

Mandatory Legal “Obligations” for Companies in India

1. Filing of the Financial Statements based on XBRL

(i) Applicable for

- (a) A listed company
- (b) A ‘Subsidiary’ of listed Company
- (c) An unlisted Public Limited company Limited company or Private Limited Company where
 - (ca) Paid up share capital is minimum **5** (five) crore
 - (cb) Turnover is minimum **100** (one hundred) crore
 - Once XBRL is applicable then ‘will continue forever’ beside fall in the above limit

(ii) Not applicable for

- (a) A Banking Company
- (b) A Insurance Company
- (c) An Non-Banking Finance Company (**NBFC**)
- (d) A Housing Finance Company (**HFC**)
- (e) A Power Company

2. Company Auditors Report Order (CARO)

(i) Applicable for

- ‘All’ companies including a foreign company ‘except’ where specifically are not applicable

(ii) Not applicable for

- (a) A Banking Company
- (b) A Insurance Company
- (c) A ‘Non Profit’ Company (Incorporated under section **8** of Companies Act, **2013**)
- (d) An One Person Company (**OPC**)
- (e) A Small Private Limited Company which is also ‘not subsidiary’ or holding of a unlisted Public Limited company and also where

- (ea) "Aggregate Outstanding loans" from the banks and unlisted Public Limited company financial institutions are not exceeding **1** (one) crore
- (eb) Paid up share capital + free reserves are not exceeding **1** (one) crore
- (ec) Turnover is not exceeding **10** (ten) crore including from discontinued business

3. Cash Flow Statement

- Section **2(40)** of the Companies, **2013**

(i) Applicable for

- 'All' Companies 'except' where specifically are not applicable

(ii) Not Applicable for

- (a) An One Person Company (**OPC**)
- (b) A Small Private Limited Company
- (c) A Dormat Company
- (d) A Start-up Private Limited Company

4. Certification of Annual Return (MGT-8) by a Company Secretary

- Section **92** and Rule **11(2)** of Chapter **VII** of the Companies (Management and Administration) Rules, **2014**

(i) Applicable for

- (a) A listed company
- (b) An unlisted Public Limited company and Private Limited Company where
 - (ba) Paid up share capital is minimum **10** (ten) crore
 - (bb) Turnover is minimum **50** (fifty) crore

(ii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

5. Signing of Annual Return (MGT-7) by a Company Secretary

- Section **92** and Rule **11(2)** of Chapter - **VII**, the companies (Management and Administration) Rules, **2014**

(i) Applicable for

- (a) A listed Company

(b) An unlisted Public Limited company Limited Company

(c) A Private Limited Company where

(ca) Paid up share capital is minimum **50** (fifty) Lac

(cb) Turnover is minimum **2** (two) crore

(ii) Not Applicable for

(a) An One Person Company (**OPC**)

(b) A Small Company

(c) A Private Limited Company if a Start-up Company

6. Formation of Corporate Social Responsibility Committee

- Section **135** and Rule **3** of the Chapter **XI**, the companies (Appointment and Qualifications of Directors) Rules, **2014**

(i) Applicable for

(a) 'All' Companies where

(aa) 'Net worth' is minimum **500** (five hundred) crore*

(ab) Turnover is minimum **1000** (one thousand) crore*

(ac) 'Net profit' is minimum **5** (five) crore*

*During an immediate preceding financial year

(ii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

7. Internal Audit

- Section **138** and Rule **13(1)** of Chapter **IX**, The Companies (Accounts) Rules, **2014**

(i) Applicable for

(a) A Listed Company

(b) An unlisted Public Limited company Limited Company where

(ba) Paid up share capital is minimum **50** (fifty) crore

(bb) Turnover is minimum **200** (two hundred) crore

(bc) Aggregate Outstanding loans from banks and unlisted Public Limited company financial institutions are minimum **100** (one hundred) crore

(bd) Outstanding 'Public deposits' are minimum **25** (twenty five) crore

(c) A Private Limited Company where

(ca) Turnover is minimum **200** (two hundred) crore

(cb) Aggregate Outstanding loans from banks and unlisted Public Limited company financial institutions are minimum **100** (one hundred) crore

