



New Act

New Challenges

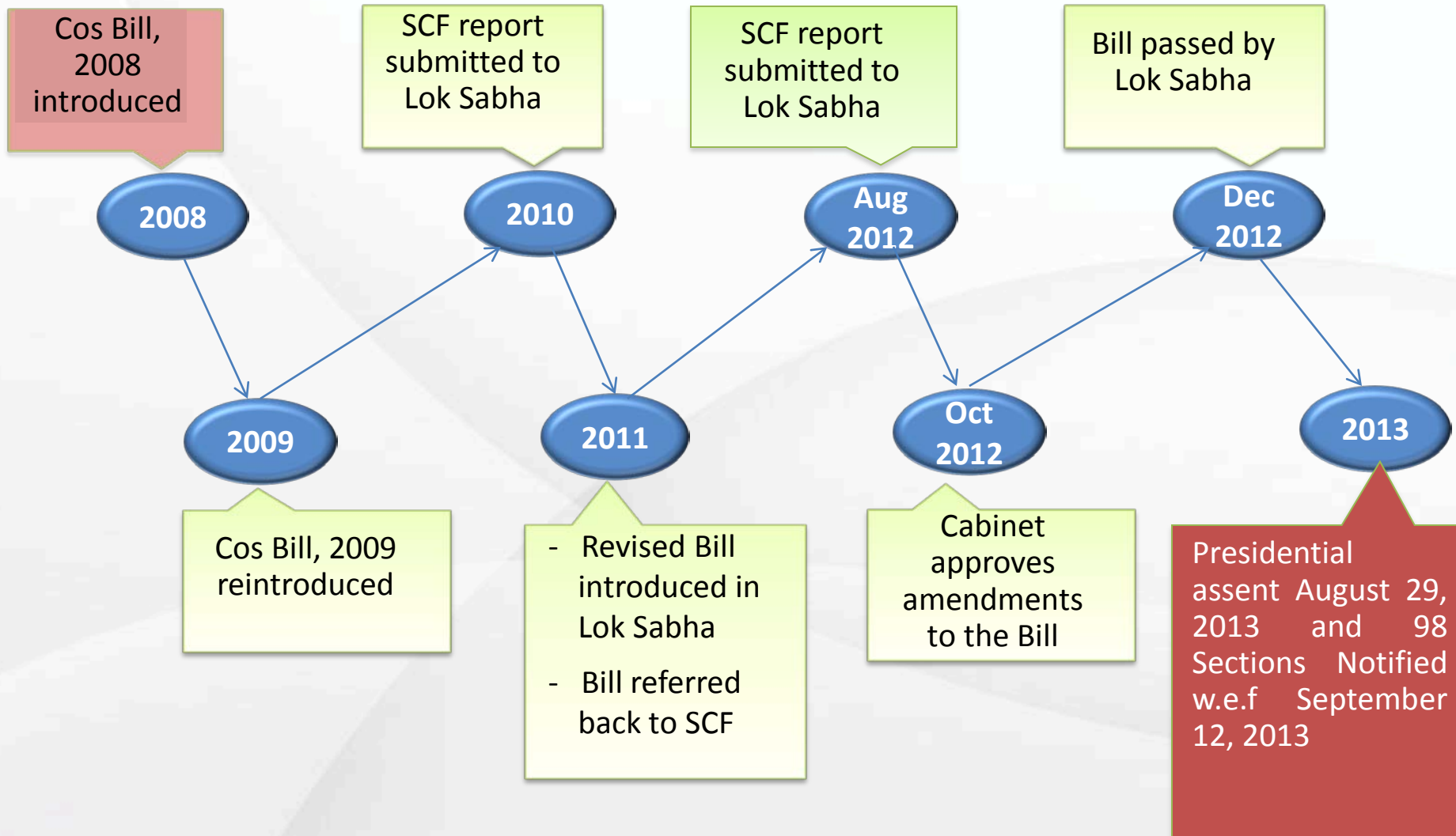
New Compliances

New Opportunities

The Companies Act, 2013 Impact on Private Companies & Independent Directors

CA Gautam Shah
Khimji Kunverji & Co

Passage of Co' s Bill



Structure

**The Companies
Act, 1956**

**13 Parts
658 Sections
15 Schedules**

**The Companies
Act, 2013**

**29 Chapters
470 Sections
7 Schedules**

In approx. 75% of the Sections the words “to be specified” or “as may be prescribed” has been used

