



Major policy initiatives undertaken and achievements made by the Ministry of Corporate Affairs during the year 2017.

Major thrust on checking the menace of black money by striking-off more than 2 lakh shell companies from the Register of Companies;

More than 2 lakh Directors on the Board of such Companies disqualified from holding any such position on such company or any other company;

To speed-up resolution of companies that are in trouble, IBBI amended its Corporate Insolvency Resolution Process Regulations to ensure that as part of due diligence, prior to approval of a Resolution Plan, the antecedents, credit worthiness and credibility of a Resolution Applicant, including promoters, are taken into account by the Committee of Creditors.

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**Year End Review -
2017**

**Ministry of
Corporate Affairs**

True to the motto of the Ministry of Corporate Affairs (MCA) of “Empowering Business, Protecting Investors” and its function as Regulator, Integrator, Facilitator and Educator, the Ministry of Corporate Affairs was actively and affirmatively engaged in improving both the quantity and quality of implementation of laws related to Corporate Governance besides conducting Workshops on core related issues in the year 2017. The Ministry has given a major thrust to check the menace of black money by striking-off about 2.10 lakh shell companies from the Register of Companies and disqualifying more than 2 lakh Directors of such companies from holding any such position on the Board of Directors of any such company or any other Company for that matter.

The Minister of State for Corporate Affairs, Shri P.P. Chaudhary has been leading from the front in the fight against the black money and any attempt of converting it into white through shell companies. In a Review Meeting held under his Chairmanship on the follow-up action by the States on properties belonging to around 2.09 lakh companies struck-off from the Register of Companies by the Central Government. The Minister sought the response from the representatives of the State Governments on the letter sent by the Ministry of Corporate Affairs on September 12, 2017 to the States for identification and tracking of properties. Till then, the figure of struck-off companies stood at around 2.25 lakh.

In an another Review Meeting chaired by the Minister of State for Law, Justice and Corporate Affairs, Shri P.P. Chaudhary, it was decided that the Directors of all such shell companies which have not filed returns for three or more years, will be disqualified from being appointed in any other company as director or from being reappointed as director in any of the company where they had been directors, thereby compelling them to vacate office. It is expected that as a result of this exercise, at least two to three lakh directors on such companies will get disqualified.

The Minister of State for Law, Justice and Corporate Affairs, Shri P.P. Chaudhary said it would help in checking the menace of black money and it would promote an ecosystem of “Ease of Doing Business” and enhancing investors’ confidence to which the present Government is fully committed. He said that the financial status of the companies would be reflected in a true and fair manner which would minimise the possibility of frauds and tax evasion. Further, the availability of funds for illegal purposes will also be checked. Shri Chaudhary concluded that the interest of stakeholders is fully protected and the image of the country in the global business arena and fora would substantially improve.

Taking forward the initiative launched by the Government of India to curb the menace of shell companies, money laundering and black money in the country and prevent misuse of corporate structure by shell companies for various illegal purposes, the Ministry of Corporate Affairs and Central Board of Direct Taxes (CBDT) have now concluded a formal Memorandum of Understanding (MoU) for data exchange on 6th September 2017.

The MoU will facilitate the sharing of data and information between CBDT and MCA on an automatic and regular basis. It will enable sharing of specific information such as Permanent Account Number (PAN) data in respect of corporates, Income Tax returns (ITRs) of corporates, financial statements filed with the Registrar by corporates, returns of allotment of shares, audit reports and statements of financial transactions (SFT) received from banks relating to corporates.

In a separate effort, the Minister of State for Law, Justice and Corporate Affairs, Shri P.P. Chaudhary also sought cooperation of private companies on CSR initiatives. He sought participation of the companies in ‘Swachhta Hi Seva’ campaign and contribute 7 % of their Corporate Social Responsibility (CSR) spending to Swachh Bharat Kosh (SBK) during ‘Swachhta Hi Seva’ campaign. This campaign was held from 15th September 2017 to 2nd October 2017.

