

# IMPORTANT LIMITS UNDER COMPANY LAW

## Old & new Syllabus

Amended upto 31<sup>st</sup> May 2019 as applicable for December 2019 exams

**Disclaimer:**

These notes have been prepared with due care but if some errors remains author is not responsible in any way. These are free notes to help general CS Executive student to get acquainted with the applicable amendments with exam orientation. For any clarifications, you can email us at [amittalada@gmail.com](mailto:amittalada@gmail.com). This document is released with an understanding that the Author shall not be responsible for any errors, omissions and/or discrepancies or actions taken in that behalf.

<p><b>SMALL COMPANY</b></p> <p><b>S &lt; 50 Lakhs</b> <b>AND</b> <b>T &lt; 2 Crores</b></p>	<p>Small company means a company, <b>other than a public company</b>, -</p> <p>(i) Paid-up share capital of which does not exceed <b>fifty lakh</b> rupees or such higher amount as may be prescribed which shall not be more than <b>Ten</b> crore rupees; <b>AND</b></p> <p>(ii) Turnover of which as per its last profit and loss account does not exceed <b>two crore</b> rupees or such higher amount as may be prescribed which shall not be more than <b>One Hundred crore</b> rupees;</p> <p>Provided that nothing in this clause shall apply to -</p> <p>(A) A holding company or a subsidiary company;</p> <p>(B) A company registered under section 8; or</p> <p>(C) A company or body corporate governed by any special Act.</p> <p><b>Clarification:</b> Please Note the higher limits of 10 Crores &amp; 100 Crores are for Central Government's power to increase in future. By keeping such higher limits CG does not have to take approval of Parliament upto such limit. So, Limits of 50 Lakhs &amp; 2 Crores are applicable.</p>
<p><b>SWEAT EQUITY SHARES</b></p>	<p><b>Yearly Limit:</b> A company cannot issue sweat equity shares <b>not more than 15%</b> of the existing paid up <b>equity share</b> capital in a year OR Shares of the <b>issue value</b> of 5 crores, whichever is <b>higher</b></p> <p><b>Cumulative Limit:</b> <b>25%</b> of paid up <b>Equity share capital</b> of the company <b>at any time.</b></p>
<p><b>EQUITY SHARES WITH DIFFERENTIAL VOTING RIGHTS</b></p>	<p>The shares with differential rights shall <b>not exceed 26%</b> of the total <b>post</b> issued paid up <b>Equity share</b> capital including the equity shares with differential rights issued <b>at any point of time.</b></p>
<p><b>ASSOCIATE COMPANY</b></p> <p><b>20% of Voting Power</b></p>	<p>As per Section 2(6), Associate Company in relation to another company, means a company in which that other company has a significant influence, but which is not a Subsidiary Company of the company having such influence and includes a Joint Venture Company.</p> <p>Explanation.—For the purpose of this clause,—</p> <p>(a) the expression "significant influence" means control of at least <b>twenty per cent.</b> of <b>total voting power</b>, or control of or participation in business</p>