Agenda for Today's Meeting

1 Independent Directors

2 Private Companies

Independent Directors



Independent Directors

1956 Act	2013 Act
<p>No specific provision with respect to Independent Director</p> <p>Applicable to Listed Co as per SEBI Regulations</p>	<p>Concept of ID introduced [Section 149 rwr 11.3]</p> <ul style="list-style-type: none">▪ All Listed Co & other Public Co having, at least Rs 100 Cr paid up capital or Borrowings (including Debentures & Deposits) Rs 200 Cr to have 1/3rd of directors as ID▪ IDs not liable to retire by rotation▪ Term of appointment for 5 consecutive years, not more than 2 consecutive terms (cooling 3 years)- effective prospectively▪ IDs may be selected from data bank maintained by notified institute or association [Section 150 rwr 11.4]▪ Definition of ID widened compared to Corporate Governance Code – see next slide

Independent Directors

Companies Act, 2013 also requires:

- Atleast 1 independent director in CSR Committees (applicable to co.s with a netprofit of > Rs 5 crores OR networth of > Rs500 crores OR turnover of > Rs1000 crore)
- Majority of directors in Audit Committees to be Independent Directors (applicable to Listed Cos and Cos prescribed by Central Govt)
- $\frac{1}{2}$ of directors in Nomination & Remuneration Committee to be Independent Directors (applicable to Listed Cos only)

Independent Directors

- In the **opinion of the Board** - Person of **integrity** and possess relevant **expertise** and **experience** (Section 149 r w r 11.3)
- Is **not Related** to - the promoters or directors, its holding, subsidiary or associate company
- Should **not have or had any pecuniary relationship** with - the Co, its holding, subsidiary or associate Co, or their promoters, or directors, during the 2 immediately preceding FY or during the CFY
- None of the **relatives has or had pecuniary relationship or transaction** with - the Co, its holding, subsidiary or associate co., or their promoters, or directors, amounting to **2% or more** of Cos gross turnover or total income or **Rs50 lac or such higher amount** as may be prescribed, whichever is lower, during the 2 immediately preceding FY or during the current FY
- Neither himself nor any of his relatives **should hold or have held the position of a KMP or is or have been employee of the Co**, or its holding, subsidiary or associate co. in any of the 3 FY immediately preceding the FY

Independent Directors

- Neither himself nor any of his relatives is or should have been an employee or proprietor or a partner, in any of the three financial year preceding the financial year, of:
 - A **firm of auditors or co secretaries in practice or cost auditors** of the company or its holding, subsidiary or associate or
 - Any **legal or a consulting firm** that has or had any transaction with the co., its holding, subsidiary or associate co. amounting to 10% or more of the gross turnover of such firm
- Should not hold together with his relatives **2% or more** of the total voting power
- Should **not be a Chief Executive or director by whatever named called, of any non-profit organization** which receives 25% or more of its receipts from the company, any of its promoters, director or its holding, or subsidiary or associate co. or that holds 2% or more of the total voting power of the company
- **Nominee director is not an Independent Director**

Independent Directors

Gist of ID's Code of Conduct – Schedule IV

Guidelines of professional conduct, Role, functions and Duties

To follow ethical standards and ensure independence in all act. Review performance of management, devote sufficient time and not to abuse his position for personal interest

Manner of appointment

- Process to be independent of co's management and to be approved at the meeting of shareholders.
- Terms and conditions of appointment of Independent Directors shall also be posted on the Company's website

Separate meetings of ID

- To review performance of Non-independent Directors and Board
- Review the performance of the Chairperson
- Assess the quality, quantity and timeliness of flow of information between the Company's management and the Board

Evaluation mechanism

Performance of ID to be reviewed by other Board Members and to decide whether to extend or continue terms of appointment

Independent Directors

Officer in Default

1956 Act – ID not covered under “officers in default” and hence did not impose any liability on them for the actions of the board

2013 Act – ID covered under “officers in default” and provides for liability of ID. However, such liability is **limited to acts of omission or commission by a Company which had occurred with his knowledge**

Related Party Transactions

All Related Party Transactions to be pre-approved by Audit Committee.

