

The Repercussion of COVID - 19 on Corporate Houses

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Abstract: - As we are all aware of the ongoing crisis major economies around the globe are suffering, it is not problematic to construe the various hardships and struggles which even the commercial world is going through. In the light of the pandemic being hit to our nation as well, there have been numerous policies which have been formulated to keep the widespread of the virus at bay. Since the past three months, India has observed a strict lockdown as a consequence of which countless industries have been forced to wrap up their operations, lay off employees and follow the once in a while adopted “work from home” policy as a mandate. Such has been the wrath of this threatening virus almost every other precinct has been widely affected. The struggle with the novel corona virus is such that powerful economies have been crippled while functioning. In this article our focus would be to stress upon the repercussions that this novel virus has triggered on the Corporate Houses and how the policymakers have performed as the guardian to save business in their operations. Furthermore, we would try to highlight the major amendments which have been brought about in lieu of the novel corona virus.

Keywords: - Covid-19, Pandemic, Business, Affect

1. INTRODUCTION

The pandemic has been a testing time for all of us around the globe. Irrespective of stature, the pandemic has been struck upon all. However, every individual has been affected in their own way. While we segregate these sectors, businesses have been most widely affected. There have been proactive measures which have been taken to mitigate the upcoming risks and losses which are on its way accompanied by the pandemic. The aftermath has been profoundly negative in connection to the corporate sector.

Even though there have been various researchers who have postulated theories which show the downfall in majority sectors of operation. It has been a proactive measure by the legislature to have acted in a way which would help keep a checks and balance between the functioning and compliances of a business entity. Additionally, these measures will also help in keeping a firm stand in these turbulent times.

2. EFFECTS ON THE LEGISLATION

Law operates in a society which is dynamic in nature. The society keeps changing with time, in the same manner, our legislations have been altered to suit the present situation. The effects of this deadly virus have not been limited to national boundaries only but has also given birth to international cognizance being taken by global organisations. None of the institutions were prepared with paraphernalia for survival during this uncalled crisis. Numerous legislations were made forth in this regard in order to foster help to new companies, existing companies and not so strong local businesses as well. These alterations were seen in order to have an upper hand in the economic battle which we are currently facing amidst the threat of the novel corona virus.

It will be a challenging time not only for already distressed establishments, but also for various suppliers, lenders and resolution professionals, etc. Covid-19 will inspire us to merit on many levels, including the conflict of institutions being a concern, crisis at the level of liquidity fiscal institutions and limited options for planning reinforcement of business entities

3. COVID EFFECT ON BUSINESSES

The harsh implications of the deadly virus have been a threat to many of the segments which contribute to the economic development of the Country. One such segment primarily being the business sector. On one hand where there have been humungous bequests by the businesses, on the contrary there have been notable amount of damages which were faced by these business houses. At the outset, our economy has been regressing ever since as there have been no profits earned by the businesses due to the suspension of markets with regard to the nationwide lockdown. The Government of India has been very empathetic towards this situation and has supported the businesses by introducing various relaxations and amendments in several legislative compliances. Various supervisory authorities including SEBI, MCA, etc. have announced numerous notifications, relaxations, circulars and amendments. Some of the prime announcements have been discussed hereunder.

a) ALTERATIONS IN CSR PROVISIONS

With the introduction of the PM Cares Fund, broadly speaking *Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund*, massive amounts of donations were received from various sources. A tributary of these sources were corporate entities.

An alteration in this regard was made keeping in view these volumes of donations which were received from multiple business houses in order to outweigh the regulatory compliance encumbrance of the corporate entities.

As stated under the Schedule VII of the Companies Act, all the activities which are to be covered under the corporate social responsibility policy, subsection (vii) of the same schedule also provides that any contribution made towards any fund made by the government to deal with emergency situations will be considered as contribution in the form of corporate social responsibility. In the latter part of the month of March, the Ministry of Corporate Affairs declared that any kind of contributions made to the PM Cares Fund will be considered under the Corporate Social Responsibility Policy, as mentioned in the Companies Act.

“Under the Companies Act, the board of every company having a net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more, or a net profit of Rs. 5 crore or more during any financial year, is required to ensure that the company spends, in every financial year, at least 2% (two percent) of the average net profits of the company made during the 3 (three) immediately preceding financial years, in pursuance of its corporate social responsibility (“CSR”) policy”¹

NATIONAL COMPANY LAW TRIBUNAL BEING SHUT

In the lieu of lockdown declaration made by the Central Government of India, the National Company Law Tribunal announced that all the work related to judiciary shall be put on hold and thus all the benches will remain close until further orders. For the urgent matters which are needed to be dealt with immediately, the tribunal circulates the notice which states that:

“work ,as to unavoidable urgent matters ,on application by the aggrieved, through email to the registry NCLT Chennai after service of notice to the other side, Hon'ble Acting President sitting singly at Chennai will examine and pass necessary orders ”².

