



Monthly Newsletter

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From The Secretary's Desk:

As our corporate sector is increasingly operating in tandem with the global business environment, particularly that of the advanced economies in Europe and the USA, it is inevitable that the developments in these economies would have considerable impact on our situation. Our steadily growing integration with these economies through capital market transactions and trade in goods, services and

intellectual property has provided a further impetus to this trend.

Judged from this perspective, it is a matter of serious concern for our corporate sector that the global economy is currently facing slow growth, acute risks and uncertainties entailing "cautious optimism" on our part.

In recent weeks, global financial markets have been rattled by perceptions of inadequate solutions to the euro area sovereign debt problem, exposure of banks to euro area sovereign debt and renewed fears of a second global meltdown feared to be more serious than the previous one. It is anticipated that global recovery will also be affected by fiscal consolidation measures in some of these advanced economies.

In the US, apart from fiscal concerns, stubbornly high unemployment and weak housing markets continued to weigh in on consumer confidence and private consumption. Economic activity in the euro area decelerated significantly during Q2 of 2011 reflecting decline in both private and government consumption expenditures as well as deceleration in capital formation. Economic activity contracted in Japan continued to be a victim of the aftermath of tsunami.

In contrast to advanced economies, growth remained relatively resilient in emerging and developing economies, despite some moderation in response to monetary tightening to contain inflation.

In this scenario it is not particularly surprising that our GDP growth decelerated to 7.7 per cent in Q1 of 2011-12 from 7.8 per cent in the previous quarter and 8.8 per cent in the corresponding quarter last year. Agricultural growth did accelerate, but industry and services showed decline. The wholesale price index (WPI) inflation rose from 9.2 per cent in July to 9.8 per cent in August 2011.

Oil marketing companies raised the price of petrol by 3.14 per liter with effect from September 16, 2011 which will have a direct impact to WPI inflation. However, due to the built-in resilience of the Indian economy which is sustained more by its vast internal market, there is every reason to be optimistic that the resilience of Indian economy would bring sustained growth and recovery neutralizing the adverse effects of global economic downslide.

In the Ministry of Corporate Affairs we are in the process of attuning our policies and strategies with the national policy goals of the 12th Five Year Plan (2012-2017) to develop a new Business Regulatory Framework to achieve raising contribution of manufacturing sector to India's Gross Domestic Product

(GDP) to the level of at least 25%. Keeping this large policy goal, in perspective, we are working in close collaboration with Planning Commission and other agencies to enable corporate sector to be globally competitive. The proposed *National Competition Policy* which is under formulation is one such example. This policy will be an integral part of the *Business Regulatory Framework of the 12th Plan (2012-2017)*.

Looking inwards into the initiatives of MCA, I am glad to say that our Ministry has taken various initiatives in September, 2011 consistent with our vision to transform India as a preferred destination for business thereby accelerating domestic and foreign investment to sustain our high GDP growth targets and achieve economic development in the desired direction. This ranges from legal reforms and procedural simplifications, e-governance initiatives, corporate social responsibility efforts to achieve inclusive growth, enhanced international cooperation, strengthening competition policies, promoting investor awareness, capacity building programmes etc.

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Review of Corporate Sector: The total number of companies in the Registry as on 31.09.2011 was 11,57,522 of which 10,085 companies stand liquidated, 2,17,824 are defunct, while 9,488 companies have amalgamated/merged. Similarly, 4,501 companies are under liquidation. Total new registration of companies in September, 2011 declined to 7900 from 7977 in the previous month. The Sectors showing increase in registration of new companies in September 2011 over the previous month are: Agriculture and Allied Services, Business Services, Insurance, Food Stuffs, Metals and Chemicals, Other Manufacturing, Textiles and Wood products. As on 30.09.2011, 6,439 LLPs have been registered in the country, which includes 351 LLPs newly registered in the month of September, 2011. Regarding foreign companies, as on 30.09.2011, 3,147 active foreign companies have established their place of business in the country which includes 16 newly registered foreign companies while 5 foreign companies have ceased to have their principal place of business in the country in September, 2011.

Companies Bill, 2011 : The Ministry has set the process in motion for seeking approval of the Union Cabinet to the draft Companies Bill, 2011 with a view to secure its introduction in Parliament in the ensuing Winter Session.