Board approval or SR in GM, where transactions are not in ordinary course of business or not at arm’s length – This makes IDs primarily responsible for assessment of RPT

Insider Trading

Refrain from forward dealing/buying options in shares/debenture of Co/ Holding Co/ Subsidiary/ Associate

Not to indulge in any form of insider trading or counselling

Penalties : (i) Imprisonment up to 5 years, (ii) Fine upto 25 Crore or 3 times profit made whichever is higher or both of above

Independent Directors

Mismanagement

Member or depositor may notify the tribunal, if the Company's conduct is prejudicial to their interest

For Fraud or unlawful or wrongful act, or improper or misleading statements, Class Action Suit can be filed on:

- Company or its Directors
- Auditor/audit Firm
- Expert/ Advisor/ Consultant

Class action suit can be filed by

- 100 or 10% of total number of members or depositors
- Members holding more than or equal to 10 % issued share capital
- Depositor holding more than or equal to 10% outstanding value of deposit

Private Companies

- Company Formation and Structure
- Directors and Meetings
- Investments, Loans and Deposit
- Accounts and Audit
- Other Points



Company Formation and Structure

Definition of Private Company

Co's Act 2013 : Section 2(68)	Co's Act 1956 : Section 3(1)(iii)
No of Members – 200	No of Members – 50
Prohibits any invitation to the public to subscribe for any securities of the company	Prohibits any invitation to the public to subscribe for any shares in, or debentures of, the company
No such clause in definition – Now covered under S/73 and 74. This gives more restriction. Discussed in coming slides	Prohibits any invitation or acceptance of deposits from persons other than its members, directors or their relatives

Company Formation and Structure

Commencement of Business (Not yet notified)

Co's Act 2013 : Section 11	Co's Act 1956 : Section 149
Applicable to Pvt Cos also	Applicable only to Public Co

Sec 11(1)

Co. having a share capital not to commence any business or exercise any borrowing powers unless :

- Declaration filed with the ROC that every subscriber to the MOA has paid the value of the shares agreed to be taken by him and paid up capital of the Co is not less than 1 Lac
- Co. has filed with ROC, verification of its Registered office

Sec 11(3)

If declaration is not filed within 180 days of incorporation and ROC has reasonable cause to believe that the co. is not carrying on any business or operations, it may, initiate action for the removal of the name of the company from the Register of Co.'s.

Company Formation and Structure

Further Issue of Share Capital (Not yet notified)

Co's Act 2013 : Section 62

Co's Act 1956 : Section 81

Applicable to Pvt Cos also

Applicable only to Public Co

Right Issue:

- Offer of proportionate number of shares to existing shareholders
- Time period for accepting offer : between 15 days to 30 days
- Right to renounce the shares offered to any other person
- After expiry of time or decline of shares offered by member : BoD to dispose off same in such manner which is **not disadvantageous** to the **Shareholders** or Company **Earlier** it was to be disposed of in manner **“most beneficial to the co.”**

Employee Stock Option:

- Subject to Special Resolution and Conditions as may be prescribed

Company Formation and Structure

Issue other than Rights and Stock Option :

- to any person if authorised by Special Resolution;
- at a **price to be determined by REGISTERED VALUER &**
- subject to other conditions as may be prescribed

Debenture and Loan from Government

- Any debentures have been issued or loan has been obtained from any Government, and if that Government considers it necessary in the public interest, it may, by order, direct for conversion of same into shares in the company on reasonable terms and conditions
- Mention of conversion is not mandatory in terms of debentures or loan

S/81(1A)(b) of Co's Act 1956

- If the approval was given by simple majority, CG could have allowed the issue if it was shown to be most beneficial to the Company.
- Such option is removed in the new act

Company Formation and Structure

Restrictions on Kinds of Capital that can be issued (Not yet notified)

Co's Act 2013 : Section 43	Co's Act 1956 : Section 86
Applicable to Pvt Cos also	Applicable only to Public Co

No change as compared to 1956 Act but now its applicable to Private Companies Also

The share capital of a company limited by shares shall be of two kinds, namely:—

- (a) equity share capital
 - (i) with voting rights; or
 - (ii) with differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed; and
- (b) preference share capital

Directors and Meetings

Loan to Directors Etc... (Notified on 12th September 2013)

Co's Act 2013 : Section 185	Co's Act 1956 : Section 295
Applicable to Pvt Co also	Applicable only to Public Co