The Insolvency and Bankruptcy Board of India (IBBI) has seen hectic activity in the year 2017. To speed-up resolution of companies that are in trouble, IBBI in 2017 amended its Corporate Insolvency Resolution Process Regulations to ensure that as part of due diligence, prior to approval of a Resolution Plan, the antecedents, credit worthiness and credibility of a Resolution Applicant, including promoters, are taken into account by the Committee of Creditors.

To improve the Regulatory Environment, IBBI notified the IBBI (Information Utilities) Regulations, 2017 on 31st March, 2017. These Regulations provided that ordinarily a person should not hold more than 10% of paid-up equity share capital or voting power of an information utility, while allowing certain specified persons to hold up to 25%. These further provided that a person may hold up to 51% of paid-up equity share capital or total voting power of an information utility till the expiry of three years from its registration. IBBI has amended the IBBI (Information Utilities) Regulations, 2017 on 29th September, 2017.

The IBBI notified the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2016. The Regulations provide the process from initiation of voluntary liquidation of a corporate person - companies, limited liability partnerships and any other persons incorporated with limited liability - till its dissolution. The Regulations came into effect from 1st April, 2017.

The IBBI notified the Insolvency and Bankruptcy Board of India (Information Utilities) Regulations, 2017. The Regulations provide for a framework for registration and regulation of information utilities. An Information Utility constitutes a key pillar of the Insolvency and Bankruptcy Ecosystem, the other three being the Adjudicating Authority (National Company Law Tribunal and Debt Recovery Tribunal), the IBBI and Insolvency Professionals.

On the Regulatory level, IBBI notified the Insolvency and Bankruptcy Board of India (Fast Track Insolvency Resolution Process for Corporate Persons) Regulations, 2017. These regulations provide the process from initiation of insolvency resolution of eligible corporate debtors till its conclusion with approval of the resolution plan by the Adjudicating Authority. The process in these cases shall be completed within a period of 90 days, as against 180 days in other cases. However, the Adjudicating Authority may, if satisfied, extend the period of 90 days by a further period up to 45 days for completion of the process.

Besides above, MCA put a major thrust on transparency through digitization of records and taking its core processes as Regulator and Facilitator online. The MCA website is regularly updated and caters to a wide range of individuals and companies. The information on the website is standardized, thus eliminating the possibility of arbitrary intervention. The ultimate beneficiary is the end user as MCA and its related branches communicate and interact with public online. Feedback from the professionals and corporations are sought online, thus making the process of gathering intelligentsia and feedback generation streamlined.

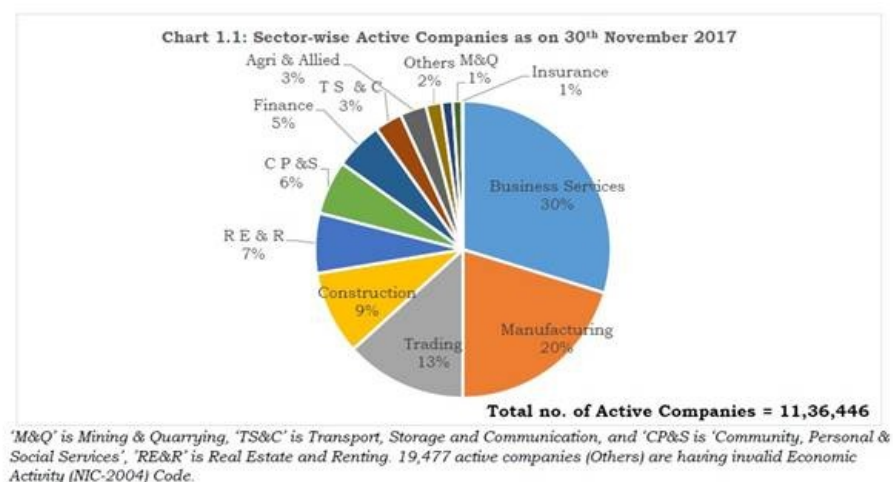
In the Web domain, ‘MCA 21’ is an end-to-end holistic e-Governance project for compliance related services carried-out in the offices of Registrar of Companies (RoCs), Regional Directorate and the Ministry of Corporate Affairs office in New Delhi. The Project has brought a service centric approach in the delivery of public services and administration of Companies Act, specifically focusing on (i) starting a business, (ii) doing a business. The Project has been running successfully for 9 years and the Ministry has been taking continuous steps for

