

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
STARRED QUESTION NO. *4
ANSWERED ON MONDAY, 22nd July, 2024
31 Ashadha, 1946 (Saka)**

STEPS TO REDUCE PENDING LITIGATION UNDER COMPANIES LAW

QUESTION

***4 Smt. Kriti Devi Debbarman:
Shri Jagdambika Pal:**

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) the steps taken by the Government for reducing the number of pending litigations under the Companies Law;**
- (b) the data regarding the number of cases withdrawn or reduced as part of the efforts of the Government to reduce the litigation burden; and**
- (c) whether the Government is taking any steps to improve the ease of doing business and boost the corporate governance framework in the country?**

ANSWER

Minister of Finance & Corporate Affairs (Smt. Nirmala Sitharaman)

(a) to (c): A statement is laid on the Table of the House.

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STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. *4 FOR ANSWER ON 22.07.2024.

(a) & (b) : The Ministry of Corporate Affairs (MCA) has taken several steps to review pending prosecutions in various courts. In 2017 and later in 2022, a committee of senior officers of MCA was set up to give recommendations regarding withdrawal of prosecutions. The objective was to free Judicial Courts from dealing with offences that are procedural and technical in nature to ensure that such courts are able to focus on serious offences. It was envisaged that cases of procedural and technical nature may be handled through an adjudication process.

Accordingly, 14,247 prosecutions were withdrawn in Special Drive-I conducted in 2017. Further, a decision has been taken for withdrawal of 7338 compoundable cases identified in Special Drive-II in 2023. Till 15.07.2024, 6294 applications for withdrawal have been filed before various courts. However, serious / non-compoundable offences will continue to be prosecuted.

(c): To improve ease of doing business and enhance corporate governance, MCA has taken several steps in the recent past including some major steps as under:-

- (i) Decriminalization of 63 offences under the Companies and LLP Acts. One of the objectives of decriminalization has also been reduction of litigation burden in judicial courts and shifting the prosecution cases towards adjudication;**
- (ii) Setting up of a Centralized Registrar of Companies (CRC) for incorporation;**
- (iii) Setting up of a Centre for Processing Accelerated Corporate Exit (C-PACE) for voluntary exit of companies;**
- (iv) Setting up of a Central Scrutiny Centre (CSC) for centralised scrutiny of e-Forms filed under Straight Through Process (STP);**

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- (v) Conversion of more than 50 forms to STP which earlier required approval of field offices;**
- (vi) Setting up of a Central Processing Centre (CPC) for centralised processing of specified non-STP e-forms;**
- (vii) Introducing a new e-Form SPICe+ along with a linked form called AGILE PRO-S for providing different services at one place such as Name Reservation, Incorporation, allotment of PAN, TAN, DIN, EPFO Registration, ESIC Registration, GST number, opening of Bank Account etc. at the time of incorporation of company to start the business immediately. Similarly, new eForm FiLLiP (Form for incorporation of Limited Liability Partnership) was introduced for providing the same services in a single application;**
- (viii) Definition of small companies has been amended by increasing the threshold limit of a small company, having a paid-up capital not exceeding Rs. 4.00 Crore and turnover not exceeding Rs 40.00 Crore. Similarly, concept of small LLP has been introduced which is subject to lesser compliances, lesser fee to reduce the cost of compliances;**
- (ix) Zero fee for incorporation of company with authorized capital up to Rs.15.00 Lakh;**
- (x) Extended fast track process for mergers under the Companies Act, 2013 to include mergers of Startups with other Startups and with small companies, so that the process of mergers & amalgamations is expedited;**
- (xi) Convening Annual General Meeting (AGM) and Extra-ordinary General Meeting (EGM) of a company through Video Conference (VC);**

- (xii) Zero cost for shifting of the registered office of a company;**
- (xiii) The Ministry has issued Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024 allowing Indian public companies to list their equity shares on international stock exchange(s) at GIFT IFSC;**

In addition to the above, as intimated by Securities & Exchange Board of India (SEBI), for ease of doing business and enhance corporate governance various steps have been initiated such as:-

(i) Introduced Corporate Governance requirements for listed entities to improve transparency in their functioning and ensure enhanced disclosures to investors. Regulations 15 to 27 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) deal with corporate governance requirements for listed entities.

(ii) Introduction of pre-filing of offer documents, simplifying the buyback process and reduction in timelines, rationalizing methods for complying with minimum public shareholding norms, reduction in timeline for listing of shares in public issue from T+6 days to T+3 etc.

(iii) Strengthened the corporate governance framework for listed entities in last one year through measures like introduction of BRSR (Business Responsibility and Sustainability Report) Core, rationalizing disclosure of material events or information by listed entities, empowering shareholders at listed entities etc.

(iv) As far as the debt listed entities are concerned, the corporate governance norms are applicable to High Value Debt Listed Entity (HVDLE), i.e., a listed entity which has listed its non-convertible debt securities and has an outstanding value of listed non-convertible debt securities of Rs.500 Crore and above. Currently the said provisions are applicable on a 'comply or explain' basis until March 31, 2025 and on a mandatory basis thereafter.
