

# **PRIVATE LIMITED COMPANY AND RELEVANT REGULATIONS**

**STUDY CIRCLE - V.P. SHINTRE & ASSOCIATES**

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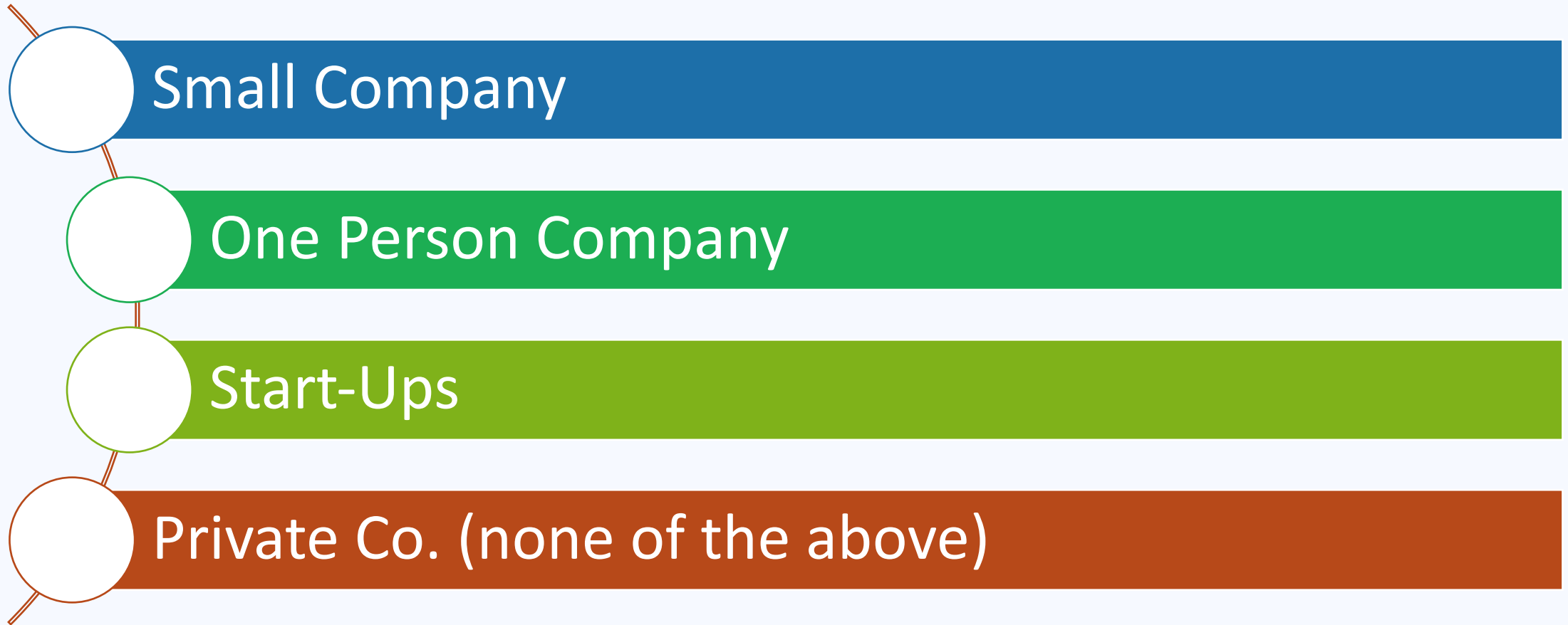
# Concept of 'Company' and 'Types of Cos.'

- Company
- Types of Cos.:
  - Private Company
  - Public Company
- Section 8 Co.
- Co. with Share Capital
- Co. without Share Capital
- Co. Limited by Guarantee

# Private Company

- Defined in Sec. 2(68) of the Cos. Act, 2013
- Private Co. means a Company having *a minimum paid-up share capital as may be prescribed*, and which by its Articles of Association:
  - (i) Restricts the right to transfer its shares;
  - (ii) Except in case of One Person Co., limits the number of its members to 200
  - (iii) Prohibits any invitation to the public to subscribe for any securities of Co.