Circulars and Notifications on Simplification in Administrative Procedures continues : The Ministry of Corporate Affairs has issued a series of Circulars concerning administration of the Companies Act, 1956 (for further details, visit our website: <http://mca.gov.in>). These broadly relate to -

- a) Earlier, by General Circular No. 49 of 2011, it was decided that the incorporation process will be fully *online* and totally a paperless procedure which can be completed within twenty-four hours, duly certified by the practicing professional, but this has been held in abeyance. (see **Circular No. 61 of 2011, dated 05.09.2011**).
- b) The amendment of Schedule-VI to the Companies Act, 1956 will take effect in respect of accounts closing on or after 31.03.2012 (see **Circular No. 62 of 2011, dated 05.09.2011**).
- c) The Ministry has decided to permit companies to perform their functions smoothly, provided the Directors furnish certain specific forms, depending on whether the company has been classified as "Active In Progress", "Defaulting" and "Dormant".

This concession is effective from 25.09.2011 (see **Circular No. 63 of 2011, dated 06.09.2011, read with Circular No. 64 of 2011, and dated 25.09.2011**).

- d) Form No. 8 of LLP Rules, 2009 has been substituted by a new Form 8 (see **Notification dated 14.09.2011**).
- e) Regulation 17(6) of the Companies Amendment Regulations, 2011 has been amended to provide for a 60-day time limit (down from the earlier 120 days) for approval of e-forms by Registrar of Companies, including the time taken for seeking clarifications. Further, Regulation 17(8) has been omitted (see **Notification dated 22.09.2011**).
- f) With respect to National Capital Territory of Delhi, it shall be optional for the State to increase stamp duty leviable for increase in authorized capital. Form 5 of Companies Amendment Regulations, 2011 has accordingly been amended (see **Notification dated 23.09.2011**).

Consultations on Draft National Competition Policy: Dr. Veerappa Moily, Hon'ble Minister for Corporate Affairs held two rounds of consultations in Mumbai and New Delhi on 12.09.2011 and 22.09.2011 respectively. The Dialogue was jointly organized by the Indian Institute of Corporate Affairs (IICA), Indian Merchant's Chamber (IMC) and FICCI, in the context of the Draft 'National Competition Policy' formulated by the Shri Dhanendra Kumar Committee.

Adjudication, Advocacy and Training Programmes by the Competition Commission of India:

(i) Adjudication :

- ♦ The Commission has received 18 new cases under section 19 of the Competition Act for alleged violation of section 3 & 4 during September, 2011. The CCI has decided 119 cases out of 213 cases filed so far.
- ♦ Two notices were filed under Section 6(2) under combination regulations during the month, and orders thereon have been issued under Section 31(1) within the same month.

(ii) Advocacy :

- ♦ On 16.09.2011, an advocacy programme was held by the CCI in collaboration with the National Law University, Jodhpur. The programme discussed the CCI's experience in enforcing law against Anti-competitive Agreement.

(iii) Training :

- ◆ Two training programs were organized by the CCI in collaboration with the United States Federal Trade Commission on *Merger Review and Analysis and Practical Skills for investigating an alleged Abuse of Dominance* during 5th to 9th September, 2011 and 19th to 21st September, 2011 respectively.
- ◆ For the new entrants, a professionally oriented induction training programme was conducted during 26th – 30th September, 2011.

Appreciation Course for IAS on Competition Regime:

The Indian Institute of Corporate Affairs (IICA) Organized an in-service Training Course for serving IAS officers in "Competition Law and Policy".

International Cooperation:

- (I) Mr. Ian Gomes, Partner-Chairman of High Growth Markets, United Kingdom called on Dr. Veerappa Moily, Hon'ble Minister for Corporate Affairs on 02.09.2011 with a view to having a regular exchange programme for Regulators between India and the United Kingdom. It was also proposed to have exchange of professional and training programmes of Chartered Accountants between the two countries.
- (II) Dr. Veerappa Moily, Hon'ble Minister for Corporate Affairs visited Mauritius as the Chief Guest at the International Conference on Corporate Governance jointly organized by Mauritius Institute of Directors (MIOD) and National Committee for Corporate Governance (NCCG) held on 15th and 16th September, 2011.
- (III) The Second BRICS (Brazil, Russia, India, China and South Africa) Conference hosted by State Administration for Industry & Commerce, People's Republic of China was held during 20th to 22nd September, 2011 in Beijing on the theme "Competition Enforcement under Economic Globalization". The conference was attended by officials from the Ministry and Competition

Commission of India. There is also a proposal for hosting 3rd BRICS International Competition Conference in New Delhi in 2013.