improving the Government to Business (G2B) and Government to Citizen (G2C) services. The successful operations of the 'MCA 21' e-Governance Project has resulted in increase in statutory compliances and surge of revenue receipts. The Ministry has also launched the next higher level of enhancement (version 2) for deriving maximum value from this activity. The measures implemented in this process include implementation of SAP CRM and workflow, up-gradation of hardware with updated technology and enhanced monitoring tools. In addition to disseminating information through website, MCA delivers 16 resources through Government of India's open data platform data.gov.in and VPD (View Public Document) service.

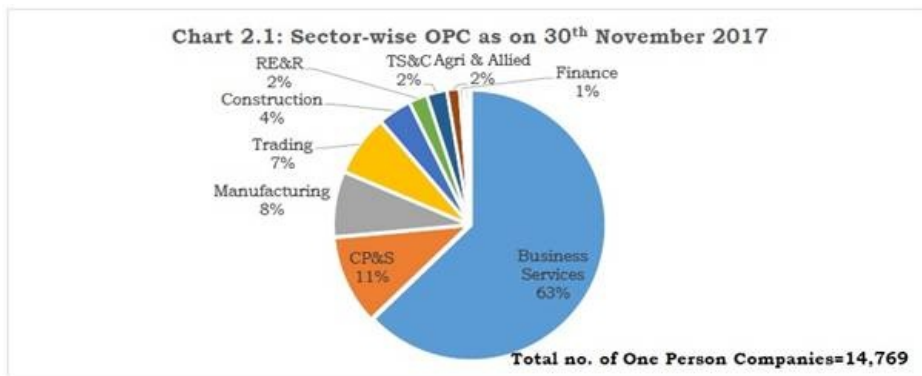
The Ministry of Corporate Affairs has also taken initiative in Government Process Re-engineering (GPR) and has set-up the Central Registration Centre (CRC) for processing of "Name Availability" (INC-01) and "Incorporation" (INC-02/07/29) e-Forms. The GPR Exercise is in pursuance of the Ministry's objective of providing greater "Ease of Doing Business" to corporate and is expected to result in speedier processing of incorporation related applications, uniformity in application of rules, and eradicating discretion. This process is being supplemented by intensive monitoring aimed at processing of the above e-Forms within 1 to 2 working days.

On the companies front, the total number of companies registered in the country as on 30th November 2017, stood at 1,711,806. Out of this number, 536,505 companies were closed; 1,149 companies were assigned dormant status as per the Companies Act, 2013; 3 companies have not filed their statutory annual filings consecutively for last two years; 5,958 companies were under liquidation; 31,633 companies were in the process of being struck-off and 112 companies were in the process of being re-activated. Taking the above into account, there were 1,136,446 active companies as on 30th November, 2017.

Out of the 536,505 closed companies, about 10,464 companies were liquidated/dissolved; 494,226 companies were defunct (and hence struck-off); 20,143 companies were amalgamated/ merged with other companies; 6,879 companies were converted to LLP and 4,793 companies were converted to LLP and dissolved. Table-1.1 presents the summary picture of companies count as on 30th November, 2017.



As on 30th November 2017, a total number of 14,769 One Person Companies (OPCs) were registered with collective authorized capital of Rs. 377.54 crores. Economic activity wise classification of OPCs up to 30th November 2017 reveals that the highest number of OPCs were in Business Services (9,282) followed by Community, Personal & Social Services (1,581), Manufacturing (1,152) and Trading (1,083) (Chart 2.1). During the month of November 2017, a total of 444 OPC were registered with authorized capital of Rs. 10.39 crores. Economic activity wise classification of OPC during the month reveals that highest number of 327 OPCs registered in Business Services, followed by 35 in Community, Personal & Social Services and 27 in Manufacturing.