# Further Classification of Pvt. Cos.



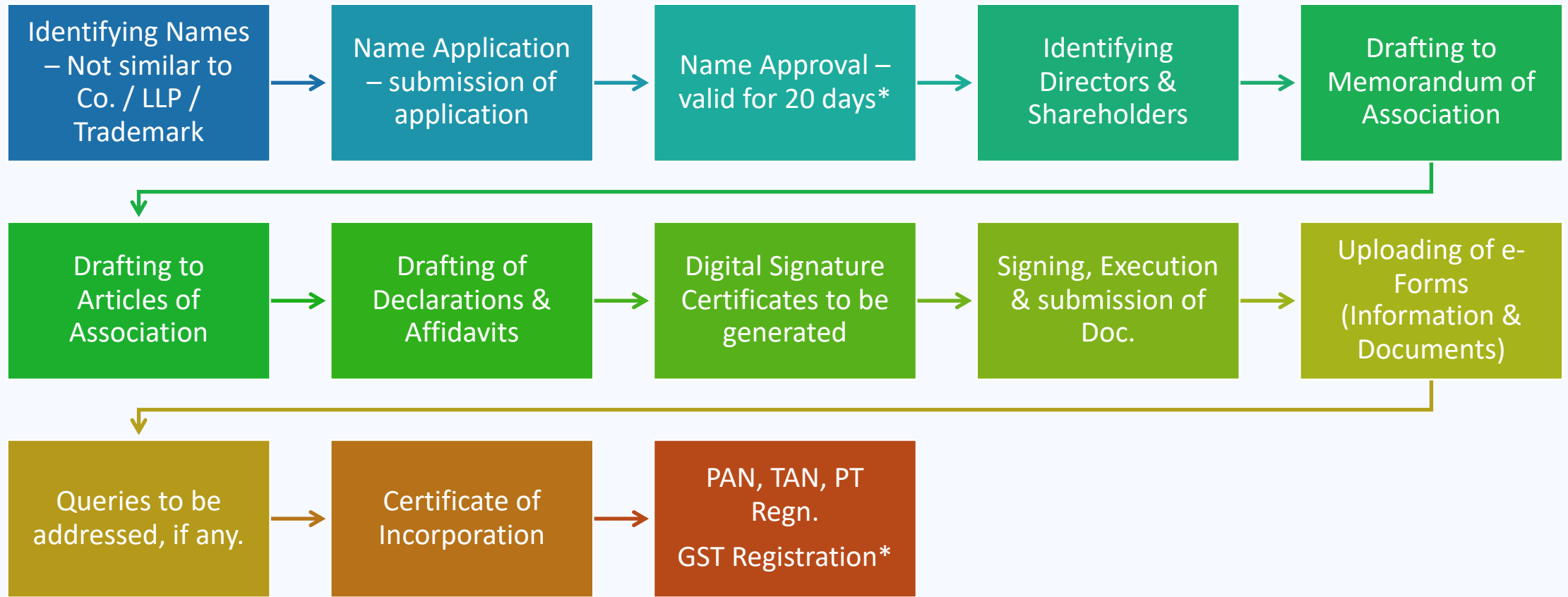
# Basic Questions to be asked before incorporation of Pvt. Cos.

- Nature of business activity
- Profit making or Not-for profit making?
- How many people involved in business activity?
  - *As Investors*
  - *As Directors*
  - *As Mentors*
- Tentative duration of venture
- Tentative business plan
- Place of rendering service
- Existing ventures of promoters (DIN, DSC)
- Taxation perspective

## Outcome of Basic Questions asked before incorporation of Pvt. Cos.

- Selection of type of Co. or LLP,
- Drafting of Memorandum of Association,
- Drafting of Articles of Association,
- Guiding on Share Capital of the Co.,
- Role of Directors, Shareholders, Mentors,
- Registered Office of Co.,
- Calculation of Statutory Fees,
- Guiding in documentation required