(ii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

8. Appointment, Reappointment and Rotation of the Statutory Auditors

- Section **139** and Rule **5** of Chapter **X**, the companies (Audit and Auditors) Rules, **2014**

(i) Introduction

- Appointment and Reappointment of the Statutory Auditors are 'permitted' for a maximum **1** (one) term for **5** (five) 'consecutive' years where statutory auditor is an 'individual' and maximum **2** (two) terms for **5** (five) 'consecutive' years, totaling to **10**(ten) 'consecutive' years where statutory auditor is an audit firm / LLP

(ii) Applicable for

- (a) A listed Company
- (b) An unlisted Public Limited company Limited Company where paid up share capital is minimum **10** (ten) crore
- (c) A Private Limited Company where paid up share capital is minimum **50** (fifty) crore
- (d) 'All' Companies where Aggregate Outstanding loans from banks and unlisted Public Limited company financial institutions + 'public deposits' are minimum **50**(fifty) crore

(iii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

9. Appointment of a Women Director

- Section **149** and Rule **3** of Chapter **XI**, the companies (Appointment and Qualifications of Directors) Rules, **2014**

(i) Applicable for

- (a) A listed Company
- (b) An unlisted Public Limited company Limited Company where

(ba) Paid up share capital is minimum **100** (one hundred) crore

(bb) Turnover is minimum **300** (three hundred) crore

(ii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

10. Appointment of an Independent Director

- Section **149** and Rule **4** of Chapter **XI**, The Companies (Appointment and Qualifications of Directors) Rules, **2014**

(i) Applicable for

(a) A listed Company

(b) An unlisted Public Limited company Limited Company where

(ba) Paid up share capital is minimum **10** (Ten) crore

(bb) Turnover is minimum **100** (one hundred) crore

(bc) Aggregate Outstanding loans + debentures +unlisted Public Limited company deposits are minimum (fifty) **50** crore

(ii) Not Applicable for

(a) An unlisted Public Limited company Limited Company which is

(aa) A Joint Venture (**JV**)

(ab) A Wholly Owned Subsidiary (**WOS**)

(ac) A Dormat Company

11. Appointment of a Resident Director **

- Section **149(3)** of Companies Act, **2013**

(i) Applicable for

** 'All' companies are required to have a minimum **1** (one) 'resident director' who is to stay in India for a minimum **182** (one hundred eighty two) days in a previous financial year

12. Formation of an Audit Committee

- Sector **177** and Rule **6** of Chapter **XII**, the companies (Meeting of Board and its Powers) Rules, **2014**

(i) Applicable for

- (a) A listed Company
- (b) An unlisted Public Limited company Limited Company where
 - (ba) Paid up share capital is minimum **10** (ten) crore
 - (bb) Turnover is minimum **100** (one hundred) crore
 - (bc) Aggregate Outstanding loans from banks and unlisted Public Limited company financial institutions + debentures + 'public deposits' are minimum **50** (fifty) crore

(ii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

13. Vigil Mechanism

- Section **177** and Rule **7** of Chapter **XII**, the companies (Meeting of Board and its Powers) Rule, **2014**

(i) Applicable for

- (a) A listed Company
- (b) 'All' Companies which are accepting unlisted Public Limited company deposits
- (c) 'All' Companies where Aggregate Outstanding loans from banks and unlisted Public Limited company financial institutions are minimum **50** (fifty) crore

(ii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

14. Formation of Nomination Committee

- Section **178** and Rule **6** of Chapter **XII**, the companies (Meeting of Board and its Powers) Rule, **2014**

(i) Applicable for

- (a) A listed Company
- (b) An unlisted Public Limited company Limited Company where
 - (ba) Paid up share capital is minimum **10** (ten) crore
 - (bb) Turnover is minimum **100** (one hundred) crore
 - (bc) Aggregate Outstanding loans + debentures + unlisted Public Limited company deposits are minimum **50** (fifty) crore