No company shall advance any loan or give any guarantee or provide any security in connection with any loan taken:

- Any of its directors or
- To any other person in whom the director is interested:

Individual	Firm	Pvt Co	Any Body Corporate
Director	In which Director is Partner	In which Director is Member	Not less than 25% voting power – any director or directors together
Director of Holding Co	In which relative is partner	In which director is director	
Relative of Director			Board accustomed to act in accordance with direction of director or directors

Directors and Meetings

S/185 Loan to Directors Etc... (Notified on 12th Sep 2013)

- Under the existing act, prohibited loans/guarantees can be made with the approval of CG, No CG approval necessary and prohibited loans can not be given
- No specific provision/exemption with regard to loan given by holding company to its subsidiary
- Section not applicable for loan given to MD or WTD if such loan is in accordance with the terms of services extended to all employees or is approved by shareholders by SR
- Not applicable if a Co. in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan and in respect of such loans an interest is charged at a rate not less than the bank rate declared by the RBI

Directors and Meetings

Directors Disqualification

Co's Act 2013 : Section 164(2)

Co's Act 1956 : Section 274(1)(g)

Applicable to Pvt Co also

Applicable only to Public Co

No person who is or has been a director of a **Company** which : (earlier this was Public Company)

(a) has not filed financial statements or annual returns for any continuous period of three financial years; or

(b) has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so.

Directors and Meetings

Passing of Resolution by Postal Ballot (Not yet notified)

Co's Act 2013 : Section 110	Co's Act 1956 : Section 192A
Applicable to Pvt Co also having more than 50 members	Applicable only to Public Co

Following items of business shall be transacted only by means of voting through a postal ballot-

- Object Clause Alteration
- Articles of Association Alteration
- Change in Registered Office
- Change in utilisation of funds raised by Company
- Issue of shares with differential voting rights
- Variation in the rights attached to shares or debentures
- Buy back of shares
- Election of small shareholder's director
- Sale of undertaking

Directors and Meetings

Non Cash transactions with Directors (Notified 12/09/13)

Co's Act 2013 : Section 192	Co's Act 1956 : N/A
Applicable to all Companies	No such provision

Sec. 192(1)

A Director of Company, its Holding Co., Its Subsidiary or its Associate (including a person connected with him) **cannot purchase or sell assets for a consideration other than cash from the Company**

Exception

Prior approval by a resolution of the Co in the GM & of the Holding co if the Director or the connected person is a Director of Holding Company

Directors and Meetings

Interested director not to participate or vote in Board's proceedings (Not yet notified)

Co's Act 2013 : Section 184

Co's Act 1956 : Section 300(2)

Applicable to Pvt Cos also

Applicable only to Public Co

Appointment & tenure of Managing Director (Not yet notified)

Co's Act 2013 : Section 196 & 203

Co's Act 1956 : Section 296(2) & 317

Applicable to Pvt Cos also

Applicable only to Public Co

- Age limit of 21 to 70
- If age > 70, approval by SR, No further approval of the CG necessary
- MD and Manager both cannot be appointed in same Company
- Term of MD for 5 years

Directors and Meetings

Consent to act as director to be filed with the ROC (Not yet notified)

Co's Act 2013 : Section 152

Co's Act 1956 : Section 264(3)

Applicable to Pvt Cos also

Applicable only to Public Co

Length of Notice of GM, explanatory statement etc.. (Not yet notified)

Co's Act 2013 : Section 101

Co's Act 1956 : Section 171-186

Applicable to Pvt Cos also

Applicable only to Public Co

- 21 days prior notice
- Short period notice – if consent of not less than 95% members
- Every notice of a meeting shall specify the place, date, day and the hour of the meeting and shall contain a statement of the business to be transacted at such meeting

Directors and Meetings

Powers of Board of Directors

1956 act (Sec 293)	2013 act (Sec 180) (Notified on 12/09/2013)
Restriction on powers of the Board applied only to Public Companies	Applicable to all Companies. Exemption to Private Cos taken away
Required ordinary resolution to exercise certain powers	Required special resolution to exercise certain powers—Sell, lease, Disposal of Undertaking. Investments & borrowings.
expression “undertaking” and substantially the whole of the “under-taking” used- not defined	180(1) undertaking means an undertaking in which the investment of the Co. > 20%. of its net worth as per the audited balance sheet of the preceding F/Y or an undertaking which generates 20% of the total income of the company during the previous F/Y Substantially the whole of the undertaking in any financial year shall mean 20% or more of the value of the undertaking as per the audited balance sheet of the preceding F/Y