	<p>decisions under an agreement;</p> <p>(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;</p>									
<p><b>MAXIMUM BUY BACK</b></p> <p><b>25% OF PUSC + FR (SP)</b></p>	<p><b>Board's Power:</b> The Board of Directors can buy back <b>not exceeding 10%</b> of total paid up Equity Capital and Free Reserves of the company by passing <b>Board Resolution</b>. (Free Reserves includes Securities premium for this section)</p> <p><b>Shareholder's Power:</b> The shareholders can buy back <b>not exceeding 25%</b> of the total paid up Capital and Free Reserves of the company by passing <b>SR in GM</b>. (Free Reserves includes Securities premium for this section)</p> <p><b>Yearly Limit:</b> buy-back of <b>equity</b> shares in <b>any financial year</b>, the reference to 25% in this clause shall be construed with respect to its total paid-up equity capital in <b>that financial year</b>;</p>									
<p><b>WOMEN DIRECTOR</b></p> <p><b>L</b></p> <p><b>S = 100</b></p> <p><b>T = 300</b></p> <p><b>2<sup>nd</sup> Proviso to Section 149(1)</b></p>	<p>The following class of companies must appoint at least <b>1 woman director</b> on its Board :</p> <p>(i) Every listed company;</p> <p>(ii) Every Other (Unlisted) <b>public</b> company having :-</p> <p>(a) Paid-up share capital of Rs.100 or more; or</p> <p>(b) Turnover of Rs.300 crore rupees or more.</p> <p><u>This Clause not applicable to Private Companies.</u></p> <p><u>Explanation.</u>- For the purposes of this rule, it is hereby clarified that the paid up share capital or turnover, as the case may be, as on the last date of latest audited financial statements shall be taken into account.</p>									
<p><b>SECRETARIAL AUDIT</b></p> <p><b>L</b></p> <p><b>S = 50</b></p> <p><b>T = 250</b></p> <p><b>Section 204</b></p>	<p>The following companies are required to do the secretarial audit :</p> <p>(a) Every listed companies; or</p> <p>(b) Every public company having a <b>paid - up share capital</b> of Rs.50 crore or more; or</p> <p>(c) Every public company having a <b>turnover</b> of Rs.250 crore or more.</p> <p><u>This Clause not applicable to Private Companies.</u></p>									
<p><b>CSR</b></p> <p><b>NP = 5</b></p> <p><b>NW = 500</b></p> <p><b>T = 1000</b></p> <p><b>Section 135</b></p>	<p>A CSR Committee is required to be constituted if a Company has:</p> <p>(a) Net worth of Rs.500 crores or more or</p> <p>(b) Turnover of Rs.1,000 crores or more or</p> <p>(c) Net profit of Rs.5 crores of more during <b>immediately preceding financial year</b>.</p> <p><b>There is no bifurcation of Listed or Unlisted, Public or Private.</b></p> <p><b>All types of Companies can be covered.</b></p>									
<p><b>DIRECTORS MIN/MAX</b></p>	<table border="1"> <thead> <tr> <th></th> <th>Minimum</th> <th>Maximum</th> </tr> </thead> <tbody> <tr> <td>OPC</td> <td>1</td> <td>15</td> </tr> <tr> <td>Private Company</td> <td>2</td> <td>15</td> </tr> </tbody> </table>		Minimum	Maximum	OPC	1	15	Private Company	2	15
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<p><b>Section 149(1)</b></p>	<table border="1"> <tr> <td>Public Company</td> <td>3</td> <td>15</td> </tr> <tr> <td>Producer Company</td> <td>5</td> <td>15</td> </tr> </table>	Public Company	3	15	Producer Company	5	15	<p>❖ IF MORE THAN 15 DIRECTORS ARE PROPOSED TO BE APPOINTED THEN, <b>SPECIAL RESOLUTION</b> IN GENERAL MEETING. (No Need of Special Resolution for Section 8 Companies)</p>
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<p><b>INDEPENDENT DIRCTORS</b> <b>Section 149(4)</b></p> <p>L S = 10 L = 50 T = 100</p>	<p>Following Companies are required to have Independent Directors:</p> <ol style="list-style-type: none"> <li>Every Listed Public Company (Minimum 1/3 of total number of Directors shall be independent)</li> <li>Unlisted Public company: (Minimum 2 Directors shall be independent) <ol style="list-style-type: none"> <li>Paid up share capital of Rs.10 crore or more; or</li> <li>Turnover of Rs.100 crore or more; or</li> <li>In aggregate, outstanding loans, debentures and deposits, exceeding Rs.50 crore.</li> </ol> </li> </ol>							
<p><b>AUDIT COMMITTEE</b> <b>Section 177</b></p> <p>L S = 10 L = 50 T = 100</p>	<ol style="list-style-type: none"> <li>Every listed Public Companies; or</li> <li>Unlisted public companies having: <ol style="list-style-type: none"> <li>Paid up Share capital of Rs.10 crore or more;</li> <li>Turnover of Rs.100 Crore or more;</li> <li>Aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rs.50 crore or more.</li> </ol> </li> </ol>							
<p><b>NOMINATION AND REMUNERATION COMMITTEE</b> <b>Section 178</b></p> <p>L S = 10 L = 50 T = 100</p>	<ol style="list-style-type: none"> <li>Every listed Public Companies; or</li> <li>Unlisted public companies having: <ol style="list-style-type: none"> <li>Paid up Share capital of Rs.10 crore or more;</li> <li>Turnover of Rs.100 Crore or more;</li> <li>Aggregate, outstanding loans or borrowings or debentures or deposits exceeding Rs.50 crore or more.</li> </ol> </li> </ol>							
<p><b>STAKEHOLDERS' RELATIONSHIP COMMITTEE</b> <b>Section 178</b> S/D/D &gt; 1000</p>	<p>A company has to constitute a "Stakeholders Relationship Committee" where such company has more than 1000 shareholders, debenture – holders, deposit – holders and any other security holders at any time during a financial year.</p>							
<p><b>INTERNAL AUDIT</b></p> <p>L U-PUBLIC D = 25 S = 50 L = 100 T = 200</p>	<p>Internal Audit applies to all companies as under :</p> <ol style="list-style-type: none"> <li>Every <b>listed</b> company;</li> <li>Every <b>unlisted</b> public company having : <ol style="list-style-type: none"> <li>Paid – up share capital of Rs.50 crore or more during the preceding financial year; or</li> <li>Turnover of Rs.200 crore rupees or more during the preceding financial year; or</li> <li>Outstanding loans from banks or public financial institutions exceeding Rs.100 crore or more at any point of time during the preceding financial year; or</li> </ol> </li> </ol>							

