



Monthly Newsletter

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Editorial

Sustained decline in international commodity prices along with fall in domestic food prices have stemmed inflationary expectations. Headline inflation, measured at (-) 2.3% for the month of March, 2015, continues to remain in the negative zone for the last five months, while retail inflation measured by Consumer Price Index (CPI) hit a three month low of 5.17%, bringing in the much awaited stability in the general price level. Reserve Bank of India has already started the process of monetary easing with two successive policy rate cuts in the months of January and March, 2015.

Industrial output for the month of February 2015 increased at a rate of 5% as against 2.8% growth in the previous month. While the Index of Industrial Production (IIP) remained volatile during the last fiscal with an estimated growth rate of 2.8% during the year until February, 2015, production of capital goods and electricity increased at 6.4% and 9.1% respectively, indicating significant capacity creation in the economy.

Government of India has initiated a series of policy reforms to unleash the productivity potentials of the Micro and Small Enterprises (MSME) Sector. Micro Units Development and Refinance Agency (MUDRA) has been launched with an allocation of Rs. 20,000 crore for regulating and refinancing Micro-Finance Institutions (MFI), which are in the business of lending to micro/small business entities engaged in manufacturing, trading and services activities among others. Further, in order to enhance competition, all the items earlier reserved for MSMEs have been de-reserved.

The New Foreign Trade Policy (FTP) 2015-20, announced on 1st April, 2015, provides a framework for increasing exports of goods and services as well as generating employment opportunities in line with the "Make in India" vision of Prime Minister. This policy restructures the export incentive schemes by reducing a plethora of schemes to only two schemes namely "Merchandise Exports from India Scheme (MEIS)" for export of specified goods to specified markets and "Services Exports from India Scheme (SEIS)."

The Ministry of Corporate Affairs is engaged in dialogue with the industrial chambers, professional bodies and other stakeholders to simplify the regulation of corporate sector in India. In this process, the

Ministry has streamlined and brought in procedural uniformity in conducting e-voting during Annual General Body meetings. Rules have also been amended to reduce the filing requirement for a company by omitting six provisions on which passing of resolution by the Board of Directors in a formal meeting is no longer required.

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Senior Level Appointments:

1. Shri Pritam Singh has assumed charge as Additional Secretary, Ministry of Corporate Affairs with effect from 20.03.2015. Shri Pritam Singh belongs to 1984 batch of Indian Administrative Service, Rajasthan Cadre.
2. Shri K.Venkata Ramana Murty has assumed charge as Joint Secretary, Ministry of Corporate Affairs with effect from 15.04.2015. Shri Murty belongs to 1991 batch of Indian Defence Accounts Service.
3. Shri Madhu Sudan Sahoo has been appointed as Member in Competition Commission of India (CCI) with effect from the 27.03.2015.

Second Meeting of the HLC on CSR: The High Level Committee on Corporate Social Responsibility (CSR), constituted to suggest measures for improved monitoring of the implementation of Corporate Social Responsibility (CSR) policies by the companies under Section 135 of the Companies Act, 2013, held its second meeting at New Delhi on 23.03.2015. Upon invitation from the Committee, four Industry Chambers viz., the Federation of Indian Chambers of Commerce and Industry (FICCI), the Associated Chambers of Commerce & Industry of India (ASSOCHAM), the Confederation of Indian Industry (CII) and Standing Conference of Public Enterprises (SCOPE) as well as Indian Institute of Corporate Affairs (IICA) presented their views on monitoring of the CSR activities undertaken by companies.

Voting in General Meetings through electronic means: As per Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, prescribed class of companies are mandated to provide electronic means of voting facility to its members for voting on resolutions proposed at general meetings. In order to make the procedures of electronic voting clear and simple, Ministry of Corporate Affairs had appointed a Committee to look into the matter. Based on the recommendation made by the Committee, the Government of India amended the Rule 20 of Companies (Management and Administration) Rules, 2014. The new Rule 20 notified on 19.03.2015, addresses concerns with regard to conduct of voting at the venue of meeting, ensuring that voting is also held at the venue in addition to electronic voting by members who are not able to attend the meeting. In addition, it streamlines the procedure on e-voting and exempts companies which have listed their securities other than equity share. The

revised rules will enable wider participation of members in voting.

