



Monthly Newsletter

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From The Secretary's Desk

Growth prospects for the Indian economy are firming up. Various estimates, including those by International Monetary Fund (IMF) and the Organization for Economic Co-operation and Development (OECD), suggest that India will be the fastest-growing large economy in the year 2015-16. The "Composite Leading Indicators" released by the OECD on a monthly basis, designed to anticipate turning points in economic activities, has increased for India from 99 in September, 2014 to 99.5 in January, 2015. The IMF, attributing the revival in economy to positive policy actions, has projected the GDP growth rate to rise to 7.5% in 2015-16, from 7.2% in the current year, while the Government of India envisages a growth of 8.5% in 2015-16.

The macro-economic policy is geared to address the supply-side bottlenecks, such as stalled investment cycles and the infrastructure deficit. The measures announced in the Union Budget, 2015-16 include, *inter alia*, the establishment of National Investment and Infrastructure Fund (NIIF) with an annual flow of ₹ 20,000 crores, and sharp increase in outlays of roads and railways. The public sector ports will become companies under the Companies Act so that they could attract investment and leverage the huge land resources. Five new Ultra Mega Power Projects of 4000 MW capacity each are proposed to be set up. These measures aim at shifting the production possibility frontier upward.

In a measure to encourage the Indian corporates and make them more competitive, the rate of corporate tax is to be reduced from the present level of 30% to 25% over the next four years. Further, *inter se* flexibility between foreign portfolio investments and foreign direct investments is allowed by providing for composite caps. The Forwards Markets Commission is proposed to be merged with the Securities and Exchange Board of India (SEBI), so that regulation of commodity forward markets is strengthened. These efforts are expected to reinforce market confidence.

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Apex Level Appointment: Shri Naved Masood, an officer of the Indian Administrative Service, 1977 batch, after serving the Government for 38 years demitted office as Secretary, Ministry of Corporate Affairs, upon his superannuation on 28.02.2015. **Ms. Anjuly Chib Duggal**, an officer of the Indian Administrative Service, 1981 batch, took charge as Secretary, Ministry of Corporate Affairs with effect from 01.03.2015.

Amendment of Companies Act, 2013: In response to certain issues raised by stakeholders, the Ministry had moved the Companies (Amendment) Bill, 2014 containing amendments to 21 such provisions. After its passage in the Lok Sabha on 17.12.2014, it was introduced in the Rajya Sabha on 23.12.2014.

Notification of IFRS-Converged Ind AS: Consequent to announcement in the Budget of 2014-15, the Indian Accounting Standards (Ind AS), converged with the International Financial Reporting Standards (IFRS), were framed in consultation with the Institute of Chartered Accountants of India (ICAI) and National Advisory committee on Accounting Standards (NACAS). The Ind AS consisting of 39 standards with a minimal set of carve-outs, brings business reporting close to global standards so that company accounts are understandable and comparable across international boundaries. This is expected to facilitate participation of foreign nationals in holding shares of Indian companies.

The Companies (Indian Accounting Standards) Rules, 2015 to bring the Ind AS into force as per the following schedule has been notified on 16.02.2015:

- (i) First Phase: w.e.f. 01.04.2015 on voluntary basis for all companies;
- (ii) Second Phase: w.e.f. 01.04.2016 on mandatory basis for listed and unlisted companies having net worth of Rs. 500 crore or more; and
- (iii) Third Phase: w.e.f. 01.04.2017 on mandatory basis to all listed companies, and unlisted companies having net worth of Rs. 250 crore or more.

Associates, subsidiaries, joint ventures and holding companies of above referred companies shall follow Ind AS simultaneously as above.

Insofar as Companies in the Insurance and Banking sectors and Non-Banking Financial Companies (NBFCs) are concerned, a separate road map will be notified.

Small Companies: Private limited companies with a paid-up share capital not exceeding Rs. 50 lakh or turnover not exceeding Rs. 2 crore are defined as "Small Companies" under Section 2(85) of the Companies Act, 2013. A small company is provided certain relief/exemptions similar to those provided to 'One Person Company'. The Government vide the Companies (Removal of Difficulties) Order, 2015 [see **S.O. 504(E)** dated **13.02.2015**] has clarified that a small company must conform to both the ceilings.

Acquisition of Securities by Finance Sector Companies : Acquisition of securities of any other body corporate, directly or indirectly, beyond certain limits linked to paid-up share capital, free reserves and securities premium account, are prohibited under Section 186(2)(c) of the Companies Act, 2013. Exemptions have been granted in favour of NBFCs and companies whose principal business is the acquisition of securities from operation of this restriction, as per Section 186(11)(b). The Government has also exempted banking, insurance and housing finance companies, from this restriction, enabling them to acquire securities in their ordinary course of business [see **S.O. 504(E)** dated **13.02.2015**].