<p><b>U-PRIVATE</b> L = 100 T = 200</p> <p><b>Section 138</b></p>	<p>(d) Outstanding deposits of Rs.25 crore or more at any point of time during the preceding financial year; and</p> <p>3. Every <b>private</b> company having :</p> <p>(a) Turnover of Rs.200 crore or more during the preceding financial year; or (b) Outstanding loans from banks or public financial institutions exceeding Rs.100 crore or more at any point of time during the preceding financial year.</p>
<p><b>SITTING FEES</b> <b>(ALL DIRECTORS)</b></p>	<p>The maximum sitting fees payable to the <b>each director</b> for attending the Board Meeting or any committee meeting <b>shall not exceed Rs.1 lakh per meeting.</b></p>
<p><b>ROTATION OF</b> <b>AUDITORS</b> <b>Section 139(2)</b></p> <p>L <b>PUBLIC "S=10"</b> <b>PRIVATE "S=50"</b> <b>ALL "L=50"</b></p>	<p>Every <b>Listed Company</b> &amp; following classes of companies <b>excluding one person companies and small companies:-</b></p> <p>(I) all unlisted public companies having paid up share capital of rupees <b>ten</b> crore or more; (II) all private limited companies having paid up share capital of rupees <b>Fifty</b> crore or more; (III) all companies having paid up share capital of below threshold limit mentioned in (a) and (b) above, but having public borrowings from financial institutions, banks or public deposits of rupees <b>fifty</b> crores or more.</p>
<p><b>INTER CORPORATE</b> <b>LOANS AND</b> <b>ADVANCES</b> <b>Section 186</b></p>	<p>HIGHER OF:</p> <p>(i) 60% of (Paid up Share Capital + Free Reserves + Securities Premium) or (ii) 100% of (Free Reserves + Securities Premium)</p> <p>❖ If limit exceeds then, Special Resolution in General meeting.</p>
<p><b>BORROWING BY</b> <b>COMPANY</b></p> <p><b>DIRECTOR'S</b> <b>POWER TO</b> <b>BORROW</b></p> <p><b>Section 180(1)(c)</b></p>	<p>Money to be borrowing together with money already borrowed shall not exceed 100% of (Paid Up Share Capital + Free Reserves + <b>Securities Premium</b>)</p> <p>❖ If limit exceeds then, Special Resolution in General meeting. ❖ Temporary Loans (repayable on demand or within 6 months) from bankers in ordinary course of business is not to be counted. ❖ It shall include loan raised for the purpose of financial expenditure of capital nature; ❖ This limit shall not be applicable to banking company borrowing in ordinary course of business.</p>
<p><b>ANNUAL GENERAL</b> <b>MEETINGS</b> <b>TIME LIMIT</b> <b>Section 96</b></p>	<p>❖ <b>1<sup>st</sup> AGM</b> A Company should convene its first AGM <u>within 9 months</u> from the end of its 1<sup>st</sup> Financial Year.</p> <p>❖ <b>2<sup>ND</sup>&amp; SUBSEQUENT AGM</b> Every company must hold subsequent AGM <u>within 6 months from the closing of the financial year;</u> or</p> <p>The gap between two annual general meetings <u>should not exceed 15 months</u> whichever is <u>earlier.</u></p> <p>❖ <b>EXTENSION OF TIME OF 2<sup>ND</sup>&amp; SUBSEQUENT AGM</b> In case, it is not possible to hold a 2<sup>nd</sup>&amp; subsequent AGM within the</p>