- (IV) Mr. Koos Richelle, Director General, Employment, Social Affairs & Inclusion of the European Commission met Secretary, MCA on 19.09.2011 along with a delegation of European Union officials to discuss possible areas of cooperation in the fields of sustainable business and corporate social responsibility.
- (V) Mr. Peter Varghese A.O., High Commissioner of Australia in India had a meeting with Secretary, MCA on 20.09.2011 to discuss the ways and means by which the Australian corporates and the academic institutions in management and corporate affairs in that country could participate in the process of improvement of corporate governance in India.
- (VI) India-UK Cooperation on Corporate Governance and the proposed Companies Bill were discussed in a meeting held on 26.09.2011 between Hon'ble Minister for Corporate Affairs and RT Hon'ble Kenneth Harry Clarke QC MP, Lord Chancellor and Secretary of State for Justice, UK.

Export of Professional Services: The Ministry is embarking on a programme to facilitate export of professional services in consultation with the various stakeholders.

Filing in Xtensible Business Reporting Language

(XBRL) mode: With a view to ensure improved data accuracy and enable sophisticated technical analysis by the regulators, the Ministry has mandated filing of balance sheet and profit and loss accounts by select class of companies in XBRL format. The software has been made compatible with the XBRL taxonomy (dictionary of accounting elements) published six months back, by development of validation tool for checking and verifying XBRL document submitted by a Company. Extensive education and training efforts by way of physical programmes, web cast, tele-



conference as well as extensive meetings with the stakeholders concerned have been organized during the month of September, 2011.

Peak Filing in MCA21: The Ministry of Corporate Affairs has taken several steps to handle the extra load on the electronic system with a view to cope with the peak filing generally witnessed during the months of October and November every year in the MCA21 System. This includes upgradation of the infrastructure, software optimization and publicity campaign with requests to the corporates to stagger their filings.

Investor Awareness Programmes: Investor Awareness Programmes are being conducted in partnership with the three professional Institutes, as per a detailed work plan published in the earlier edition of this Newsletter. During the month of September, 2011, 75 such programmes were conducted, taking the total number of programmes in the current year to 338.

Extension of Company Law Settlement Scheme, 2011: The Company Law Settlement Scheme, 2011 introduced by this Ministry in August, 2011 to permit defaulting companies has been extended up to 15.12.2011. The companies which had earlier been debarred from making event-based filing in MCA21 System can file their documents by paying only an additional fee of 25% and obtain immunity from prosecution.

Integration of DIN with PAN: Allotment of Director's Identification Number (DIN) has been made an on-line procedure on the basis of verification with Income Tax Permanent Account Number (PAN) data through a practicing professional. To remove duplicate DINs, the existing DIN holders have been called upon to update their PAN details, and the time limit for the purpose has been extended till 15.12.2011.

Improvements in LLP e-Governance Service: Filing of annual statement of accounts by Limited Liability Partnerships (LLP) has now been brought under the 'Straight Through Process' (STP) procedure. Further, documents filed by LLPs are now available for public viewing.

Promotion of LLP Act, 2008: A workshop for promotion of Limited Liability Partnerships was conducted by the Ministry of Corporate Affairs in collaboration with the ICAI, ICSI and ICWAI on 10.09.2011, attended by about 450 professionals. The workshop was inaugurated by Shri Jaynarayan Vyas, Hon'ble Minister for Health and Tourism, Government of Gujarat.

Fast Track Exit: The Ministry of Corporate Affairs had introduced guidelines in July, 2011 to facilitate easy exit for companies. In the month of September, 2011, a total of 591 applications have been received for exit under the new guidelines for fast track exit.

Activities of the Institute of Chartered Accountants of India:

- (a) A three-day Training Programme on "International Taxation" was organized by ICAI on 15th, 16th and 19th September, 2011 for the Officers of the Income Tax Department.
- (b) The Committee for Capacity Building of CA firms and Small and Medium Practitioners of ICAI has published a "Quick Insight", with information on Accounting and Auditing Standards, compliance of Direct and Indirect Taxes, Services relating to Companies Act, 1956 and LLP Act, 2008 and other matters of concern to them.
- (c) With a view to updating and refreshing the knowledge and skills of the professionals, the ICAI has planned a mega event, namely the ICAI Corporate Forum in Bangalore on 9th – 10th December, 2011.
- (d) A "Study on Manner of IFRS Implementation in EU and Current Status of IFRS Implementation in Select Countries", providing an insight to the processes that were adopted for the purpose of implementing the new IFRS standards and the status up to 2010, has been published by ICAI.
- (e) ICAI has organized the third training programme during 8th – 9th September, 2011 in collaboration with the Office of the Comptroller and Auditor General for the officials of the Autonomous Bodies, on Auditing Standards and allied topics in Hyderabad.

