offences.

A committee of experts constituted in April, 2018 submitted its report and recommended measures to strengthen the operation of National financial Reporting Authority (NFRA) to address contemporary challenges in relation to auditors, audit firms and networks operating in India. The committee found establishment of NFRA as a necessary institutional reform which would align the Indian audit landscape with the global position.

The Ministry had in April, 2018 established the Centralised Scrutiny and Prosecution Mechanism (CSPM) for enforcement of CSR provisions on a pilot basis. Acting on its inputs, the Ministry has issued preliminary notices to nearly 300 companies for not complying with the corporate social responsibility (CSR) spending requirement under the Companies Act, 2013 for the year 2015-16. The companies have been asked to provide reason for non-compliance with the CSR provisions.

The Insolvency and Bankruptcy Code (IBC), which operationalized in 2016, has had a huge direct and indirect impact on stressed asset worth approximately three

lakh crore. The estimated amount includes recoveries made through Resolution Plans and cases settled before admission by the National Company Law Tribunal (NCLT) under the Code. The insolvency law has disposed of about 50 per cent of the 9,000-odd cases that it received in the last two years, including those transferred from the Board for Industrial and Financial Reconstruction (BIFR). More than 85 per cent of the resolved cases were disposed of prior to admission in National Company Law Tribunal (NCLT) on the joint request of debtor and creditor, after being brought to the IBC by the financial or operational creditor. Compared to the 26 per cent recovery in BIFR, the recovery through the IBC has nearly doubled incases that have been resolved so far, including 100 per cent in some cases depending on the enterprise value, which gets preserved due to the time-bound reference under the new law.

The Ministry has flagged its concerns over potential liquidity crises to some housing finance companies (HFCs). To ease liquidity in the HFC segment, RBI allowed the banks to offer partial credit enhancement (PCE) to bonds issued by non-banking financial companies (NBFCs) and HFCs subject to certain conditions. Also, National Housing Bank (NHB), the regulator of HFCs, has raised its refinancing target by 25% to ₹ 30,000 crore for the year through June 2019

RBI released the results of the 83rd round of the Industrial Outlook Survey (IOS) conducted in July-September 2018. The Survey captured qualitative assessments of the business environment by companies in India's manufacturing sector for Q2:2018-19. Responses were received from 1095 companies in this round of the survey. Overall, business sentiment in the Indian manufacturing sector improved, as reflected in an increase in the Business Expectations Index (BEI) from 108.4 in Q1:2018-19 to 110.0 in Q2:2018-19.

**“The Insolvency and Bankruptcy Code (IBC) had a direct and indirect impact on stressed asset worth approximately three lakh crore.”**

## POLICY DEVELOPMENTS

### Pre-IBC facility

The feasibility of implementing a 'pre-packaged' bankruptcy scheme, prevalent in countries like U.S., is being explored in India to aid the existing insolvency framework and cut cost and time of the resolution process. This scheme will typically allow a stressed company to prepare a financial reorganization plan with the approval of its at least two third creditors before filing of an insolvency application by any party at the NCLT. The resolution plan so reached can then be placed before the NCLT for approval. Since the plan is already endorsed by the lenders, it will effectively bypass various requirements and interventions by NCLT at different stages under the usual IBC process, thus reducing litigation cost and delays. It will also help to decongest the overburdened NCLTs. Any such change in the insolvency framework will need a legal backing for it to be effective and hence has to be a part of IBC.

### ICAI signs MoU with CPA Canada

The Institute of Chartered Accountants of India (ICAI) has signed the Memorandum of Understanding (MoU) with the Chartered Professional Accountants of Canada (CPA Canada) on November 17, 2018 in Toronto, Canada. This would facilitate mutual recognition of each other's qualification and admit the members in good standing by prescribing a bridging mechanism between the two Institutes.

Earlier, the Union Government has identified the Accountancy and Finance Services as one of the 12 Champion Sectors. ICAI is taking all possible efforts for mutual recognition agreements with maximum foreign accounting Institutes which is the first step for promotion of export of accountancy services in the overseas market.

### Special benches of NCLT

The plan to set up special Benches of the NCLT for insolvency cases has been deferred as vacancies in the existing Benches are yet to be filled. MCA had proposed to constitute special benches of NCLT earlier. Eight courts were proposed to be set up to exclusively deal insolvency cases i.e. three in Mumbai, two in New Delhi and one each in Chennai, Kolkata and Hyderabad. At present there are 28 members against the requirement of 36 to deal with the existing cases. There are around 6000 company law cases and close to 4000 insolvency cases pending with various benches of NCLT.

### Re-constitution of High Level Committee on CSR

A High Level Committee on CSR-2018 (HLC-2018) has

been re-constituted under the chairmanship of Shri. Injeti Srinivas, Secretary, MCA to review the existing framework and guide and formulate the roadmap for a coherent policy on CSR. The scope of the committee includes reviewing existing CSR framework as per Act, Rules and Circulars issued from time to time, recommending guidelines for enforcement of CSR provisions, suggesting measures for adequate monitoring and evaluation of CSR by companies, examining and recommending audit (financial, social and performance) for CSR, etc. The committee shall submit its report within three months from the date of holding its first meeting.