	<p>prescribed time, the Registrar may grant extension of time. Such extension can be for a period <i>not exceeding 3 months</i>.</p> <p><b>Note:</b> No such extension of time shall be granted by the ROC for the holding of the 1<sup>st</sup> AGM.</p>																		
<p><b>QUORUM OF GENERAL MEETINGS</b> Section 174</p>	<table border="1"> <thead> <tr> <th></th> <th>Public</th> <th>Private</th> </tr> </thead> <tbody> <tr> <td>Members &lt;= 1000</td> <td>5</td> <td rowspan="3">2</td> </tr> <tr> <td>Members &gt;1000&lt;=5000</td> <td>15</td> </tr> <tr> <td>Members &gt; 5000</td> <td>30</td> </tr> </tbody> </table>		Public	Private	Members <= 1000	5	2	Members >1000<=5000	15	Members > 5000	30								
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<p><b>ELIGIBLE COMPANY FOR ACCEPTANCE OF PUBLIC DEPOSITS</b></p>	<p><b>Eligible Company</b> means a <b>public company</b>, having :</p> <p>(a) A net worth of not less than Rs.100 crore; or  (b) A turnover of not less than Rs.500 crore</p> <p><b>LIMIT OF DEPOSITS FOR ELIGIBLE COMPANY:</b></p> <p>i) From Members: 10% of Aggregate of Paid up Share capital + Free Reserve + <b>Securities Premium</b></p> <p>ii) From Outsiders: 25% of Aggregate of Paid up Share capital + Free Reserve + <b>Securities Premium</b></p> <p>iii) So Total Comes to 35% (10% + 25%)</p> <p><b>LIMIT OF DEPOSITS FOR GOVERNMENT COMPANY:</b>  35% of Paid up Share Capital + Free Reserves + <b>Securities Premium</b></p> <p><b>LIMIT OF DEPOSITS FOR NON - ELIGIBLE PUBLIC COMPANY:</b>  From members only= 35% of Paid up share Capital + Free Reserves + <b>Securities Premium</b></p> <p>Non-Eligible Company cannot take deposits from outsiders.</p> <p><b>LIMIT OF DEPOSITS BY PRIVATE COMPANY &amp; IFSC PUBLIC COMPANY:</b>  From Members Only: 100% of Paid up Share Capital + Free Reserves + <b>Securities Premium</b></p> <p>Private companies cannot accept deposits from Public, but it can accept deposits from Members only.</p>																		
<p><b>MANAGERIAL REMUNERATION</b> Section 197</p>	<table border="1"> <thead> <tr> <th>COMBINATION</th> <th>LIMIT</th> <th>Approval</th> </tr> </thead> <tbody> <tr> <td>One Manager</td> <td>5% of Net Profits</td> <td>SR</td> </tr> <tr> <td>More than One Manager</td> <td>10% of Net Profits</td> <td>SR</td> </tr> <tr> <td>Other Directors – if there is an MD</td> <td>1% of Net Profits</td> <td>SR</td> </tr> <tr> <td>Other Directors – if there is no MD</td> <td>3% of Net Profits</td> <td>SR</td> </tr> <tr> <td>Overall Limit</td> <td>11% of Net Profits</td> <td>SR</td> </tr> </tbody> </table>	COMBINATION	LIMIT	Approval	One Manager	5% of Net Profits	SR	More than One Manager	10% of Net Profits	SR	Other Directors – if there is an MD	1% of Net Profits	SR	Other Directors – if there is no MD	3% of Net Profits	SR	Overall Limit	11% of Net Profits	SR
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<p><b>MANAGERIAL REMUNERATION IF CASE NO PROFITS/ INADEQUATE PROFITS</b></p>	<p>(HIGHER OF A OR B)  <b>TABLE – A (LOSS MAKING COMPANY)</b></p> <table border="1"> <thead> <tr> <th>Effective Capital</th> <th>Remuneration (Annually)</th> </tr> </thead> <tbody> <tr> <td>Negative or less than 5 Crore</td> <td>60 Lacs</td> </tr> </tbody> </table>	Effective Capital	Remuneration (Annually)	Negative or less than 5 Crore	60 Lacs														
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<b>Schedule V</b>	More than 5 crore but less than 100 Crore	84 Lacs
	More than 100 crore but less than 250 Crore	120 Lacs
	250 crore and above	120 Lakhs plus 0.01% of the effective capital in excess of Rs.250 Crore
<p><b>Note:</b> Provided that remuneration in excess of above limits may be paid if a special resolution is passed by the shareholders. It is clarified that for a period less than one year, the limits shall be pro – rated.</p> <p style="text-align: center;"><b>TABLE – B (A COMPANY HAVING INADEQUATE PROFIT)</b></p> <p>In the case of managerial person who was not a shareholder, employee or a Director of the company at any time during the 2 years prior to his appointment as managerial person: 2.5% of the current relevant profit.</p>		
<b>PRODUCER COMPANY</b>	<b>MEMBERS</b>	Any 10 or more individuals; Being a producer or 2 or more producer institutions or A combination of ten or more individuals and producer institutions,
	<b>MEETINGS of BOARD</b>	At Least 4 Meeting in a year At Least once in Each Quarter
	<b>QUORUM OF BOARD</b>	1/3 <sup>rd</sup> or 3 Whichever is Higher
	<b>AGM</b>	1 <sup>st</sup> AGM within 90 days of incorporation Gap between two AGMs cannot exceed 15 Months
	<b>EXTENSION</b>	The Register may permit the extension of time for holding of an AGM (not being the first AGM) by a period not exceeding 3 months.
	<b>QUORUM of GM</b>	¼ of Total Members
<b>APPLICATION FOR MISMANAGEMENT</b>  <b>Section 244</b>	<p>If the company has share capital, the application must be signed by –</p> <p>(a) At least 100 members of the company or at least 1/10 of the total number of the members of a company, whichever is less: or</p> <p>(b) Any member or members holding not less than 1/10 of the issued share capital of the company.</p> <p>2. If the company has no share capital, the application has to be signed by at least 1/5 of the total number of its members.</p>	
<b>CLASS ACTION SUIT</b>  <b>Section 245</b>	<p>(i)The requisite number of members provided in sub-section (1) shall be as under:—</p> <p>(a) in the case of a company having a share capital, not less than one hundred members of the company or not less than 10% of the total number of its members as may be prescribed, whichever is less, or any member or members holding not less than 10% of the issued share capital of the company as may be prescribed, subject to the condition that the applicant</p>	

