

## **KEY HIGHLIGHTS OF COMPANIES BILL 2012**

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The Companies Bill, 2012, is organized as **29 chapters, 470 sections and 7 schedules**

### **Key Highlights of Companies Bill 2012 applicable to Private Limited Companies:**

- The maximum number of members, in case of private companies has been increased from 50 to 200.
- The concept of **One Person Company** has been introduced. Currently you need atleast 2 shareholders.
- Companies to have **uniform financial year** ending 31 March 2012, other than holding/subsidiary of a foreign entity.
- Concept of **small companies** introduced, with lesser reporting requirements.
- The **Objects clause** in the Memorandum of Association of a company is not required to be divided into main, ancillary and other objects. Only the objects for which the company is incorporated along with matters considered necessary for its furtherance is to be mentioned. **The company cannot provide for other objects clause.**
- To **commence business**, a company needs to file the following with the Registrar of Companies:
  - **A declaration by a director** in prescribed form stating that the subscribers to the memorandum have **paid the value of shares** agreed to be taken by them, and
  - **A confirmation** that the company has **filed a verification of its registered office** with the Registrar.

- Companies can **accept deposits** only from its members, that too after obtaining shareholders approval. Acceptance of deposit also subject to compliance with certain conditions.
- Financial statements include Balance Sheet, Profit & Loss Account and **Cash Flow Statements**.
- The **First annual general meeting** of a company shall be held within **nine** months from the closure of its first financial year instead of 18 months from the date of the incorporation, as provided in the Companies Act, 1956.
- Every company has to follow the **Secretarial Standards** while preparing the minutes of board and general meeting.
- The **Director's Report** for every company except for one person company, shall provide **additional information** such as number of meetings of the board, company's policy on directors' appointment and remuneration; explanations or comments by the board on every qualification, reservation or adverse remark or disclaimer made by the company secretary in his secretarial audit report, particulars of loans, guarantees or investments etc.
- **The Directors Responsibility Statement** shall include **additional statement on compliance** with all applicable laws and, in case of listed companies; it shall also include statement that adequate internal finance control were in place.
- Private Companies will not be allowed to file their Balance Sheet & Profit and Loss account separately.
- Every Company shall, **at the first annual general meeting (AGM)**, appoint an **auditor** who shall hold office from the **conclusion of that meeting till the conclusion of its sixth AGM** and thereafter till the conclusion of **every sixth meeting**. However the Company shall place the matter relating to such appointment for **ratification by members** at every AGM.
- A partner or partners of the audit firm and the firm shall be jointly and severally responsible for the liability, whether civil or criminal, as provided in this Bill or in any other law for the time being in force.
- No approval of the Central Government is required for the appointment of a cost auditor to conduct the cost audit.
- **At least one director** should be a person who has stayed **in India** for a total period of **not less than 182 days** in the previous calendar year.

- A person can hold directorship of **up to 20 companies**, of which **not more than 10** can be **public companies**,
- No permission of central government required to give a **loan to a director**.
- The provisions on inter-corporate loans and investment (372A of Companies Act 1956) extended to include loan and investment to any person.
- No central government approval required for entering into any **related party transactions**.
- No central government approval required for **appointment of any director** or any other person to any office or place of profit in the company or its subsidiary.
- At least four **board meetings** to be held every year, and not more than **120 days** to elapse between two consecutive meetings. No requirement to hold the meeting every quarter as provided under the Companies Act, 1956.
- Directors can now participate in Board Meetings through **video conferencing**
- **In a private company**, an **interested director cannot vote or take part** in the discussion relating to any matter in which **he is interested**, whereas under the Companies Act, 1956, he can.
- **Provisions relating to the appointment** of managing director/whole time director/manger **to apply to a private company**.

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