'TS&C' is Transport, Storage and Communication, 'CP&S' is 'Community, personal & Social Services', 'RE&R' is Real Estate and Renting.

As on 30th November 2017, an analysis of Registration of new companies during November 2015 to November 2017 indicates that monthly registration of companies has increased after hitting its lowest of 3,994 in April 2016 (Chart 3.1). A total of 7,885 companies were registered in November 2017 as compared to 6,301 in November 2016. An increase (4.35%) in registration of companies has been witnessed in November 2017 over the previous month (Table 3.1).



Table 1.1 Summary Statement on Companies in India as on 30th November 2017

1	Companies Registered as on 30th November 2017	1,711,806
2	Number of Closed Companies	536,505
<i>i</i>	<i>No. of Companies Liquidated/Dissolved</i>	10,464
<i>Ii</i>	<i>No. of Companies Defunct/ Struck-off (Section 248 of CA, 2013)</i>	494,226
<i>Iii</i>	<i>No. of Companies Amalgamated/merged</i>	20,143
<i>iv</i>	<i>No. of Companies Converted to LLP</i>	6,879
<i>v</i>	<i>No. of Companies Converted to LLP and dissolved</i>	4,793
3		1,149

	Number of Companies lying dormant u/s 455 of Companies Act, 2013	
4	Number of Companies not having filed statutory annual filings consecutively for two years	3
5	Number of Companies under Liquidation	5,958
6	Number of Companies which are under the process of Section 248 of the Companies Act, 2013	31,633
7	Number of Companies lying AIPG (Active in Progress)	112
Number of Active companies		1,136,446
Of which		
Companies Limited by Shares		1,128,637
Companies Limited by Guarantees		7,367
Unlimited Companies		442

Note: 1. AIPG (Active in Progress): A dormant company is allowed 21 days window period by the Ministry to complete its pending annual filings. During this period the status of company remains Active in Progress.

2. Under Section 248 of the Companies Act, 2013 Registrar of Companies is empowered to strike off the names of defunct companies. This is different from liquidation of Companies (either by Tribunal or Voluntary).

Table 3.1: Number of Companies Registered during the months			
Month	Public Companies	Private Companies	Total Companies
November 2015	110	6,040	6,150
December 2015	151	7,093	7,244
January 2016	150	7,217	7,367
February 2016	177	8,587	8,764
March 2016	283	7,578	7,861
April 2016	48	3,946	3,994
May 2016	178	10,017	10,195
June 2016	157	9,095	9,252
July 2016	162	8,391	8,553
August 2016	162	8,572	8,734
September 2016	135	7,788	7,923
October 2016	107	6,435	6,542
November 2016	123	6,178	6,301
December 2016	154	8,078	8,232
January 2017	126	6,832	6,958
February 2017	175	9,688	9,863
March 2017	615	10,678	11,293
April 2017	135	8,884	9,019
May 2017	161	9,512	9,673
June 2017	146	8,899	9,045
July 2017	153	9,233	9,386
August 2017	161	9,252	9,413
September 2017	151	8,698	8,849
October 2017	146	7,410	7,556
November 2017	130	7,755	7,885

On the other hand, Competition Commission of India (CCI) is actively engaged in ensuring a level-playing field in the developing and market-driven economy in India. It takes suo-moto cognizance besides taking action against unfair practices on complaints and appeals received from various entities. It also carries-out Workshops on issues related to Corporate Governance.

The Competition Commission of India (CCI) has imposed penalties on many companies for rigging tenders and for following unfair practices by both private and public enterprises. The total imposition of penalties on companies by Competition Commission of India is more than Rs. 2,035 crore in the year 2017. This includes fine of Rs. 52.24 crores on Board of Control for Cricket in India (BCCI) for abuse of dominant position for imposing restriction that deny access to the market for organisation of Professional Domestic Cricket League/ Events.