Directors and Meetings

1956 act (Sec 293)

Approval required for contributions to charitable and other funds not directly relating to the business of the Co or the welfare of its employees exceeding the limit specified

2013 act (Sec 180)

Now approval not required

Directors and Meetings

S/ 173 of the Companies Act, 2013

- First board meeting to be held within 30 days of incorporation
- Time period between two board meeting shall not exceed 120 days, and a minimum of one board meeting to be held every quarter
- Notice of board meeting to be sent 7 days in advance to all directors unless the directors consent obtained to convene meeting at a shorter notice
- Director to be present in at least one board meeting during a calendar year. Rule 12.1 – Presence through video conference to be counted for quorum

Directors and Meetings

S/ 149

- Maximum no of directors 15 (earlier 12). Can increase by SR in GM.
- Minimum one director must be present in India for a period of 182 days or more in previous calendar year

S/160

- Appointment of person other than retiring director need to deposit INR 100,000. This will be refunded on appointment or on getting 25% valid votes

S/152 & 156

- DIN and consent is mandatory prior to appointment as Director

S/168

- Resignation of director is effective from later of date on which the notice is received or date specified
- To give detailed reason in the resignation letter and file with ROC with in 30 days

Report of Board of Directors

Additional Items required to be given in report of board of Directors:

- The extract of the annual return
- Particulars of loans, guarantees or investments in subsidiaries as provided in sec. 186
- Particulars of contracts or arrangements with related parties with rationale for arms length pricing as stated in sec. 188
- A statement indicating development and implementation of risk management policy for the company which in the opinion of the Board may threaten the existence of the company

Additional Items required to be given in director responsibility statement:

- Details about policy developed and implementation of CSR policy
- Directors had devised proper system to ensure compliance with the provision of all applicable laws and that such systems were adequate and operating effectively
- Such other matters as provided in the Rules notified by the Government

Investments, Loans and Deposit

Intercompany Investments and Loans (Not yet notified)

Co's Act 2013 : Section 186

Co's Act 1956 : Section 372A

Applicable to Pvt Cos also

Applicable only to Public Co

186 (2)- No company shall directly or indirectly — **(No change)**

- a) give any loan to any person or other body corporate;
- b) give any guarantee or provide security in connection with a loan to any other body corporate or person; and
- c) acquire by way of subscription, purchase or otherwise, the securities of any other body corporate,

exceeding 60% of its paid-up S/C, free reserves and S.P account or 100% of its free reserves and S.P account, whichever is more

If exceeds the limits then prior approval by SR in GM shall be necessary

Investments, Loans and Deposit

Additional Changes:

- Under the existing act, no loan shall be at a ROI **lower than the prevailing bank rate** being the standard rate made public under section 49 of the Reserve Bank of India Act, 1934
- As per the new provisions of the act, no loan shall be given at a ROI lower than the **prevailing yield of 1 year, 3 year, 5 year or 10 year G-sec closest to the tenor of the loan**
- **Additional disclosure in financial statements-** full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient of the loan or guarantee or security
- Restriction on **layers of subsidiaries** to two layers except for subsidiaries outside India or if required by law

Investments, Loans and Deposit

Deposit from members (Not yet notified)

Co's Act 2013 : Section 73 & 74

Co's Act 1956 : Section 58A

Applicable to Pvt Cos also

Applicable only to Public Co

New Stringent conditions prescribed

S/73 of the Companies Act, 2013 say? (Section 73) (Not yet notified)

Cos (including private Cos excluding banks & NBFC) subject to the passing of resolution in GM & such rules as may be prescribed in consultation with the RBI, accept deposits from its members if the following conditions are fulfilled:

- Issuance of circular to members containing necessary details
- Files a copy of such circular with the RoC within 30 days
- maintenance of 15% liquid deposits
- deposit insurance
- Details/description of security, if any

Investments, Loans and Deposit

Transitional provision for repayment of existing deposit contained in Sec. 74 (within 1 year or maturity whichever is earlier & statements of O/s deposits to be filed with RoC within 3 months)