	<p>or applicants has or have paid all calls and other sums due on his or their shares;</p> <p>(b) in the case of a company not having a share capital, not less than one-fifth of the total number of its members.</p> <p>(ii) The requisite number of depositors provided in sub-section (1) shall not be less than one hundred depositors or not less than 10% of the total number of depositors as may be prescribed, whichever is less, or any depositor or depositors to whom the company owes 10% of total deposits of the company as may be prescribed.</p>
<p><b>APPOINTMENT OF SMALL SHAREHOLDER DIRECTOR</b> Section 151 (For Listed Company Only)</p>	<p>Application by Whom: <b>Lower of:</b></p> <p>i) 1000 Small Shareholders or ii) 1/10<sup>th</sup> Of total number of Small Shareholders</p> <p><i>"Small shareholder" means a shareholder holding shares of nominal value of not more than Rs.20,000/- or such other sum as may be prescribed</i></p>
<p><b>ROTATION OF DIRECTORS</b>  Section 152(6)</p>	<p>(a) Articles of a public company have the provisions relating to retirement of the <b>all directors by rotation.</b></p> <p>(b) If there is <b>no provision in the AOA</b>, then not less than 2/3 of the total number of directors of a <u>public company</u> shall be persons whose period of office is liable to retire by rotation and eligible to be reappointed at AGM.</p> <p>At every Annual General Meeting of a public company 1/3 of total number of the directors for the time being as are <u>liable to retire by rotation</u> or if their number is neither 3 nor a multiple of 3, then the number nearest to 1/3, shall retire from office.</p> <p>The directors to retire by rotation at every annual general meeting shall be those <b>who have been longest in office</b> since their last appointment, but as between persons who became directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, <b>be determined by lot.</b></p>
<p><b>APPOINTMENT OF KMP</b>  Section 203</p>	<p>1. Every Listed Company 2. Unlisted Public Company having Paid up Share Capital of <b>10 Crores or More</b> shall appoint whole time KMP other than CS.</p> <p>But Unlisted Public Company having Paid Up Share Capital of <b>5 Crores or more</b> shall appoint a Whole Time Company Secretary.</p>
<p><b>POLITICAL CONTRIBUTIONS</b>  Section 182</p>	<p>1. No Political Contribution can be made by Government Company and Company who has not completed 3 years. 2. <del>Company other than Government Company and Company who has existence of more than 3 years can make political contributions not exceeding 7.5% of average net profits of past 3 years.</del> (Limit Deleted by Finance Act, 2017)</p>

