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NOTE ON CIRCULAR NO-11/2020 DATED 24.03.2020 ON SPECIAL MEASURES UNDER COMPANIES ACT, 2013 (CA-2013) AND LIMITED LIABILITY PARTNERSHIP ACT, 2008 IN VIEW OF COVID-19 OUTBREAK

In today’s world where COVID-19 has become hindrance for growth of Economy and Nation. Ministry of Corporate Affairs (MCA) has introduced many measures to reduce the Compliance burden and other risks to support and enable Companies and Limited Liability Partnerships (LLPs) in India to focus on taking necessary measures to address the COVID-19 threat, including the economic disruptions caused by it.

MEASURES:-

S.No.	Measures by MCA	Particulars	Other information
1.	Moratorium period from 01 st April, 2020 to 30 th September, 2020	In this Moratorium Period, no additional fees will be charged for late filing of any document, return, statement etc. required to be filed by Companies or Limited Liabilities Partnerships (LLPs) with MCA, irrespective of its due date of filing. To enable long-standing non-compliant Companies/LLPs to make a ‘Fresh Start’, MCA has issued the Circulars.	The circular specifying detailed requirements in regard to “Fresh Start” were issued by MCA via Circular no.-12/2020 dated 30.03.2020 for Company Fresh Start Scheme, 2020 and Circular no.-13/2020 dated 30.03.2020 for Modified LLPs Settlement Scheme, 2020. For detailed note on the scheme please visit our website:- www.sgacs.in
2.	Extension of 60 days for holding Board	As per Section 173 of the Companies Act, 2013 (the	After getting relaxation by MCA all Companies other than listed



	Meeting till next two quarter.	<p>“Act”)-“Every company shall hold the first meeting of the Board of Directors within thirty days of the date of its incorporation and thereafter hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board”.</p> <p>This Circular has providing extension of 60 days for interval of two consecutive Board meetings. With the extension now there will gap of 180 days between two Board Meetings till two quarters i.e., till 30th September.</p>	<p>Companies are relaxed, but it is also a problematic situation for listed Companies to hold Board Meeting because of many mandatory filing requirements.</p> <p>Thus, to relax the Listed Companies from holding Board Meeting Security Board of India (SEBI) has also issue Circulars. (These circulars will be available soon on our website i.e., www.sgacs.in).</p>
3.	Relaxation in CARO (Companies Auditor’s Report) Order, 2020)	The CARO, 2020 shall be made applicable from the Financial Year 2020-21 instead of Financial Year 2019-20 notified earlier.	<p>This Circular providing extension from the applicability of CARO, 2020 which was published in the Official Gazette on 25th February, 2020.</p> <p>The order contain the matters which are required to be included in Auditors Report as per Section 143 of the Act.</p> <p>As per Section 1(3) of the Order, the Order was effective from 25th February, 2020, which means for the Financial Year 2019-20.</p> <p>This Circular issued by the MCA has suppressed that section of order and now it is effective for the Financial Year 2020-21.</p>
4.	Relaxation to Independent Director	As per Section 149(8) of the Act and Para VII(1) of	This circular provide relaxation to all companies except Listed



	<p>(IDs) from holding at least one meeting in a Financial Year without attendance of non-Independent Directors and members of management.</p>	<p>Schedule IV -“ The independent directors of the company shall hold at least one meeting in a financial year , without the attendance of non-independent directors and members of management”.</p> <p>Interpretation of this is IDs are required to hold at least one meeting in the Financial Year 2019-20 but due to the circular, for the Financial Year 2019-20, if the IDs of a Company have not been able to hold a meeting, the same shall not be viewed as a violation.</p> <p>However, IDs can share their views amongst themselves through telephone or e-mail or any other mode of communication, if necessary.</p>	<p>Companies. Listed Companies has to conduct a meeting of IDs during Financial Year.</p> <p>Thus, to relax the Listed Companies from holding Independent Director Meeting Security Board of India (SEBI) has also issue Circulars. (These circulars will be available soon on our website i.e., www.sgacs.in).</p>
<p>5.</p>	<p>Requirement under Section 73(2)(c) of the Act in relation to create Deposit Repayment Reserve</p>	<p>As per Section 73(2)(c) of the Act-“ A Company accepting Deposits from its Members or Public on or before the thirtieth(30th) day of April each year, shall deposit such sum which shall not be less than twenty per cent. of the amount of its deposits maturing during the following financial year and kept in a scheduled bank in a separate bank account to be called deposit repayment reserve account”</p> <p>With this Circular, requirement under Act to</p>	<p>This is because of Moratorium Period that Companies get extension for depositing amount in Deposit Repayment Reserve.</p>