# Process Flow for incorporation of Pvt. Cos.

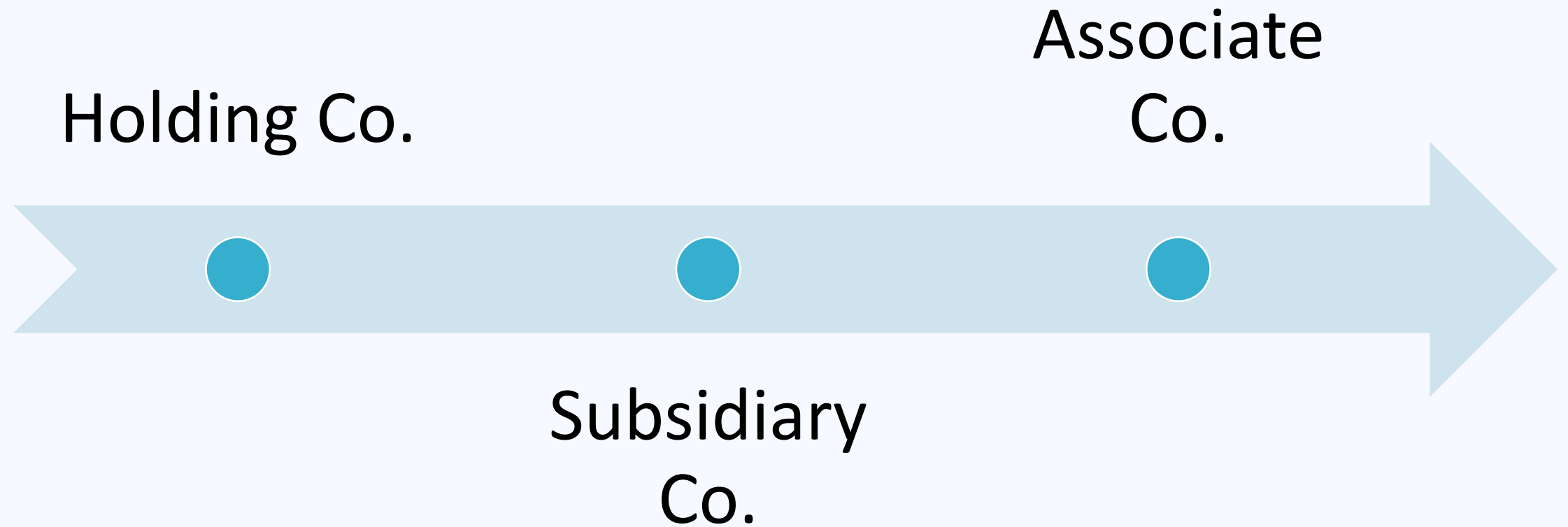


# Post Incorporation activities (under Cos. Act)

- Commencement of Business of Co. – within 180 days from date of incorporation
- Appointment of Statutory Auditors – within 30 days from date of incorporation
- Issue of Share Certificate – within 2 months from date of incorporation
- Conducting Board Meetings (quarterly basis\*) – through VC allowed
- Preparation of Annual Accounts / Fin. Statements
- Statutory Audit
- Approval & Signing of Fin. Statements
- Conducting Annual General Meeting – through VC allowed
- Adoption of Fin. Statements
- Filing of Fin. Statements with the Govt. – electronic filing
- Filing of Annual Return with the Govt. – electronic filing