<p><b>MAXIMUM AUDITS BY AUDITOR</b></p>	<p>An Individual can audit 20 Companies. (No bifurcation of Public and Private) Firm (20 Companies per Partner who is not in full time employment) (No Sub-limit for Private or Public Companies, it can be any combination)</p>
<p><b>MAXIMUM DIRECTORSHIP BY A PERSON Section 165</b></p>	<ul style="list-style-type: none"> <li>• A person can be a director of <b>maximum 20 Companies</b></li> <li>• Out of which Maximum 10 public Companies can be there.</li> <li>• Deemed Public Company shall be treated as Public Company</li> <li>• Alternate Directors are to be included</li> <li>• Directorship in Dormant Company &amp; Section 8 Company shall not be included</li> </ul>
<p><b>DURATION OF DIFFERENT DIRECTORS</b></p>	<p><b>Managing Director/ Whole Time Director/ Manager:</b> Term not exceeding 5 years &amp; Re-appointment only after 1 Year.</p> <p><b>Independent Director:</b> Maximum 2 Terms of Upto 5 years each &amp; Re-appointment only after 3 Years.</p> <p><b>Small Shareholders Director:</b> 3 Consecutive Years &amp; Not Eligible for Re-appointment in the same company for Lifetime. No Reappointment, No Rotation.</p> <p><b>Alternate Director:</b> Remaining tenure of director in whose place alternate director is appointed or date of Next AGM or Last date on which AGM should have been held; whichever is earlier;</p> <p><b>Additional Director:</b> Date of Next AGM or Last date on which AGM should have been held; whichever is earlier;</p>
<p><b>DAYS OF NOTICE PERIOD &amp; SHORTER NOTICE</b></p>	<p><b>Notice of General Meeting of All companies except Producer Company:</b> Not less than 21 Clear days before the date of meeting. (Clear days means date of sending the notice &amp; date of meeting shall be excluded &amp; If Notice is sent by Post or Courier, 2 days extra shall be taken)</p> <p>A general meeting may be called after giving a shorter notice also if consent is given in writing or by electronic mode by not less than 95% of the members entitled to vote at such meeting.</p> <p><b>Notice of Board Meeting:</b> Not less than 7 days' notice before the date of meeting. (Clear days means date of sending the notice &amp; date of meeting shall be excluded &amp; If Notice is sent by Post or Courier, 2 days extra shall be taken)</p> <p>A Board Meeting can be called at a shorter notice provided at least one independent director shall be present at the meeting in which it was decided for shorter notice. If the Independent Director is not present, then decision of the meeting shall be circulated to all directors and it shall be final only after ratification of decision by at least one Independent Director.</p>



