CII

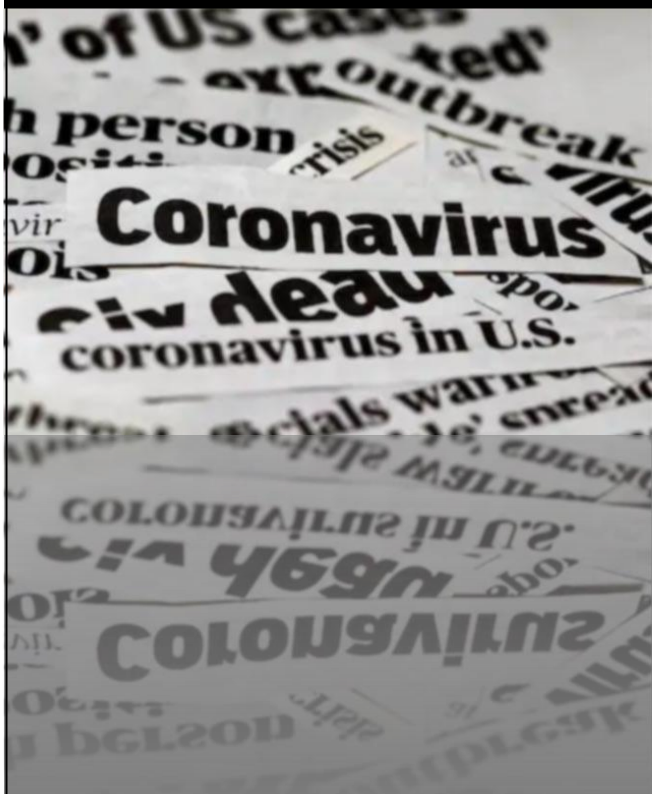
Confederation of Indian Industry

125 Years: 1895-2020

COVID 19

Media Presence

30 March 2020



Industry calls for extended financial year due to coronavirus pandemic

Business Standard, New Delhi, March 30, 2020

COVID-19 effect: Growth to come down further, says CII

Deccan Herald, DHNS, Hyderabad, MAR 23 2020

Virus-hit corporates welcome RBI moves

Mint, Mint, 2 March 2020

India Inc seeks more regulatory relaxations to face lockdown blues

The Hindu Businessline, New Delhi March 29, 2020.

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Auditors and industry bodies have called for extending the financial year 2019-20 by three months, till the end of June, amid the coronavirus (Covid-19) pandemic.

Industry representatives recently met officials of the Ministry of Corporate Affairs, seeking among other things, an extension of the financial year on grounds that "any financial statement prepared for April 2019 to March 2020, will not give a true and fair view as it does not represent one complete business cycle of the entity".

The Confederation of Indian Industry (CII) told the ministry: "With the current backdrop of coronavirus, the entire economy is getting stagnated for at least a couple of quarters, which are a kind of missing quarters for corporates."

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An audit report, even if submitted at a later date, may not present a reliable picture if the auditors try to ascertain the key data for the March figures in June. Companies, too, are struggling with ascertaining their inventories due to supply-chain disruptions. "We will have to roll back inventory figures to derive year-end numbers. This is different from physical verification done at year end. Control testing done later, which is rolled back to year end, also has its challenges. If the financial year is extended, it may help companies channelise their efforts to other priority areas at this point of time and auditors will also be able to obtain appropriate audit evidence," said Sanjeev Singhal, partner, SR Batliboi & Co.

The government and the regulators in the last few days have taken steps to ease the compliance burden for companies, extending deadlines for filing and waiving late fees till June this year.

The Securities and Exchange Board of India last week allowed listed companies to file their fourth-quarter and annual financial results by June 30 and also extended the date for filing quarterly corporate governance reports by one month.

However, audit companies might not be able to place adequate checks and balances in place in a lockdown while compiling their report.

Deloitte India is planning to issue guidelines for companies so that they can provide minimum basic information that can help in financial reporting.

Many company experts said they were finding difficulty preparing their financial statements primarily related to areas that required management. These could relate to forward-looking cash-flow estimates, recoverability and impairment of assets, contract modifications, etc.