Accounts and Auditor

Definition – Financial Statements

Balance Sheet

P&L Account OR
Income &
Expenditure Account

Cash Flow
Statement

Statement of
changes in equity,
if applicable

Any other
explanatory note

Included in Financial Statements
[Section 2(40)] (**Notified on 12th
September, 2013**)

Provided that the financial statements, with respect to One Person Company, small company and dormant company, may not include the cash flow statement

Definition – Subsidiary Company

In relation to any other company (that is to say the holding company), means a company in which the holding company—

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the **Total Share Capital** either at its own or together with one or more of its subsidiary companies:

Subsidiary shall include **associate and joint venture**

The words ‘total voting power’ (as in case of AS-21) have been replaced by total share capital

Inclusion of ‘Associate’ or ‘JV’ in definition of Subsidiary- this may give rise to some practical issues

Definition – Associate Company

Associate Company [Section 2(6)] (Notified on 12th September, 2013)

– in relation to another Company, means a company in which other Company has ‘significant influence’ but which is not subsidiary.
Associate includes a joint venture Company

Moreover, significant influence is defined to mean control of at least 20% of share capital or of business decisions under an agreement

The above definition is not in sync with AS-23 and raises questions like:

- Control over at least 20% of total capital (& not voting power)?
- If Associate includes JV – whether Consolidation of JV to be done as Associate?

Definition – KMP [Section 2(51)]

Key Managerial Personnel [Section 2(51)] (Notified on 12th September, 2013) - in relation to a company, means

The CEO or the MD or the Manager

Company Secretary

Whole – time Director

CFO

Any other prescribed officer

As per AS – 18:

KMP means those persons who have the authority and responsibility for planning, directing and controlling the activities of the reporting enterprise

Accounting Year

What does the Companies Act, 1956 say ?

- No specific Provision

What does the Companies Act, 2013 say ? [Section 2(41) & 128]

(Not yet notified)

- All companies shall have to follow uniform accounting year ending 31st March of every year
- Existing companies (following FY other than April-March) will have to comply within period of 2 years when the Bill becomes Act
- Exemption can be claimed in respect of foreign subsidiary companies which are required by the laws of foreign countries to adopt different accounting year, by applying to the tribunal

Liberty of company having smaller or larger FY than 12 months seems to have been taken away

Depreciation



1956 Act

- s. 350 & Sch XIV read with AS 6
- 95% of original cost to be depreciated over specified period
- Low value items - fully depreciated
- Separate rates for Intangibles/electricity companies/EST etc



2013 Act

- Schedule II provides useful Lives of assets and no rates (SLM or WDV)
- The balance of WDV to be depreciated as per provisions of this schedule
- No provision for low value items or rates for intangibles
- Schedule Rates for some items like Building, Furniture etc are different

Carrying values of FA to be depreciated as per the new Act

Depreciation

Some significant Changes

Asset	Rate of Depreciation 1956 act	Useful Life 1956 act	Useful Life- 2013 Act	Longer life/ (Shorter life)
Continuous Process Plant	5.28	18.94	8	-10.94
Plant & Machinery	4.75	21.05	15	-6.05
General Rate for furniture & fittings	6.33	15.80	10	-5.80
Electrically Operated Vehicles	7	14.4	8	-6.14
Purely temporary erections	100	1	3	-2
Furniture & fittings used in hotels etc...	9.5	10.53	8	-2.53

Bonus Share – Revaluation Reserve

Cos Act 1956

No provision on issue of bonus shares by Companies except Table A mentions about capitalization of profits and reserves; but it does not specially prohibit capitalization of revaluation reserve

In Bhagwati Developers Vs peerless General finance and Investment Co. (2005), SC held that and unlisted company can issue bonus share out of Revaluation Reserve

Co Act 2013

Section 63 (**Not yet notified**)- A Company may issue fully paid-up bonus shares to its members, in any manner whatsoever, out of—
(i) its free reserves; (ii) the securities premium account; or (iii) the capital redemption reserve account

Provided that **no issue of bonus shares shall be made by capitalizing reserves created by the Revaluation of assets**

Consolidated Financial Statements (CFS)

Section 129: (Not yet notified)