	<p><b>Notice of General Meeting of Producer Company:</b> Not less than 14 days' notice before the date of meeting.</p> <p><b>(Clear days means date of sending the notice &amp; date of meeting shall be excluded &amp; If Notice is sent by Post or Courier, 2 days extra shall be taken)</b></p>
<p><b>DIVIDEND IN CASE OF INADEQUACY OF PROFITS</b></p>	<p>(a) <b>Rate of dividend:</b> The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the 3 years immediately preceding that year.</p> <p><b>Note:</b> This rule shall not apply to a company which has not declared any dividend in immediately preceding 3 financial years.</p> <p>(b) <b>Total withdrawal from accumulated profits:</b> The total amount to be drawn from such accumulated profits shall not exceed 1/10 of the sum of its paid – up share capital and free reserves as per the latest audited financial statement.</p> <p>(c) <b>Setting off the losses:</b> The amount so drawn shall first be utilized to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared.</p> <p>(d) <b>To maintain reserve:</b> The balance of reserves after withdrawal shall not fall below 15% of its paid – up share capital as per the latest audited financial statement.</p>
<p><b>DISQUALIFICATION OF AUDITORS Section 143</b></p>	<ul style="list-style-type: none"> <li>• Auditor Cannot hold securities in the company, Holding Company, Subsidiary Company, Associate Company or Subsidiary of Holding Company.</li> <li>• Only Relatives can hold securities upto a Nominal Value of Rs. 1,00,000</li> <li>• Cannot give guarantee or provide security to the company, Holding Company, Subsidiary Company or Associate Company or other subsidiary of Holding Company on another person's behalf in excess of Rs. 1,00,000/-</li> <li>• Auditor cannot be indebted to the company, holding company, Subsidiary Company, Associate Company, other subsidiary of holding company in excess of Rs. 5,00,000/-</li> </ul>
<p><b>COST AUDIT Section 148</b></p>	<p>Regulated Sectors: Aggregate Turnover of all products &amp; Services exceeds Rs. 50 Crores Individual Turnover of Product &amp; Service exceeds Rs. 25 Crores</p> <p>Non- Regulated Sectors: Aggregate Turnover of all products &amp; Services exceeds Rs. 100 Crores Individual Turnover of Product &amp; Service exceeds Rs. 35 Crores</p>
<p><b>COST RECORDS</b></p>	<p>All Companies if Turnover exceeds Rs. 35 Crores</p>
<p><b>APPLICABILITY OF CARO 2016</b></p>	<p>It shall apply to <b>every company including a foreign company EXCEPT-</b></p> <p>(i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949;</p>

	<p>(ii) an insurance company as defined under the Insurance Act;</p> <p>(iii) a company licensed to operate under section 8 of the Companies Act;</p> <p>(iv) a <b>One Person Company</b> as defined under clause (62) of section 2 of the Companies Act and a <b>small company</b> as defined under clause (85) of section 2 of the Companies Act; and</p> <p>(v) a private limited company, not being a subsidiary or holding company of a public company, having a paid up capital and reserves and surplus not more than rupees one Crore as on the balance sheet date and which does not have total borrowings exceeding rupees one Crore from any bank or financial institution at any point of time during the financial year and which does not have a total revenue as disclosed in Scheduled III to the Companies Act, 2013 (including revenue from discontinuing operations) exceeding rupees ten Crores during the financial year as per the financial statements.</p>
<b>COMPULSORY CONVERSION OF OPC INTO PRIVATE OR PUBLIC COMPANY</b>	<p>OPC must be mandatorily converted into private Company or public company:</p> <ul style="list-style-type: none"> <li>• If Average Annual Turnover exceeds ₹ 2 Crores; <b>or</b></li> <li>• Paid up capital exceeds ₹ 50 Lakhs.</li> </ul>
<b>AUDIT PROVISION FOR LLP</b>	<p>As per <b>Rule 24(10)</b>, a LLP shall be exempt from the audit of its accounts if its turnover does not exceed, in any financial year, <b>₹40,00,000</b> or its contribution does not exceed <b>₹ 25,00,000</b>.</p>
<b>ZERO REGISTRATION FEE</b>	<p>In case of companies incorporated, with effect from the 26th day of January, 2018, with a nominal capital of less than or equal to rupees <b>fifteen lakhs</b> or in respect of companies not having a share capital whose number of members as stated in the articles of association does not exceed twenty, fee on INC-32 (SPICe) shall not be applicable;</p>
<b>ACTIVE COMPANY TAGGING IDENTITIES AND VERIFICATION (ACTIVE)</b>	<p>Every company incorporated <b>on or before</b> the 31st December, 2017 shall file the particulars of the company and its registered office, in e-Form ACTIVE (Active Company Tagging Identities and Verification) on or before 15.06.2019.</p>
<b>SIGNIFICANT BENEFICIAL OWNER</b>  <b>10%</b>	<p>"significant beneficial owner" in relation to a reporting company means an individual referred to in sub-section (1) of section 90, who acting alone or together, or through one or more persons or trust, possesses one or more of the following rights or entitlements in such reporting company, namely:-</p> <p>(i) holds indirectly, or together with any direct holdings, not less than ten per cent. of the shares;</p> <p>(ii) holds indirectly, or together with any direct holdings, not less than ten per cent. of the voting rights in the shares;</p> <p>(iii) has right to receive or participate in not less than ten per cent. of the total distributable dividend, or any other distribution, in a financial year</p>