(ii) **Not Applicable for**

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

15. Limit for Loans, Guarantees, Securities or Investments by a Company

- Section **186** of Companies Act, **2013**

(i) **Applicable for**

- 'All' Companies 'except' specifically exempted

(ii) **Not Applicable for**

- (a) A Banking Company
- (b) A Insurance Company
- (c) A Housing Finance Company (**HFC**)
- (d) A Non-Banking Finance Company (**NBFC**)

(iii) **Legal Compliances**

- A 'special resolution' is to be passed in the meeting of the shareholders where
 - (a) An amount of loans etc. is to be exceeded **60%** of paid up Share Capital + Free Reserves + Securities Premium
 - or**
 - (b) An amount is to be exceeded **100%** of Free Reserves+ Securities premium whichever is higher

16. Related Party Transactions

- Section **188** and Rule **3** of Chapter **XII**, the companies (Meeting of Board and its Powers) 'Second' Amendment Rule, **2014**

(i) **Applicable for**

- 'All' Companies where transactions are 'not' on Arm Length Price (ALP) and also 'not' in ordinary course of the business

(ii) **Not Applicable for**

- 'All' Companies where transactions are on Arm Length Price (**ALP**) and also in ordinary course of the business

17. Appointment of a Managing Director (MD) or Whole Time Director (WTD)

- Section **203**, Rule **8** of Chapter **XIII**, the companies (Appointment and Remuneration of Managerial Personnel) Rules, **2014**

(i) Applicable for

- (a) A listed Company
- (b) An unlisted Public Limited company Limited Company where paid up share capital is minimum **10** (ten) crore

(ii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

(iii) Optionally Applicable for

- 'All' Companies are optionally permitted to appoint a MD and/or WTD. Henceforth where mandatory is not required

18. Appointment of a Key Managerial Personnel (KMP)

- Section **203**, Rule **8** of Chapter **XIII**, the companies (Appointment and Remuneration of Managerial Personnel) Rules, **2014**

(i) Applicable for

- (a) A listed Company
- (b) An unlisted Public Limited company Limited Company where paid up share capital is minimum **10** (ten) crore

(ii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

(iii) Mandatory and optionally KMP to includes

- (a) A Chief Executive Officer (**CEO**), Managing Director (**MD**) or Manager – 'mandatory'
- (b) A Company Secretary (**CS**) – 'mandatory'
- (c) A Whole Time Director (**WTD**) – 'Optionally'
- (d) A Chief Financial Officer (**CFO**) – 'Mandatory'

19. Appointment of a Company Secretary

- Section **203**, Rule **8A** Chapter **XIII**, the companies (Appointment and Remuneration of Managerial Personnel) Rules, **2014**

(i) Applicable for

- (a) A listed Company

(b) 'All' Companies where paid up share capital is minimum **10** (ten) crore

(ii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

20. Secretarial Audit

- Section **204(1)** and Rule **9** of Chapter **XIII**, the companies (Appointment and Remuneration of Managerial Personnel) Rules, **2014**

(i) Applicable for

- (a) A listed Company
- (b) An unlisted Public Limited company Limited Company where
 - (ba) Paid up share capital is minimum **50** (fifty) crore
 - (bb) Turnover is minimum **250** (two hundred fifty) crore

(ii) Not Applicable for

- 'All' companies where anyone of the abovementioned condition or limit is not applicable

21. Internal Financial Control (IFC)

(i) Applicable for

- 'All' Companies are required for IFC 'except' specifically exempted

(ii) Not Applicable for**

- (a) A One Person Company (**OPC**)
- (b) A 'Small' Company where Turnover is less than **50** (fifty) crore or 'aggregate borrowings' from banks and Financial institutions are less than **25** (twenty five) crore

(iii) Exemption is not applicable where

- (a) A Company has made a default in filing of its financial statements under Section **137** of Companies Act, **2013**
- (b) A Company has made a default in filing of its annual return under Section **92** of Companies Act, **2013**

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