To educate the Indian Corporate Sector, many Workshops were organized by the various branches of the Ministry of Corporate Affairs. The Second National Conference on “Economics of Competition Law” was organized on March 2nd and 3rd, 2017 by the Competition Commission of India.

The Ministry of Corporate Affairs (MCA) organised Investors Awareness Programmes (IAPs) in association with the three professional Institutes viz. Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI), and Institute of Cost Accountants of India (ICoAI) with the objectives of creating awareness amongst the investors about fraudulent schemes and facilitating informed investment decisions.

Indian Institute of Corporate Affairs (IICA), an autonomous body under the Ministry of Corporate Affairs, organised a two-day colloquium on insolvency and bankruptcy laws and procedure focusing upon the ways to effective enforcement of Insolvency & Bankruptcy Code 2016. The two day colloquium was held on 26th and 27th March, 2017 in the national capital.

To promote conscience in Corporate Governance, Ministry of Corporate Affairs has instituted National CSR Awards to re-cognise and promote corporate initiatives in the area of Corporate Social Responsibility (CSR) to achieve inclusive growth along with inclusive and sustainable development. Indian Institute of Corporate Affairs (IICA) is rendering technical and logistics support to the Ministry in conduct of the Awards.

National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT), with its one Principal Bench in New Delhi and 10 Regional Benches with one each in New Delhi, Ahmedabad, Allahabad, Bengaluru, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata and Mumbai, has been actively involved in arbitration and settlement related issues of corporate governance. The issues of M/s Jaypee and M/s Unitech are already in the Hon’ble Supreme Court after having seen arbitration proceedings in NCLT.

Following are the major policy initiatives and achievements of the Ministry of Corporate Affairs, Government of India during the Year 2017: —

1. ICAI and College of Banking and Financial Studies Oman MoU renewal gets Govt. nod

The Government has approved the renewal of the Memorandum of Understanding (MoU) between the Institute of Chartered Accountants of India (ICAI) and the College of Banking and Financial Studies, Oman, with the aim of developing a mutually beneficial relationship in the best interest of members, students and the institutes. It is expected that through this mechanism, an opportunity will be provided to ICAI members to expand their professional horizons and substantial goodwill be generated for India, Indian citizens and Indian chartered accountants in the Sultanate of Oman leading to greater employment and enhancement of remittances by Indian nationals to India.

2. MCA exempts combination merger notice from 30-day rule for 5 years

Ministry of Corporate Affairs issues a notification exempting every person or enterprise who is a party to a combination from giving notice within 30 days for a period of 5 years from the date of publication of the notification;

Measure has been taken to alleviate the concerns of stakeholders who felt constrained by 30 days deadline stipulated in the Companies Act for submission of notices of combination to the Competition Commission of India.

3. Ministry of Corporate Affairs identifies more than one lakh directors of shell companies for disqualification

Pursuant to the action of the Ministry of Corporate Affairs of cancellation of registration of around 2.10 lakh (2,09,032) defaulting companies and subsequent direction of the Ministry of Finance to banks to restrict operations of bank accounts of such companies by the directors of such companies or their authorised representatives, the Ministry of Corporate Affairs has identified 1,06,578 directors for disqualification under Section 164(2)(a) of the Companies Act, 2013 as on 12th September 2017.

4. Malaysian company secretaries firm to adopt Indian secretarial standards

The Ministry of Corporate Affairs has approved a request of the Malaysian Association of Company Secretaries (MACS) for adoption of the Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) as the benchmark in the development of Secretarial Standards of MACS.

5. MOU between the Ministry of Corporate Affairs and Central Board of Direct Taxes (CBDT) :

Taking forward the initiative launched by the Government of India to curb the menace of shell companies, money laundering and black money in the country and prevent misuse of corporate structure by shell companies for various illegal purposes, the Ministry of Corporate Affairs and Central Board of Direct Taxes (CBDT) have now concluded a formal Memorandum of Understanding (MoU) for data exchange on 6th September 2017.

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