

The Companies Act, 2013 – “Opportunities” in Threats

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Introduction

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Companies Bill 2012 passed by Lok Sabha on 18th December, 2012 and was passed by the Rajya Sabha on 8th August, 2013.

2

The Act comprised of **29 chapters, 470 Sections with 7 Schedules** as against 658 sections and 14 Schedules in the Companies Act, 1956

3

Substantively a **law based on Rules** (as may be prescribed). 1 to 5 trances of Rules for comments and 98 sections notified

In 470 Sections the word “as may be prescribed” has been used at around 336 places.

Professional Opportunities to grow exponentially

The changing national and international economic environment

- ❖ Exponential growth of the Indian economy
- ❖ Changes in the stakeholders' expectations
- ❖ Manifold Increase in Number of Companies

Year	No. of Companies
1956	30,000 approx
2013	11,00,000 approx (9.12 lakh active companies)

- ❖ The need of a legal framework was felt to enable the Indian corporate sector to adopt the best international practices in a globally competitive manner, fostering a positive environment for investment and growth.

New Concepts

- **33** New Definitions introduced in Section 2
- Private company to have a maximum of 200 members (earlier limit was upto 50). (Section 2 (68)) - One Person Company & Small Company allowed
- E-Governance – maintenance and allowing inspection of documents by companies in electronic form. (Section 120)
- Definition of independent Directors introduced. (Section 149 (5))
- In prescribed class or classes of companies, there should be at least **1 woman director**. (Section 149 (1))

Monitoring and Regulatory Authorities

- **National Financial Reporting**

NFRA

- **National Company Law Tribunal**

NCLT

- **Serious Fraud Investigation Authority**

SFIO

- **Investor Education and Protection Fund Authority**

IEPF

Opportunities



Opportunities

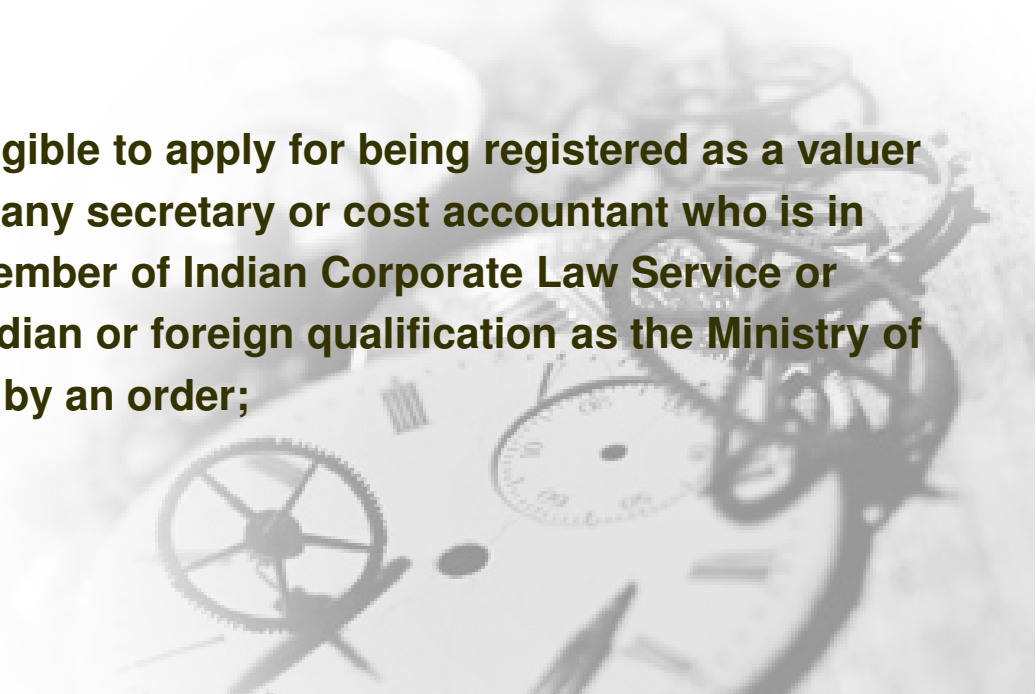
- Internal Audit (Section 138) - Rule 9.15 : Internal audit formally introduced
- The following class of companies shall be required to appoint an internal auditor or a firm of internal auditors:-
 - (a) every listed company ; (b) every public company having paid up share capital of Rupees ten crores or more; (c) every other public company which has any outstanding loans or borrowings from banks or public financial institutions exceeding twenty five crore rupees or which has accepted deposits of twenty five crore rupees or more at any point of time during the last financial year.
- The Audit Committee of the company or the Board shall, in consultation the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal



Registered Valuers (Section 247) Rule 17.2

Where any valuation is required to be made of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the provision of this Act , it shall be valued by a person having such qualifications and experience and registered as a valuer in such manner, on such terms and conditions as may be prescribed and appointed by the audit committee or in its absence by the Board of Directors of that company.

The following persons shall be eligible to apply for being registered as a valuer
(a) a chartered accountant, company secretary or cost accountant who is in whole-time practice, or retired member of Indian Corporate Law Service or any person holding equivalent Indian or foreign qualification as the Ministry of Corporate Affairs may recognise by an order;



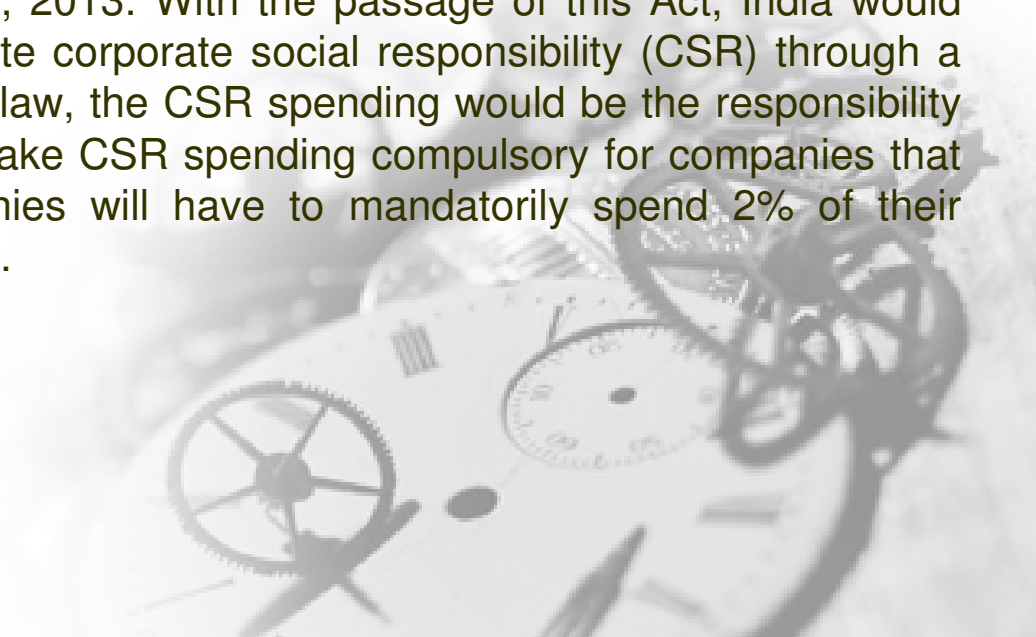
Opportunities

- **Provisional Liquidator (Section 275)**

For the purposes of winding up of a company by the Tribunal, the Tribunal at the time of the passing of the order of winding up, shall appoint an Official Liquidator or a provisional liquidator from the panel maintained by the Central Government as the Company Liquidator.

- **CSR Audit (Section 135)**

Corporate Social Responsibility (CSR) Obligations have been introduced under Clause 135 of the Companies Act, 2013. With the passage of this Act, India would become the first country to mandate corporate social responsibility (CSR) through a statutory provision. Under the new law, the CSR spending would be the responsibility of companies. The Bill, seeks to make CSR spending compulsory for companies that meet certain criteria. The companies will have to mandatorily spend 2% of their average net profit for CSR activities.



Mediation and Conciliation Panel

Rule 28.2 Qualifications of persons to be empanelled as experts under

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The following persons may be enlisted as experts in the panel of mediators/conciliators under Rule 28.1, namely:

(g) Professionals with at least fifteen years of continuous practice as Chartered Accountant or Cost Accountant or Company Secretary;



Thank You!