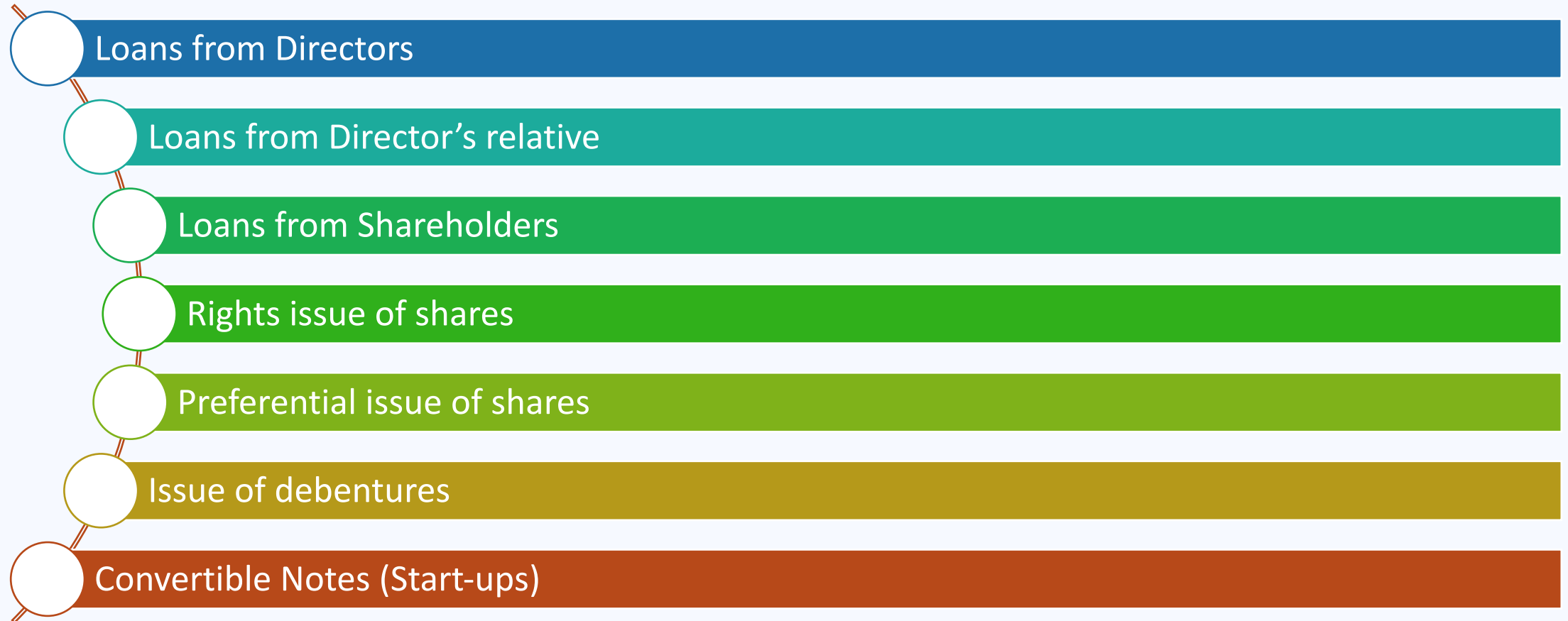
# Concept of 'Group Cos.'



# Legal Support & Advice required for Cos. (routinely)

- Shareholders Agreement
- Investment Agreement
- Amendment of AoA vis-à-vis Shareholders Agreement
- Directors Appointment Letters:
  - Nature of appointment
  - Responsibility of Directors
  - Liability Clause
  - Remuneration
  - Liability Clause
- Labour Law Compliances
- Creation / Modification / Satisfaction of Charges

# Fund raising options for Pvt. Cos.

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- Loans from Directors
  - Loans from Director's relative
  - Loans from Shareholders
  - Rights issue of shares
  - Preferential issue of shares
  - Issue of debentures
  - Convertible Notes (Start-ups)

# Exit Options in Pvt. Cos.

Transfer of shares

Redemption of Preference Shares

Redemption of Debentures

Conversion into Equity

Buy Back of Equity Shares

Reduction of Share Capital

Payment of Dividend \*\*

# Important Provisions – Compliances or Litigation

- Corporate Social Responsibility – CSR
- Minutes of Meeting – Board & Shareholders
- Duties of directors
- Related Party Transactions
- Loans to Directors
- Investment, Loans, Guarantees & Securities by Co.
- Remuneration to Directors

# **QUESTION & ANSWER SESSION**

# THANK YOU

**Study Circle Session arranged by V.P. Shintre & Associates, Advocates**  
**Contact details**

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