Simplification of Functions of Board of Directors:

The Board of Directors of companies is required to pass a resolution on matters related to administration of a company, for instance: (i) issuance and buy-back of securities, (ii) borrowing, investing of company's funds, (iii) approval of financial statement, (iv) approval of amalgamation, merger or reconstruction, (v) appointment/removal of key managerial personnel (KMP) etc. In order to reduce the filing burden on companies and facilitate speedy decision making in companies administration, Government of India vide **Notification dated 18.03.2015**, omitted six items on which resolutions were required to be passed in a meeting by Board of Directors. The omitted list of items on which Board of Directors' resolutions are not required to be passed in meetings are (i) appointment/removal of one level below the Key Management Personnel, (ii) to take note of the disclosure of director's shareholding, (iii) buying and selling of investments held by the company (iv) inviting public deposits, (v) reviewing the terms and conditions of public deposit and (vi) approving of quarterly, half yearly and annual financial statements.

Clarification on Loans and Advances to Employees:

Section 186 of the Companies Act, 2013 imposes restriction on companies from giving loans to any person more than a threshold level. The Ministry of Corporate Affairs vide General **Circular No. 04/2015** dated 10.03.2015, clarified that loans and/or advances to their employees, other than managing and whole time directors, are not governed by the requirements of section 186. It is also clarified that such loans/advances to employees should be in accordance with the conditions of service applicable to employees and with the remuneration policy.

Clarification on Amounts Received by Private Companies:

As per Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposit) Rules, 2014, private companies are not allowed to raise deposits from the public, but can accept deposits from the members as prescribed in the Act and Rules. Since amounts received by the private companies from the members, directors or their relatives were not treated as deposits under Section 58A of the Companies Act, 1956, stakeholder had sought clarification on whether amounts received by private companies from their members, directors or their relatives prior to 01.04.2014

were considered as deposits under the Companies Act, 2013. The Ministry has clarified that amounts received by private companies prior to 01.04.2014 shall not be treated as 'deposits' under the Companies Act, 2013 and Companies (Acceptance of Deposits) Rules, 2014 subject to the condition that relevant private company shall disclose it in the notes to its financial statement. However, provisions of the new Act apply for the renewal/acceptance of fresh deposits invited after 01.04.2014.

Easing of DSC Deactivation Norms: At present, the Digital Signature Certificate (DSC) is deactivated once any director of a company resigns by submitting e-form DIR-11. However, in case where all the directors of a company resign in one go, before appointment of new directors, the company cannot do any filing due to lack of an authorized signatory Director. In order to solve this difficulty, Ministry vide **General Circular No. 03/2015** dated 03.03.2015, authorized DSC of one of the directors who has resigned, to enable him/her to file DIR-12, which is required to be filed for appointment of new directors.

Amendment to the Companies (Acceptance of Deposits) Rules: The Companies (Acceptance of Deposits) Rules, 2014 have been amended to provide (i) 60 days to regularize application monies pending for allotment of shares/debentures; (ii) every eligible company to obtain credit rating, at least once in a year, for accepting deposits and file a copy of the rating with the Registrar of Companies along with the return of deposits in e-Form DPT-3; (iii) MCA has extended the time for complying with the deposit insurance provision up to 31.03.2016 or till the availability of insurance products, whichever is earlier.

Amendment to the Companies (Share Capital and Debenture) Rules: The Companies (Share Capital and Debenture) Rules, 2014 have been amended vide Notification dated 18.03.2015 to incorporate following changes (i) allowing creation of charge on movable assets as a class by NBFCs; (ii) non applicability of requirement for creation of charge to Government company issuing debenture guaranteed by Central/ State Government (iii) exempting from requirement of creation of charge in case of commercial paper or foreign currency bonds; (iv) period allowed for issuance of duplicate share certificates increased from fifteen days to forty-five days, etc.

Delegation of Powers: The Government of India has delegated power to direct an immediate inspection of

documents kept and maintained by a company to the Regional Directors at Mumbai, Kolkata, Chennai, Noida, Ahmedabad, Hyderabad, and Shillong.

Appointment & Adjudicating Officers : Government of India appointed Registrars of Companies as adjudicating officers for the purposes of the Companies Act, 2013.

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), 221 Investor Awareness Programmes were conducted in different towns/cities of the country in March, 2015.
- B.** Till the end of February, 2015, 3535 companies uploaded information about unpaid and unclaimed amounts of investors on the website *iepf.gov.in*. A reported sum of Rs. 4311.12 crore was lying unclaimed with these companies. This website has been set up by the Ministry for companies to file details of unpaid and unclaimed amounts of investors during the past seven years, which are yet to be transferred to the Investor Education and Protection Fund, to enable the investor to claim the said money from the company.

