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HOW TO INCORPORATE A NIDHI COMPANY

In order to understand the Incorporation process of Nidhi Company properly, it is very important for us to understand about the concept of Nidhi Company first.

So, let's begin with some basic introduction about the Nidhi Company's:

INTRODUCTION

A Nidhi company is one that belongs to the non-banking Indian finance sector and is recognized under section 406 of the Companies Act, 2013. Their core business is borrowing and lending money between their members.

They are also known as Permanent Fund, Benefit Funds, Mutual Benefit Funds and Mutual Benefit Company.

Nidhi Company isn't required to receive the license from Reserve Bank of India (RBI), hence it is easy to form.

It is registered as a public company and should have "Nidhi Limited" as the last words of its name.

APPLICABLE SECTIONS AND RULES

Section 406 of the Companies Act, 2013 and Nidhi's Rules, 2014

BASIC REQUIREMENT FOR INCORPORATION

- Minimum of seven members are required to start a Nidhi Company out of which three members must be the directors of the company.
- Minimum of 5 lakh rupees, is required as the equity share capital to start a Nidhi Company. Nidhi Company can't issue preference shares.
- Minimum of 3 Directors are required to start a Nidhi Company.

OBJECT OF THE NIDHI COMPANY

Object of cultivating the habit of thrift and savings amongst its members, receiving deposits from, and lending to, its members only, for their mutual benefit.

BASIC DOCUMENTS REQUIRED FOR INCORPORATION

- Copy of PAN of Directors and Shareholders.
- Copy of ID Proof of Directors and Shareholders. (Voter ID, Driving License, Passport)
- Copy of Address Proof of Directors and Shareholders (Bank Statement/ Electricity bill/ Mobile bill/ Telephone Bill)
- Property Ownership Documents of Registered office premises:
- If property is owned: Electricity bill + Ownership Documents + NOC (if required)
- If property is rented: Electricity bill + Rent Agreement + NOC
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INCORPORATION STEPS

There are two routes of Incorporating Nidhi Company i.e.

Direct Route using form Spice-32

1. Obtain DSC of proposed Members.
2. Prepare Memorandum of association and Articles of Association according to Nidhi objects and all other required documents carefully.
3. Apply directly in the form spice- 32 along with spice- 33 and 34 for:
Name Reservation
Obtaining Din of Proposed Directors
Obtain PAN and TAN of the Company
Obtain Certificate of Incorporation
4. Get Incorporation Certificate.
5. File a declaration by a director within a period of one hundred and eighty days of the date of incorporation of the company with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him on the date of making of such declaration in form INC-20A.

Indirect Route using RUN Services for name reservation

1. Apply for name reservation using RUN Services.
2. Obtain DSC of proposed Members.
3. Prepare Memorandum of association and Articles of Association according to Nidhi objects and all other required documents carefully.
4. Apply for Incorporation using form spice-32 along with spice-33 and 34 for:
Obtaining DIN of proposed Directors
Obtaining PAN and TAN of the Company
Obtaining Certification of Incorporation
5. Get Certificate of Incorporation.
6. File a declaration by a director within a period of one hundred and eighty days of the date of incorporation of the company with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him on the date of making of such declaration in form INC-20A.