“The regulators may consider providing one-time accounting-related relaxations. From an audit perspective, the rigour will definitely increase since due to these uncertainties, auditing management estimates and judgements will pose newer challenges,” said Khazat Kotwal, partner, Deloitte India.

The auditors’ physical presence is usually required not just for verifying inventories but also for closing balance in banks, minutes of board meetings, etc.

Companies are now providing electronic evidence, the reliability of which may be weaker. The auditors have to give their assessment of the internal control of financial reporting. Many companies have deployed disaster-recovery plans, triggering alternative processes such as increasing the decision-making powers of an individual or a group of persons in the concern.

“Companies and auditors have to address the changes in a company’s internal control environment and ensure appropriate risk assessments and controls to address additional risks in the current scenario,” Kotwal said.

Another worry is assessing whether the company is a going concern. The board is required to state the impact of coronavirus in its report.

"The auditor's responsibility is to consider appropriate audit evidence in this regard. However, the auditor cannot predict future events and therefore his report cannot be taken as assurance in the absence of evidence of material uncertainty in the ability of the company to continue as a going concern," said Ashok Haldia, former secretary, Institute of Chartered Accountants of India (ICAI).

Since many audit procedures began by the end of February, conducting a limited audit review for 11 months ended February 2020 has been suggested.

Earlier this week, the government pushed back the implementation of the Companies Audit Report Order 2020 by a year to 2020-21, reducing the workload of auditors.

The ICAI is planning to issue guidelines for auditors to take into account the disruption caused to companies because of the pandemic.

COVID-19 effect: Growth to come down further, says CII

DHNS, Hyderabad, March 23 2020

As fears of rapid spread of COVID-19 compounded, apex industry body Confederation of Indian Industry (CII) forecast growth falling down further and sought help from the government. India has already been facing growth deceleration, with GDP growth falling to 4.7% in Q3 FY2020. The impact of COVID-19 is likely to pull it down further in the fourth quarter. GDP growth could slide to below 5.0% in FY2021 if policy action is not taken urgently. "Fiscal and monetary stimulus measures need to be announced urgently," said Chandrajit Banerjee, Director General, CII.

Global growth forecasts have been downgraded by several institutions. OECD is now forecasting 2.4% global GDP growth in 2020 compared to a forecast of 2.9% made in October 2019. Similarly, Goldman Sachs has downgraded its forecast from 3.4% to 1.3%, Morgan Stanley from 3.2% to 2.7% and Moody's from 2.4% to 2.1%. The CII stated that as done in many countries, the government may consider a strong fiscal stimulus to the extent of 1 percent of GDP amounting to Rs 2 lakh crore to be given in the hand of the needy citizens through Aadhar based Direct Benefit Transfer. An amount of Rs 10,000 for each individual, especially for the rural and urban poor, and Rs 10,000 for the most vulnerable section – the elderly. The PLFS data shows that there are about 20 crore casual labourers who could be the identified beneficiaries. This will help spur consumer demand.

Besides, to improve market sentiments, that is currently witnessing extreme volatility, the government may consider removing Long Term Capital Gains tax of 10% and fixing the total Dividend Distribution Tax at 25%

Banerjee said GST payments should be on collection of bills than on raising of invoices. This will help avoid liquidity getting locked in case there are delays in payments. Pending payments to the industry by the government should be cleared on a priority basis. On the Monetary measures to be taken, an immediate Repo rate reduction of 50 basis points along with a 50 basis points reduction in Cash Reserve Ration (CRR) should be announced to ensure low cost of funds, he added. The RBI may consider relaxing the NPA recognition norms from 90 days to 180 days till September 30, 2020 to provide relief to an industry faced with payment issues as well as pressure on banks to classify loans as NPAs. He suggested the government could create a corpus for supporting MSMEs to tide over the crisis for wages payable during the temporary shutdown, cash flow disruptions, working capital requirements.

