

Covid-19 impact: MCA extends deadline for creation of deposit repayment reserve till December

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With the country still grappling with Covid-19 challenges, the Corporate Affairs Ministry (MCA) has yet again come to the aid of Corporate India, extending by three more months the deadline for compliance with creation of a deposit repayment reserve. It has also extended by three months the timeline for investment of a portion of their maturing debentures in 2020-21 in specified liquid instruments.

As against the earlier specified deadline of September 30, the MCA has now given three more months that is up to December 31, for the compliance. This is third time the timelines are getting extended — the first time being on March 24 when MCA allowed the compliance to be done by June 30. This was followed by an extension till September 30.

Under company law, India Inc would have had to create by April-end a deposit repayment reserve of 20 per cent of deposits maturing during fiscal 2020-21. Corporates are also required to invest or deposit at least 15 per cent of the amount of maturing debentures during the financial year in liquid instruments.

With the extension of timeline for this compliance, India Inc will get to use their deposits and resources efficiently for the benefit of their employees and their sustenance.

This is expected to ease the liquidity crunch being faced by entities amid the ongoing Covid-19 disruption.

The latest move is among the series of steps that the MCA had taken post the Covid-19-induced lockdown from March 25 to soften the compliance blow on Corporate India.

It may be recalled that the MCA had, in the wake of the Covid-19 pandemic, allowed corporates to hold virtual board meetings, virtual annual general meetings and extraordinary general meetings to conduct urgent business.

Aseem Chawla, Managing Partner, ASC Legal, a law firm, said the Ministry move acknowledges the possible constraints which have arisen in such difficult times and thereby a further dispensation of three months has been granted and the stipulated compliance timeline of September 30 has been extended to December 31.