Furnishing Information to RoC in Respect of Defective e-forms: If a company files an incomplete or a defective e-form, the Registrar of Companies (RoC) is empowered to issue a notice for rectification of such defect, and also may ask for further information. The information required by RoC have to be furnished by using newly introduced e-form GNL-4 (vide Notification No. **G.S.R. 122(E)** dated **24.02.2015**)

Information on Appointment of Cost Auditors: As per rule 6 (2) of the Companies (Cost Records and Audit) Rules, 2014, companies are required

to inform the Central Government of appointment of cost auditor by filing e-Form CRA-2, within a period of thirty days of the concerned Board meeting or within a period of 180 days of the commencement of the financial year, whichever is earlier. As the e-Form CRA-2 on the MCA website took sometime to be activated for e-filing, the date of filing of the e-Form CRA-2 has been extended up to 31.03.2015 (General Circular No. 02/2015 dated 11.02.2015).

Vessels Sharing Agreements not to be treated as "Anti-Competitive Agreements":

Under Section 3 of the Competition Act, 2002, agreements amongst enterprises or persons which causes or is likely to cause an appreciable adverse effect on competition within India, is prohibited. In case of liner shipping industry, which provides services of ocean transport against payment by advertising in advance the schedule, the Government of India has decided to exempt vessel sharing agreements from the purview of Section 3 of the Competition Act, 2002 for a period of one year from the date of Notification **S.O. 354(E)** dated **05.02.2015**. However, such agreements should not include practices involving fixing prices, limitation of capacity or sales and the allocation of markets or customers, which aspect will be monitored by the Ministry of Shipping.

ICSI Capacity Building Programs on Secretarial

Audit: Listed companies and public limited companies with a paid-up share capital of Rs. 50 crore or more or turnover of Rs. 250 crore or more, are required to annex a Secretarial Audit report along with their Board's Report. The Secretary's Audit report is to be given by a company secretary, in e-Form MR-3, with effect from financial year 2014-15. The Institute of Company Secretaries of India (ICSI) holds Conferences on Secretariat Audit to educate its members about the concept, its need and scope and to build their capacity with a practical approach. For FAQs on Secretarial Audit, the reader may visit its website (www.icsi.edu).

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), 39 Investor Awareness Programmes were conducted in different towns/cities of the country during February, 2015.
- B. Till the end of February, 2015, 3468 companies uploaded information about unpaid and unclaimed amounts of investors on the website *iepf.gov.in*. A reported sum of Rs. 4305.39 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, so as to enable the investor to claim the said money from the company.

Review of Corporate Sector:

- A. As on 28.02.2015, the number of companies registered under the Companies Act was 14,52,243. Of these, 2,66,401 companies were closed, 5,276 companies are under liquidation and 23,148 companies are in the process of being struck-off from the register. 151 companies have so far obtained the "dormant" status according to Section 455 of the Companies Act, 2013. Further, a total number of 1,39,507 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 10,17,576 active companies, including 1,13,269 companies which were incorporated within the preceding eighteen months (not due for Annual Statutory Filings).
- B. A total of 6,138 companies, including 243 One Person Companies (OPCs), were registered under the Companies Act, 2013 during February, 2015 with authorized capital of Rs. 4037.04 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	6,115	4,030.95
Of which,		
(a) Private	5,991	759.13
Of which,		
One Person Companies	243	6.30
(b) Public	124	3,271.82
Company limited by guarantee	21	0.08
Of which,		
(a) Private	16	0.08
(b) Public	5	-
Unlimited company	2	6.01
Of which,		
(a) Private	2	6.01
(b) Public		
Grand Total	6,138	4,037.04

- C.** Under the category of companies registered as limited by shares during the Month of February, 2015, Delhi had maximum number of registrations (1,169) followed by Maharashtra (991) and Uttar Pradesh (640). "Business Services" topped the economic activity-wise classification (2767) of newly registered companies.
- D.** During February, 2015, two Central Public Sector Undertakings (CPSUs) and three State Level Public Enterprises (SLPEs) were registered. The aggregate authorized capital of these companies was Rs. 3016.55 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.

Award for Progressive Use of Hindi : The Official Language Conference for the East and North-East Regions was organised by the Ministry of Home Affairs on 18.02.2015. Shri Kiren Rijiju, Hon'ble Minister of State for Home awarded the Second Prize for excellent work in progressive use of Hindi to the Office of Regional Director (East), Ministry of Corporate Affairs.

Major Events:

1. The 23rd meeting of the Board of Governors (BOG) of Indian Institute of Corporate Affairs was held on 18.02.2015, attended by senior officers of the MCA and the IICA.
2. Meeting of Committee of Secretaries organised to discuss specific measures required to improve India's ranking in "Ease of Doing Business" held on 10.02.2015 was attended by senior officers of the MCA.
3. The First Meeting of High Level Committee, 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, was held at Shastri Bhawan, Ministry of Corporate Affairs, New Delhi on 23.02.2015.
4. Indian Institute of Corporate Affairs (IICA) signed Memorandum of Understanding with the Centre for Responsible Business, New Delhi, on 09.02.2015 to establish a partnership to promote CSR and sustainability education, MSME and entrepreneurial development.
5. IICA organised a Three Day Residential Training Programme on 'Companies Act, 2013: Issues and Challenges' during February 10-12, 2015 at IICA campus, Manesar. The training programme was attended by 23 participants from Corporates, Banks and other Institutions in India.
6. A Stakeholders Consultation on Insolvency Legal Framework in India with special focus on MSMEs on 27.02.2015 was organised at IICA, Manesar.