Virus-hit corporates welcome RBI moves

Mint, 2 March 2020

The moves will be a big relief to the realty sector, which has been struggling with high levels of unsold inventory

The measures announced by Shaktikanta Das included a three-month moratorium on instalment payments on all term loans and interest on working capital loans

Corporate India, which was already battling the effects of a slowing economy before the Covid-19 outbreak brought most businesses to a grinding halt, has welcomed the Reserve Bank of India’s (RBI’s) move to allow a three-month moratorium on loans and a cut in the repo rate by 75 basis points. These steps are expected to help the domestic industry tide over the turbulent period, said senior company managers.

The measures announced by RBI governor Shaktikanta Das on Friday included a three-month moratorium on instalment payments on all term loans and interest on working capital loans.

“Given that the current lockdown is expected to have a negative impact on the cash flows of companies, the moratorium on repayments of term loans will help companies tide over this period," said Chandrajit Banerjee, director general, Confederation of Indian Industry. The repo rate cut, together with a host of other steps to boost liquidity, will address the financial stress in the system caused by the Covid-19 outbreak and the consequent lockdown, he said.

He said the moratorium period should be extended if the impact of the pandemic lasts longer than expected.

The steps will bring comfort to corporate India, but the government and the RBI should also look at sector specific relief packages, said Anirban Chakraborty, managing director and chief executive officer, Tourism Finance Corporation of India.

“We welcome RBI’s stance to support the economy amid these trying and uncertain times. The announcement brings much needed immediate relief to borrowers across sectors. We further expect additional special relief packages to be provided to the sectors worst affected such as aviation and tourism," he said.

The moves will be a relief to the realty sector, which has been struggling with high levels of unsold inventory.

“The 75 bps cut would give a big boost to demand for credit appetite among new home buyers to avail housing loan, resulting in growth of the real estate sector. The moratorium on term loans would provide relief for the real estate sector to focus more on the operational requirement and recalibrate the business strategies," said Kamal Khetan, chairman and managing director, Sunteck Realty Ltd.

India Inc seeks more regulatory relaxations to face lockdown blues

Hindu Businessline, New Delhi March 29, 2020

To cope with the adverse economic impact of the coronavirus-induced lockdown, India Inc has sought a slew of regulatory relaxations, including extending the financial and tax year upto June 30, extension of timelines for CSR spending and more time for appointment of women and independent directors.

These formed part of the suggestions that came at a video conference that Corporate Affairs Secretary Injeti Srinivas had with the top brass of Confederation of Indian Industry (CII), FICCI, Assocham and PHDCCI, sources said.

Relaxation of board rules

CII Director-General Chandrajit Banerjee, had admitted that there was a need to relax few more provisions in addition to the several initiatives already taken by the MCA post the lockdown announcement.

These include allowing companies to pass circular resolutions for restricted matters without the requirement of conducting a board meeting for approval for a period up to June 30.

CII has also now made a case for relaxation of mandatory requirement of holding a meeting in case of appointment of directors, including independent directors, in casual vacancy.

Also, in view of a complete lockdown, it may not be possible even for the IT and administrative staff to go to office to facilitate recording of the video conferencing. In such a situation, the MCA may temporarily dispense the requirement of recording, the CII has suggested.

On stamp duty, CII has suggested that the government may consider an online system for payment of stamp duty and receipt of an online certificate of such payments, which can be used as evidence of due payment of stamp duty for both issuance and transfer of shares.

CII has also called for extension of date for utilisation of CSR spends to June 30.

Extensions sought

On its part, PHD Chamber of Commerce and Industry (PHDCCI), represented by SP Sharma, Chief Economist, has made several suggestions including extension of financial year and tax year till June 30. It has also called for extension in registration of independent directors for database and for appearing for exams.

The chamber has also suggested relaxation of provisions in company law to enable companies donate more than 5 per cent of average net profit of last three years (for fighting Covid-19) without holding an EGM of shareholders.

The MCA has already relaxed several procedures to ensure corporate actions and work is unhindered. Besides allowing video conferencing for board meetings, the MCA had announced moratorium from April 1 to September 30 in respect of any ROC filing. It had also waived off additional fees and relaxed mandatory requirement of holding two board meetings with a gap of 120 days up to September 30.