		create the Deposit Repayment Reserve of 20 % of deposits maturing during the Financial Year 2020-21 on or before 30 th April, 2020 shall be allowed to be complied with till 30 th June, 2020.	
6.	Relaxation under Rule 18 of the Companies (Share Capital and Debenture) rules, 2014 in relation to Debenture Redemption Reserve	<p>As per Section 71 of the Act read with Rule 18 of Companies (Share Capital and Debenture) Rules, 2014 –“ The company shall comply with the requirements with regard to Debenture Redemption Reserve (DRR) and investment or deposit of 15 % of debentures maturing during the year ending on the 31st day of March of next year up to 30th April”.</p> <p>However, with the Circular Companies are required to invest or deposit at least 15% of amount of debentures maturing in specified methods of investments or deposits [as per rules 18 of Companies (Share Capital and Debentures) Rules, 2014] on or before 30th April, 2020 , maybe Complied with till 30th June, 2020.</p>	This is because of Moratorium Period that Companies get extension for Investing or depositing sum in respect of Debentures Maturing during the year.
7.	Relaxation for INC-20A	As per Section 10A of the Act- “A newly incorporated Company and having a Share Capital shall require to file INC-20A with the Registrar of Companies (ROCs) within 180 days of date of Incorporation of Company and verifying that a) every Subscriber to	If a Company incorporated in November, 2019 then such Company is required to file INC-20A within 180 days, say April, 2020. But with the introduction of this circular 180 more days provided to the Company to file such Form INC-20A.



		<p>the memorandum has paid the value of shares agreed to be taken by him on the date of making such declaration; and</p> <p>b) the company has filed with the Registrar a verification of its registered office as provided in Section 12(2).”</p> <p>However, with the Circular issued by MCA- Newly Incorporated Companies are required to file a declaration for commencement of Business within 180 days of incorporation under section 10A of the Act. An additional period of 180 more days is allowed for this Compliance.</p>	
8.	Resident Directors	<p>As per Section 149(3) of the Act –“Every company shall have at least one director who stays in India for a total period of not less than one hundred and eighty-two days during the financial year”.</p> <p>However, with the Circular, If a Director unable to fulfill section 149(3) for the financial Year 2019-20 it shall not be treated as non-compliance of the Act.</p>	<p>Because of COVID-19 Pandemic many Countries get lock down and suspend international Flights because of which many directors who lived out of India unable to get back to India, which is out of their control. This circular provide relaxation to those who are stuck in other Countries.</p>



CONCLUSION:-

In the end we can conclude that MCA and other Regulatory Authorities have taken many initiative to strengthen the back of the Economy and Corporate Sector. With these kind of Schemes and Amendments India will be able to combat the loss caused due to COVID-19 Situation. Once our Corporate gets strong we will be able to fight with every situation.

These measures are introduced by the MCA with the hope that maximum corporates will take advantage of it and protect them from unavoidable risk and loss. MCA has introduced many measures to protect Corporates:-

1. No additional Fees for filing any Document, Statement and other forms during the Moratorium Period.
2. Extension for Meetings of Board of Directors.
3. Relaxation in CARO,2020.
4. Relaxation in meetings of IDs in a Financial Year.
5. Relaxation in Section 73(2)(c) of the Act.
6. Relaxation in Rule 18 of Companies (Share Capital and Debenture) Rules, 2014.
7. Relaxation for INC-20A.
8. Relaxation in section 149(3).

DISCLAIMER:-

All the details mentioned in this Circular is view and interpretation of the Author(s) as per their knowledge. Please take professional and Legal Advice before going further with the circular. The Author and Firm will not be held responsible for any loss caused.

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