### Review of Corporate Sector:

As on 31<sup>st</sup> October, 2018, the number of companies registered under the Companies Act was 1,810,813. Of these, 646,882 companies were closed, 6,208 companies were under liquidation, 39,736 companies are in the process of being struck-off from the register, 102 companies were in the process of being re-activated and 1,523 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. There are 1,116,362 active companies, including 169,922 companies which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).

A total of 11,625 companies, including 664 One Person Companies (OPCs), were registered under the Companies Act, 2013 during October, 2018 with authorized capital of ₹ 3,795.14 Crore. The breakup of the newly incorporated companies by type is as follows:

Type of Company	No. of Companies registered in October, 2018	Total Authorized Capital (In ₹ in Crore)
Company limited by Shares	11,600	3795.14
Of which,		
(a) Private	11,317	3697.20
Of which,		
One Person Companies	664	18.74
(b) Public	283	97.94
Company limited by Guarantee	25	-
Of which,		
(a) Private	22	-
(b) Public	3	-
Unlimited Company	-	-
<b>Grand Total</b>	<b>11,625</b>	<b>3795.14</b>

During the Month of October, 2018, Maharashtra had maximum number of company registrations (2,230) followed by Delhi (1,547) and Uttar Pradesh (1,214). "Business Services" topped the economic activity-wise classification (5,439) of newly registered companies.

During October, 2018, 11,600 (out of 11,625) companies were registered as companies limited by shares with authorized capital of ₹ 3,795.14 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/Information Bulletin.html](http://mca.gov.in/MinistryV2/InformationBulletin.html).

## MONTHLY MIS REPORT FROM COMPETITION COMMISSION OF INDIA

(As on November-2018)

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)	88	01	89	88	#
2.	19(1)(a)	99	02	101	83	
3.	19(1)(b)	14	01	15	14	
4.	5&6	10	08	18	1972	*
<b>TOTAL</b>		<b>211</b>	<b>12</b>	<b>223</b>		

### Cases remanded by COMPAT

5.	Remanded	11	-	11	11	
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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.

## Events

1. CCI organized **National Conference on Public Procurement and Competition Law** as a part of series of Road Show on Competition Law on 5<sup>th</sup> November, 2018 at New Delhi. Indian Institute of Corporate Affairs (IICA), Manesar was the implementing partner. Mr. ArunJaitley, Hon'ble Minister of Finance and Corporate Affairs delivered the keynote address as Chief Guest. Mr. SudhirMital, Chairperson, CCI and Mr. Injeti Srinivas, Secretary, Ministry of Corporate Affairs addressed the gathering at the inaugural session. Members and the senior officers of the Commission were present during the event.

2. Commission established its first CCI Chair at IICA on 5<sup>th</sup> November, 2018 for a period of 5 years with a one-time endowment grant/corpus of ₹ 5.00 crores along with annual grant of ₹ 1.00 crore to meet salary and other expenses. A Memorandum of Understanding (MOU) was signed by Chairperson, CCI and DG & CEO, IICA on 5<sup>th</sup> November, 2018. The aim of setting up of CCI Chair is to facilitate collaboration between CCI and IICA towards advancement of knowledge on the basis of reciprocity, best practices and mutual cooperation for building capacity in the field of Competition Law, Economics

and Policy especially in the context of emerging market economies.

### Notifications:-

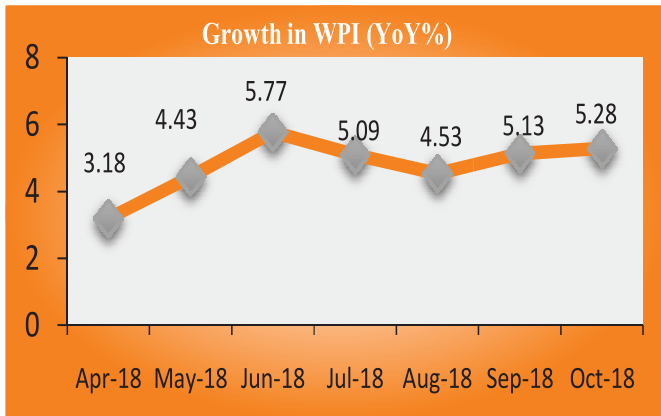
(i) Vide Notification no. G.S.R. 1108 (E) dated 13.11.2018 the Companies (Registered Valuers and Valuation) Fourth Amendment Rules, 2018 were notified by which amendment has been made to Rule 1, 3, 4, 10, 11, and 12 of the Companies (Registered Valuers and Valuation) Rules, 2017. The eligibility Qualification and Experience for Registration as Valuer has been prescribed vide the said notification.

(ii) The National Financial Reporting Authority Rules, 2018 has been brought into force vide notification no. G.S.R. 1111(E) dated 13.11.2018. Vide this notification, classes of companies and bodies corporate governed by the Authority, Functions and duties of the Authority, Annual return, Recommending accounting standards and auditing standards, Monitoring and enforcing compliance with accounting standards, Monitoring and enforcing compliance with auditing standards, Overseeing the quality of service and suggesting measures for improvement, Power to investigate etc. has been prescribed.