	<p>through indirect holdings alone, or together with any direct holdings;</p> <p>(iv) has right to exercise, or actually exercises, significant influence or control, in any manner other than through direct-holdings alone:</p>
<p><b>PRESERVATION OF VARIOUS BOOKS, PAPERS, RETURNS &amp; DOCUMENTS</b></p>	<p><b><u>Preservation of Minutes:</u></b> Minutes of all Meetings shall be preserved permanently in physical or in electronic form with Timestamp.</p> <p>Office copies of Notices, Agenda, Notes on Agenda and other related papers shall be preserved in good order in physical or in electronic form for as long as they remain current or for eight financial years, whichever is later and may be destroyed thereafter with the approval of the Board.</p> <p><b><u>Preservation of books of accounts:</u></b> Every company shall preserve their books of accounts together with the vouchers for <b>at least 8 years</b> immediately preceding the current year.</p> <p>If the company has not been in existence for 8 years, then for the whole period of its existence.</p> <p><b><u>Preservation of Register of Members:</u></b> The register of members along with the index shall be preserved <b>permanently</b> and shall be kept in the custody of the company secretary of the company or any other person authorized by the Board for such purpose;</p> <p><b><u>Preservation of Debenture Holders &amp; Other Security Holders:</u></b> The register of debenture holders or any other security holders along with the index shall be preserved for a period of <b>eight years</b> from the date of redemption of debentures or securities, as the case may be, and shall be kept in the custody of the company secretary of the company or any other person authorized by the Board for such purpose.</p> <p><b><u>Preservation of Annual return:</u></b> Copies of all annual returns prepared under section 92 and copies of all certificates and documents required to be annexed thereto shall be preserved for a period of <b>eight years</b> from the date of filing with the Registrar.</p> <p><b><u>Preservation of Foreign register of members:</u></b> The foreign register of members shall be preserved <b>permanently</b>, unless it is discontinued and all the entries are transferred to any other foreign register or to the principal register.</p> <p><b><u>Preservation of Foreign register of Debenture Holder or other holders:</u></b> Foreign register of debenture holders or any other security holders shall be preserved for a period of <b>eight years from the date of redemption</b> of such debentures or securities.</p>
<p><b>VIGIL MECHANISM</b></p>	<p><b><u>Establishment of Vigil Mechanism:</u></b> <b>Every listed company</b> and the <b>companies belonging to following classes</b> shall establish a vigil mechanism for their directors and employees to report their genuine concerns or grievances:</p>

	<p>a) The companies which accept deposits from the public;</p> <p>b) The companies which have borrowed money from banks and financial institutions in excess of Rs. 50 Crores;</p>
<p><b>UNDERWRITING COMMISSION</b></p>	<p>Maximum Underwriting commission on Shares can be 5% of Issue price as per Companies Act, 2013 or As authorized by Articles whichever is less.</p> <p>Maximum Underwriting commission on Debentures can be 2.5% of Issue price as per companies Act, 2013 or As authorized by Articles whichever is less.</p>
<p><b>POWER TO CLOSE REGISTER OF MEMBERS OR DEBENTURE HOLDER OR OTHER SECURITY HOLDER</b></p> <p><b>Section 91</b></p>	<p>A company may close the register of members or the register of debenture-holders or the register of other security holders for any period or periods <b>not exceeding</b> in the aggregate forty-five days in each year, but not exceeding thirty days at any one time,</p> <p>subject to giving of previous notice of at least seven days or such lesser period as may be specified by Securities and Exchange Board for listed companies or the companies which intend to get their securities listed, in such manner as may be prescribed;</p>
<p><b>ANNUAL RETURN TO BE SIGNED BY CS IN PRACTICE</b></p> <p><b>Section 92</b></p>	<p>The annual return, filed by a:</p> <ul style="list-style-type: none"> <li>• Listed company or</li> <li>• a company having <ul style="list-style-type: none"> <li>○ paid-up share capital of ten crore rupees or more or</li> <li>○ turnover of fifty crore rupees or more,</li> </ul> </li> </ul> <p>shall be certified by a Company Secretary in practice and the certificate shall be in Form No. MGT.8;</p>