

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS
LOK SABHA
UNSTARRED QUESTION NO. 1942
ANSWERED ON MONDAY, THE 14th MARCH, 2022
[PHALGUNA 23, 1943(SAKA)]
STRENGTHENING OF CORPORATE UNITS
QUESTION**

1942: SHRI MALOOK NAGAR:

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) the details of the number of corporate units which are incurring losses and earning profit separately after corona pandemic;**
- (b) the efforts being made by the Government to further strengthen the corporate units (industries) in this era of competition; and**
- (c) the efforts being made by the Government to convert the loss making units into profitable ones?**

ANSWER

THE MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION; MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF PLANNING; AND MINISTER OF STATE IN THE MINISTRY OF CORPORATE AFFAIRS.

(RAO INDERJIT SINGH)

- (a) to (c): Ministry of Corporate Affairs (MCA) administers the provisions of the Companies Act, 2013 (the Act), The Limited Liability Partnership Act, 2008 and The Insolvency and Bankruptcy Code, 2016. The term “Corporate Unit” is not defined in the Act. However, as per the records maintained in the MCA portal, the number of companies which are running in profits and the number of companies which are running in losses during the financial year 2019-20 and 2020-21 in India are as given below:**

Particulars	2019-20	2020-21
No. of Profit Making Companies	4,00,375	3,33,887
No. of Loss Making Companies	4,02,431	3,50,451

However, the MCA has taken steps to provide Ease of Doing Business and Ease of Living to law abiding corporates by simplifying the procedures for Starting a Business and by reducing various compliance burden which is as under:

(1) Decriminalization of sections under the Companies Act: Decriminalization of 46 Penal provisions under Companies Act, 2013 was carried out through the Companies (Amendment) Act, 2020 thereby taking the total number of provisions decriminalized to 62 (including the 16 decriminalized in 2018).

In addition to decriminalization of penal provisions for minor procedural & technical defaults which do not involve any element of fraud, deceit or injury to public interest, the exercise involved the rationalization of quantum of monetary penalties as well and is expected to greatly improve the Ease of Doing Business climate in the country and lead to de-clogging of criminal courts and the NCLT from the burden of cases of routine nature.

Such decriminalization would remove the fear of criminal prosecutions for non-substantive minor and procedural omissions and commissions in the normal course of business and incentivize micro and small, medium business enterprises to convert into body corporates such as companies and would significantly enhance the confidence of Indian Corporates on the Government's resolve to provide greater ease and accord highest respect to honest wealth creators in the country and reduce the burden on the justice system.

(2) Lesser Penalties for Small Companies, One Person Company (OPC), Start-ups, Producer Companies etc.:- Through Companies (Amendment) Act, 2020, lesser penalties for Small Companies/ One Person Companies / Start-ups/ Producer Companies or by any of its officer in default, or any other person in respect of such company has been provided for the non-compliance of any of the provisions of the Companies Act, 2013 which are to be dealt with under In-house Adjudication Mechanism (IAM). It shall lessen the cost of running businesses.

(3) Simpler process for Incorporation of new companies:- MCA has deployed a new Web Form christened SPICe+ and AGILE PRO-S which provides eleven services by three Central Government Ministries i.e. Ministry of Corporate Affairs, Ministry of Labour and Department of Revenue (in the Ministry of Finance), three States (Maharashtra, Karnataka and W. Bengal), NCT of Delhi and various Banks namely, (i) Name Reservation, (ii) Incorporation, (iii) PAN, (iv) TAN, (v) DIN, (vi) EPFO Registration, (vii) ESIC Registration, (viii) GST number, (ix) Bank Account (x) Profession Tax Registration (Maharashtra, Karnataka and West Bengal) (xi) Delhi Shops and Establishment Registration. The new Web Form facilitates on-screen filing and real time data for seamless incorporation of new companies. This has resulted in reduction in the number of processes and time taken for Starting a Business in the country.

(4) Simpler process for renewal of reserved names:- This Ministry vide notification no. GSR (E) 765 dated 24.12.2020 through the Companies (Incorporation) Third Amendment Rules, 2020 has provide for extension of reservation of name in certain cases through a simple web service available at www.mca.gov.in. Rules amended to provide a framework for Renewal of Company Names beyond 20 days period.

(5) Central Registration Centre (CRC):- Setting up Central Registration Centre (CRC) for name reservation and incorporation of companies & Limited Liability Partnership (LLP).

(6) Zero fee for incorporation of all companies with authorized capital upto Rs. 15 lakh or upto 20 members where no share capital is applicable.

(7) One Person Companies:- Provisions with regard to incorporation and functioning of One Person companies (OPCs) revised significantly so as to incentivize incorporation of more OPCs. Now NRIs are also allowed to incorporate OPCs. Earlier only Indian resident citizens were permitted. Such companies are now allowed to convert into private or public companies at any point of time. The restrictions with regard to maximum amount of paid-up capital and turnover for OPCs has also been removed so that there is no undue restriction on the growth of OPCs.

(8) Small Companies:- The thresholds in respect of “small companies” have been revised so that more companies get classified as “small companies” and take advantage of a lighter compliance framework provided under the Companies Act, 2013 and rules made thereunder. (The limits in respect of paid-up share capital enhanced from Rs. 50 Lakh to Rs. 2 crore and in respect of turnover enhanced from Rs. 2 crore to Rs. 20 crores).

(9) Revision of definition of listed companies:- Certain class of companies has been excluded from the definition of listed company under the Companies Act, 2013 vide notification no. GSR (E) 123 dated 19.02.2021. Henceforth, Private Companies which opt to list debt securities on stock exchanges are not required to fulfill compliances as required from listed Companies and accordingly compliance burden has been reduced for such companies.

(10) Extended the fast track process for mergers under the Companies Act, 2013 to also include mergers of Startups with other Startups and with Small companies, so that the process of mergers & amalgamations is completed faster for such companies.

(11) Rules amended to ease the compliance burden on Independent Directors.

(12) Rules amended to make it sufficient for companies to pass only one previous special resolution in order to make an offer or invitation of any securities to qualified institutional buyers on private placement basis during the year to make it easier for companies to raise capital.

(13) Rules amended to enable purchase of minority shareholding held in demat form.

(14) Introduction of fast track process for mergers & amalgamations of Startup with other Startups and Small companies.

(15) Reduction of time limit up to which Rights Issues are required to be kept open.

(16) New abridged & concise version of Annual Return introduced for Small companies and One person companies (OPCs)

(17) Easier Process for conversion of a public company into a private company.

(18) Revision of definition of SMCs under the Companies (Accounting Standards) Rules, 2021:- The Companies (Accounting Standards) Rules, 2021 has been notified on 23.06.2021 to mirror the Companies (Accounting Standards) Rules, 2006 (notified under the Companies Act, 1956) to bring the same under the Companies Act, 2013. The said rule also amended the definition of Small and Medium Size companies for applicability of Accounting Standards under which the turnover limit has been increased from rupees fifty crores to not exceeding rupees two hundred and fifty crores and borrowings limit enhanced from rupees ten crores to rupees fifty crores. The aim of such amendment is to reduce the compliance burden and the time required to prepare the financial statements. As a result, a significant number of companies would be covered in the definition of the SMC companies and will enjoy the exemptions and relaxations from complying with detailed disclosures required under the various Accounting Standards such as AS-3 Cash Flow Statement, AS-17 Segment Reporting, AS-15 Employee benefits etc.
