

COMPLIANCE AND REPORTING AFFECTED

Many Unlisted Cos Face Glitches on MCA Portal

Cos already in violation of filing rules, stare at auditor red flags & fines

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New Delhi: A number of unlisted companies are encountering business impediments as the portal of the Ministry of Corporate Affairs (MCA) continues to face glitches.

Market participants who spoke with ET said several of these companies were already in violation of the filing rules, as they could not submit the forms due to the portal issues.

The MCA has transitioned to a new version of the portal, V3, from V2 last year and this is the first major filing season when companies are required to use the updated portal.

Compliances related to disclosure of private placements, appointment of directors and creation of charge documents are among the major categories that have not been completed as the portal continues to face glitches, making uploading of forms difficult, said compliance experts.

Due to the delay in filings, these companies are now staring at the possibility of auditor red-flags and fines, they added.

Auditors are required by law to red flag any failure in compliance as specified under the Companies Act.

To alleviate the issue, the MCA on January 23 extended the timeline for filing of 46 different forms by 15 days.

While this may give additional time for companies to comply, business continuity is impacted until the portal issue is resolved, according to experts.

Technology company LTI-Mindtree is the developer of

Filing Troubles

Companies unable to file several key forms on MCA portal

Delays creating business impediments

MCA already gave 15-day timeline extension



Forms most impacted and their use:

PAS-3: Return of allotment (capital raising)

SH-7: Alteration of capital structure

MGT-14: Reporting of certain corporate resolution



this new MCA portal.

Email sent to the MCA remained unanswered as of Monday press time.

In response to queries sent by ET, an LTI-Mindtree spokesperson said: "We wish to clarify that the state-of-the-art MCA21 portal is working fine. The latest version of the portal incorporates several critical controls and validations. Users must fully adapt to them for seamless regulatory filings".

"We are working closely with MCA on a phased rollout of the latest version. The portal has registered 1.6 million filings in the last one year alone, far higher than the number for the corresponding period of last year," the spokesperson added.

"MCA can only reduce the non/belated filing-related impact but cannot resolve the issues which are causing major impediments to business operations such as filing of PAS-3, SH-7 and MGT-14," said Vishwas Panjiar, partner, Nangia Andersen. "An extended deadline/fee waiver cannot resolve the real underlying business-related issues being faced at the ground level, since non-filing of various forms can

delay the fund infusion and/or utilisation which can bring the entire business to a grinding halt," he said.

To understand the issue, consider one of the forms used by companies: PAS-3, otherwise called 'Return of allotment'.

When a company raises capital and allots fresh shares, this form needs to be filed on the MCA portal within 30 days and only then can it use the proceeds. Since companies are unable to submit the form, they are unable to use the proceeds of fundraising for now, experts said.

"The MCA21 portal hasn't been working for quite a few weeks, affecting compliance and reporting by companies and LLPs," said Gaurav Pingle, founder of Pingle & Associates – a company secretary firm. "Many event-based compliances are delayed, and additional fees are levied due to technical glitches on the MCA21 v3 portal."

The founder of a Bengaluru-based fintech startup told ET that his company had attempted to make the regulatory filings since January 23 but had not been fully successful as of Monday.

For full report, go to www.economictimes.com