In addition to the above, it was also circulated by the Tribunal that

“The Parties/Counsels would not be provided making oral submissions and the NCLT discourages persons to arriving to NCLT Chennai. Application shall be verified by the respective counsel through affidavit by mentioning their bar enrollment number, above process

¹ <http://www.argus-p.com/papers-publications/thought-paper/covid-19-latest-relaxations-from-legal-provisions/>

² Ibid

should not be abused. The application/communication shall be sent to Registrar NCLT Chennai email from email of respective counsel.” It was also stated that “matters under the Insolvency and Bankruptcy Code, 2016 regarding extension of time, approval of resolution plan and liquidation would not be construed as urgent matters, and would be taken up as soon as regular benches start functioning, and until such time, such applications must not be filed.”³

TIME PERIOD FOR FILING CASES EXTENDED, OTHER LIMITATIONS ABOLISHED.

The Supreme Court of India in the view of Covid 19 pandemic has announced that all the cases which are dated from March 15th 2020, shall be taken up at a later stage, until the further orders are prevailed. No matter whatever time period any general law or any special law has stated, all the dates are to be extended according to the situation in the country. National Company Law Tribunal as well as National Company Law Appellate Tribunal also recognized the order and acted accordingly.

RELAXATIONS IN THE PROVISIONS OF SEBI (SECURITIES EXCHANGE BOARD OF INDIA)

There are certain timelines issued for filing, which are given in the provisions of Securities Exchange Board of India; these timelines given in the circular are extended. Now the issuers can convert their shares and debentures even after the stipulated time period. Even the meetings scheduled are given relaxation and postponed on a future date.

Under section 37 of *Listing Obligations and Disclosure Requirements (LODR), 2015*⁴, it was required to publish the *listed entity*, information related to financial stability, any notice regulated by the board. But all these publications are exempted till 15th of May 2020.

PROVIDING RELAXATION FOR THE PROVISIONS RELATED TO MUTUAL FUNDS

In one of its circular, SEBI has granted many relaxations including extending the date of launch of various policies, which were still not launched. There are various disclosures whose timeline have been extended. Expiry dates of various initiatives have been extended.

PROVIDING RELAXATIONS FOR INFRASTRUCTURE INVESTMENT AND REAL ESTATE MANAGEMENT TRUST

SEBI vide its circular SEBI/HO/DDHS/CIR/P/2020/42 dated 23rd March 2020 has extended the due date for regulatory filings and compliances for real estate investment trusts and infrastructure investment trusts for the period ending March 31, 2020 by 1 (one) month over

³ Ibid

⁴ Chapter XV of The Companies Act, 2013

*and above the timelines prescribed under SEBI (Real estate Investment Trusts) Regulations, 2014 and SEBI (Infrastructure Investment Trusts) Regulations, 2014.*⁵

INTRODUCTION OF ‘COMPANIES FRESH START SCHEME 2020’

There are various filings which are needed to be done under Company’s Act 2013 within a stipulated time period. Failing to the compliances will lead the company to fall into defaulter list. Due to these tough times numbers of companies under defaulter list were increasing day by day. So to mitigate the burden on the companies, Ministry of Corporate Affairs have decided to launch a fresh scheme for the companies under the name “*Companies Fresh Start Scheme 2020*”. Under this various relaxations are provided to the companies such as, it has made the filing process flexible for the companies. It also allows the companies to complete their pending filings with respect to returns, etc. In this scheme MCA settles all the pending procedures with the advantage that no extra fees will be charged from any of the companies.

4. LEGAL EFFECT ON BUSINESS ENTITIES

Lockdown was imposed in India as it was the only option left to combat this pandemic. This lockdown has adversely affected the business sector of India as no economic activities were carried out during this lockdown, but now to mitigate the problems faced by the economic sector; the administration has announced a flexible legal regime to relax the constraints levied during lockdown.

INCOME TAX RETURNS

In view of the current crisis the world is facing, the last date to file income tax returns for the year 2019-2020 has been shifted from March 30th 2020 to June 30th 2020.

GST-

There is a request made by GST Council to pass an ordinance to extend the authority to the government to extend the date to file CGST, in the case of emergency, natural calamity, pandemic, etc.

CUSTOMS-

Pertaining to nationwide lockdown all the activities along with custom activities across the country were brought to a halt, except for the necessary activities. As a result of this abrupt cessation,

⁵ Ibid

suggestions were made to include custom activities under the “essential services” genus, so that these activities could be carried out in the country with ease.

FOREIGN TRADE POLICY-

As COVID-19 has been declared as a pandemic, the foreign trade was stopped immediately after the cognizance of this contagion was brought to light. The foreign trade policy which previously existed for the time-span of 2015- 2020 has been stretched for an additional year i.e. 2015-2021. This expansion would allow the left over formalities to be wrapped up in time.

5. CONCLUSION

The wide spread of COVID-19 has developed a tough situation for the businesses to plan their business proceedings in such a manner that would be resultant of fruitful outcomes for all. Such is the scenario, that there is no anticipation of how shall these business houses strategize for what their next plan action would be. As already discussed, the policymakers have brought about amendments and alternations in the existing norms, but what is still in question is will these legislations help in mitigating the risks which awaits for these corporate entities. The chain of questions which arise here can be answered only by the actions of the business entities for performing to sustain and take up measures which would encourage their sustenance. These alterations are here to alleviate the probable jeopardies which are yet to come and prepare them at outset. The sole option left for the businesses is to swim through the ocean of financial and managerial challenges put up by such an unannounced threat, while gratifying the needs and necessities of their customers, suppliers, etc.