Review of Corporate Sector:

- A.** As on 31.03.2015, the number of companies registered under the Companies Act was 14,59,278. Of these, 2,68,142 companies were closed, 5,301 companies are under liquidation and 24,033 companies are in the process of being struck-off from the register. 214 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. Further, a total number of 1,39,373 companies have not filed their Annual Returns/ Balance Sheets for the past three consecutive years or more, and therefore not counted as active. There are 10,22,011 active companies, including 1,12,126 companies which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).
- B.** A total of 7,031 companies, including 279 One Person Companies (OPCs), were registered under the Companies Act, 2013 during March, 2015 with authorized capital of Rs. 1268.71 crore. The break-up of the newly incorporated companies by type is as follows:

Type of Company	No. of Companies registered in February, 2015	Total Authorised Capital (in ₹ Crore)
(1)	(2)	(3)
Company limited by shares	7,001	1,269
Of which,		
(a) Private	6,695	1,181.83
Of which,		
One Person Companies	279	6.22
(b) Public	306	86.86
Company limited by guarantee	30	0.02
Of which,		
(a) Private	28	0.02
(b) Public	2	0.0
Grand Total	7,031	1,268.71

C. Under the category of companies registered as limited by shares during the Month of March, 2015, Maharashtra had maximum number of registrations (1,300) followed by Delhi (1241) and Uttar Pradesh (609). "Business Services" topped the economic activity-wise classification (3182) of newly registered companies.

D. During March, 2015, five State Level Public Enterprises (SLPEs) were registered. The aggregate authorized capital of these companies was Rs. 7.2 crore. 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.

Major Events:

1. Board Meeting of the Security Exchange Board of India (SEBI) took place in New Delhi on 22.03.2015. The agenda for discussion included draft SEBI (Issue and Listing of Debt Securities by Municipality) Regulations, 2015, conversion of Debt into Equity by the Banks and Financial Institutions, Amendment to SEBI (Mutual Funds) Regulations, 1996 regarding managing/ advising of offshore pooled funds by local fund managers etc. The meeting was chaired by Shri Arun Jaitley, Hon'ble Union Minister for Finance,

Corporate Affairs and Information & Broadcasting. The meeting was attended by Secretary, MCA.

2. A new web integrative and interactive portal called "Pro-Active Governance and Timely Implementation" known as 'PRAGATI' was inaugurated by the Prime Minister's Office on 25.03.2015 for addressing the public grievances. Secretary, MCA, participated in video-conferencing organised on this occasion.
3. Senior Officers of the Ministry attended the Parliamentary Standing Committee on Finance to give oral evidence on Demand for Grants 2015-16 in meeting held at Parliament Annex on 31.03.2015.
4. The Indian Institute of Corporate Affairs (IICA) signed an MoU with cKinetics Consulting Services on 11.03.2015. In MoU both the organisations have agreed to undertake joint workshops, seminars and studies on water and waste. The MoU aims at developing CSR/Sustainable Development projects for the corporates in waste & water sectors and prepare a compendium with case studies.
5. IICA conducted an international Conference on Corporate Social Responsibility on 26.03.2015 on the theme 'Doing CSR in India' at New Delhi. This conference was organised with the objective of enhancing the understanding of the Indian and global contexts and to discuss good practices with regard to one of the most important catalysts for social development in India today.
6. A talk on 'High-Tech Industries and Antitrust Analysis' was organised by the IICA on 03.03.2015 at New Delhi. The workshop was attended by 49 participants from various law firms, officials from national regulatory authorities and legal advisers to companies and IICA.
7. A four days training programme was conducted on analysis of financial statements for officers of the Serious Fraud Investigation Office (SFIO) during 11-14th March, 2015. The programme focused on Analysis of Financial Statements such as Corporate Accounts – Revised Schedule VI; Accounting Software – Tally; MCA-21; Accounting Standards (AS) & Auditing & Assurance Standards (AAS); Fund flow & Cash Flow Statements; Financial Statement Fraud Detection; Forensic Investigation; Ration Analysis; Using MS-Excel for Data Analysis; Investigation Record Maintenance & Digital Forensic Investigation etc.