- CFS to be prepared by the Holding Co. in the same form and manner, as that of its own by all Companies **whether listed or not, whether public or private**
- CFS shall also be laid before AGM of the Holding Co. for approval. Therefore, Auditor's report on CFS will have to be addressed to members
- Holding Co. to attach with its financial statement, a separate statement containing **the salient features of the financial statement** of its subsidiaries, in **to be prescribed form**. (Presently S. 212)
- **Schedule III (earlier Sch VI) contains separate "general instructions" in relation to CFS and requires disclosure of a statement of particulars to be given as part of CFS**
- **Minority Interest in CFS Balance Sheet to be shown separately from Equity of Parents**

Appointment of Auditors

What does the Companies Act, 1956 say ? (Section 224) :

- Auditor is appointed on an annual basis and holds office only till the conclusion of **next AGM**

What does the Companies Act, 2013 say ? [Section 139 (1)] : (Not yet notified)

- Company will appoint auditor at its first AGM. The auditor so appointed will hold its office till the conclusion of the **sixth AGM**. The matter related to such appointment will be placed for **ratification** at each AGM
- Where at AGM, no auditor is appointed/re-appointed, the existing auditor shall continue to be the auditor of Company [139(10)]
- Members of a Company **may** resolve to rotate audit partners and audit team **at such intervals as may be resolved by members** or audit to be conducted by more than one auditor [139(3)]

Rotation of Auditors

S/139(2) the Companies Act, 2013 (Not yet notified)

Listed company and all other companies **excluding OPC and small companies (as per draft rules)**

- an individual as auditor for more **than 1 term of 5 consecutive years**; and
- an audit firm as auditor for more than **2 terms of 5 consecutive years**

Existing companies have to comply with the requirements within 3 years from the date of commencement of the Act

As per Rules – Its applicable retrospectively i.e. period for which auditor holding office prior to commencement of Act shall taken into account to count 5 years/ 10 years.

Prohibition on Auditors

Auditor **not to render, directly or indirectly, following services** to the Company or its Holding Company or Subsidiary Company or Associate Company:

- a) Accounting and book keeping services;
- b) Internal audit;
- c) Design and implementation of any financial information system;
- d) Actuarial services;
- e) Investment advisory services;
- f) Investment Banking;
- g) Any other financial services;
- h) Management services; and
- i) any other kind of services as may be prescribed

Related Party Transaction

1956 Act

- Limited scope of transactions and persons covered under Co Act (S. 297)
- Prior approval of CG required in case paid-up capital exceeds INR 10 million (INR 1 Crore)

2013 Act

- Enhanced scope of transactions (includes property lease and sale also)
- Enhanced scope of related parties to include KMP and relatives, directors with certain shareholding, persons in advisory capacity (other than professional advice) to board
- Prior approval of shareholders by SR if: (Rule 12.14)
 - paid-up capital exceeds Rs 1 Cr
 - Trx exceeding higher of 5% of T/O or 25% of N/W as per last audited FS
 - Appointment exceeding Remuneration of Rs 1 Lac pm
 - Underwriting etc exceeding Rs 10 lac
 - **No member shall vote if he is related party**

Other Points

- Provisions relating to CSR is also applicable Private Companies if it satisfies following conditions
 - Net profit of Rs. 5 crore or more; or
 - Net worth of Rs. 500 crore or more; or
 - Turnover of Rs. 1000 crore or more;
- Delay in filings with ROC up to 270 days beyond the original date allowed with out prosecution on payment of additional fees
- Delays beyond additional time, attracts severe penalties
- Investigation into affairs of the Company by Serious Fraud Investigation Officer (S/212)
- Penalties and liabilities for non- compliances increase manifold
- Imprisonment provision in over 50 clauses

Key Takeaways

- Significant increase in Compliances by Private Company and strict penal provisions including imprisonment
 - May required full time compliance officer/ team
 - Cost of compliance with go up significantly
- Strict provision relating to Related Party Transactions, Loans, Investment and Deposit – Fund flow management needs to be strengthened
- Additional disclosures in Financial Statements, Cash-flow Statement, Consolidated Financials – Process for preparation of Financial Statements needs strengthening
- Auditor Rotation, No other services by Auditors – This will have impact since currently Auditor may provide many other services to the Company

**Wishing You
Merry Christmas and Very Happy
New Year Ahead.....!!**

Thank You

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