

MCA21 Version 3.0: Govt's automated system to keep an eye on firms

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Financial ratios of companies such as debt to turnover, inventory to turnover, or loan to assets will soon come under closer government scrutiny through an automated system under the soon-to-be-launched portal MCA21 Version 3.0.

The central scrutiny centre being set up by the government will pull up companies if it detects any suspicious activity based on a list of parameters that are being finalised by the Ministry of Corporate Affairs (MCA), a senior official told Business Standard.

The mechanism will flag these indicators, designed around typical ratios, and issue a warning if there are lapses in information. L&T Infotech will operate the new version.

“There are companies, for instance, which do no business at all and yet have huge debt on their books. The system will generate a warning for a range of parameters and an explanation will be sought from the company. Further action will be taken depending on the outcome,” the senior government official said.

The government is also hoping that the findings will help build a risk profiling system for companies. The central scrutiny centre will be the first port of call once a warning is triggered. The matter would then be handed over to the registrar of companies for further investigation. MCA will also set up a new position of registrar of the central scrutiny centre.

In an earlier statement, MCA had said a scrutiny cell would examine certain straight through process forms.

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Industry experts say the new mechanism could mark a shift in the corporate affairs ministry's profile, as it would be able to act with greater precision against errant companies. “MCA wants to move from a clerical role of approving files and forms to the role of enforcer of the law. It is a step in a good direction since the government can focus on actual problem areas and improve corporate governance. When you start enforcing, companies will all fall in line,” an industry expert said. An earlier statement by MCA described the new portal as a technology-driven project that would have a micro-services architecture with high scalability and capabilities for advanced analytics. A compliance management system or CMS for identifying non-compliant companies and LLPs, a mechanism for issuing e-notices to defaulting entities and generating alerts for internal users will be built into the portal. Officials describe CMS as a system that will send an alert only if there is a default. The mechanism under the scrutiny centre is expected to be better at pointing out suspicious activities.

MCA had also set up the central registry centre for speedy incorporation of a company by automating processes in 2016.