## Some Macro indicators

### Wholesale Price Index (WPI)

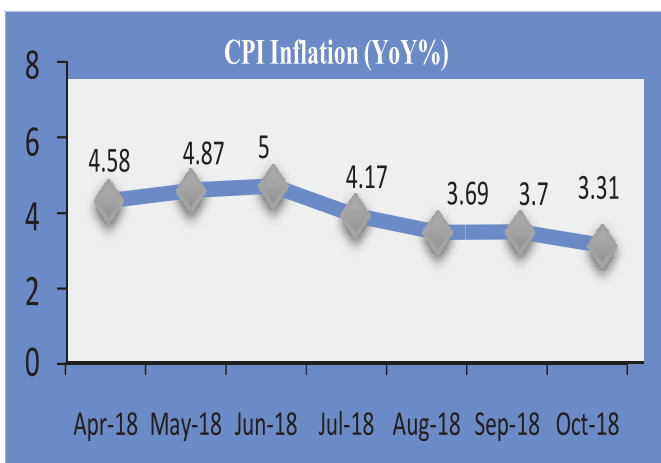
The annual rate of inflation, based on monthly WPI, stood at 5.28% (provisional) for the month of October, 2018 (over October, 2017) as compared to 5.13% (provisional) for the previous month and 3.68% during the corresponding month of the previous year.



Source: DIPP

### Consumer Price Index (CPI)

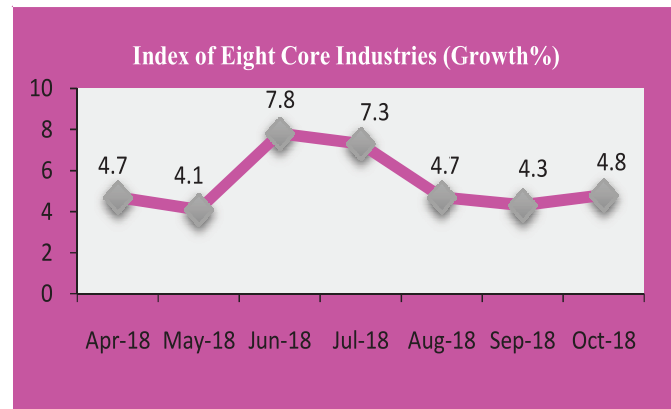
The CPI (Combined) on Base 2012=100 is being released for the month of October 2018. All India Inflation rates (on point to point basis i.e. current month over same month of last year, i.e., October 2018 over October 2017) given below:



Source: MOSPI

### Index of Industrial Production

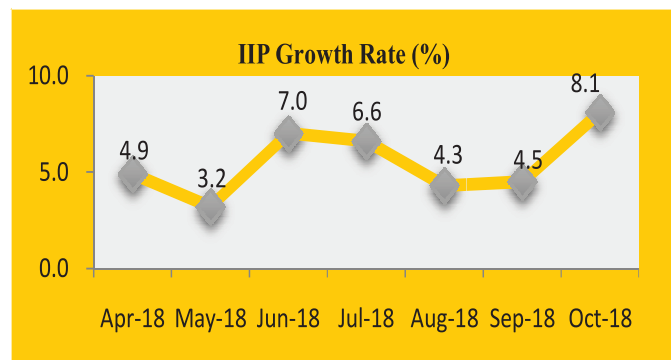
The Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 for the month of October 2018 stands at 132.4, which is 8.1 percent higher as compared to the level in the month of October 2017.



Source: MOSPI

### Index of Eight Core Industries

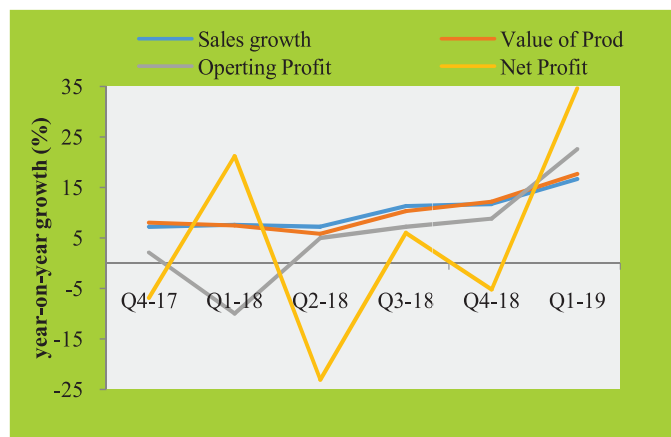
The Eight Core Industries comprise 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP). The combined Index of Eight Core Industries stood at 134.8 in October, 2018, which was 4.8 per cent higher as compared to the index of October, 2017.



Source: DIPP

### Growth in Sales, Value of Production and Operating Profits

Trends in the selected corporate performance indicators published by RBI of a sample of non-government non-financial listed companies are as below:



Source: RBI