

## Companies Act: Compliances for a Company in India

### 1. **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 Public Limited Company where
    - i. Paid up share capital is minimum Rs. 50 crore
    - ii. Turnover is minimum Rs. 200 crore
    - iii. Outstanding loans from banks and public financial institutions are minimum Rs. 100 crore
    - iv. Outstanding Public deposits are minimum Rs. 25 crore
  - c. A Private Limited Company where
    - i. Turnover is minimum Rs. 200 crore
    - ii. Outstanding loans from banks and public financial institutions are minimum Rs. 100 crore
- (ii) **Not Applicable for:** The companies where abovementioned conditions or limits are not applicable

### 2. **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 term for 5 consecutive years where statutory auditor is an individual and maximum 2 terms for 5 consecutive years, totaling to 10 consecutive years where statutory auditor is an audit firm /LLP.
- (ii) **Applicable for**
  - a. listed Company
  - b. A Public Limited Company where paid up share capital is minimum Rs. 10 crore
  - c. A Private Limited Company where paid up share capital is minimum Rs. 50 crore
  - d. All Companies where outstanding aggregate loans from banks and public financial institutions + public deposits are minimum Rs. 50 crore
- (iii) **Not Applicable for:** The companies where abovementioned conditions or limits are not applicable

### 3. **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. 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 public company and also where
    - i. Outstanding loans from the banks and public financial institutions are not exceeding Rs. 1 crore
    - ii. Paid up share capital + free reserves are not exceeding Rs. 1 crore
    - iii. Turnover is not exceeding Rs. 10 crore including from discontinued business

#### 4. **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. A Public Limited Company where
    - i. Paid up share capital is minimum Rs. 50 crore
    - ii. Turnover is minimum Rs. 250 crore
- (ii) **Not Applicable for:** The companies where abovementioned conditions or limits are not applicable

#### 5. **Internal Financial Control (IFC)**

- (i) **Applicable for:** A Company is 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 Rs. 50 crore or aggregate borrowings from banks and Financial institutions are less than Rs. 25 crore

\*\* Exemption is not applicable where

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

#### 6. **Cash Flow Statement**

- (i) **Applicable for:** All Companies except where specifically are not applicable
- (ii) **Not Applicable for**
- a. An One Person Company (OPC)
  - b. A Small Company
  - c. A Dormat Company
  - d. A Start-up Private Limited Company

#### 7. **Filing of the Financial Statements based on XBRL**

- (i) **Applicable for**
- a. A listed company
  - b. A Subsidiary of listed Company
  - c. A Company where
    - i. Paid up share capital is minimum Rs. 5 crore
    - ii. Turnover is minimum Rs. 100 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)

**8. '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. A Company where
    - i. Paid up share capital is minimum Rs. 10 crore
    - ii. Turnover is minimum Rs. 50 crore
- (ii) **Not Applicable for:** The companies where abovementioned conditions or limits are not applicable

**9. '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. A Public Limited Company
  - c. A Private Limited Company where
    - i. Paid up share capital is minimum Rs. 50 Lac
    - ii. Turnover is minimum Rs. 2 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

**10. 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
    - i. Net worth is minimum Rs. 500 crore\*
    - ii. Turnover is minimum Rs. 1,000 crore\*
    - iii. Net profit is minimum Rs. 5 crore\*

*\*During an immediate preceding financial year*

- (ii) **Not Applicable for:** The companies where abovementioned conditions or limits are not applicable

**11. 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. A Public Limited Company where
    - i. paid up share capital is minimum Rs. 10 crore
    - ii. Turnover is minimum Rs. 100 crore
    - iii. Aggregate Outstanding loans from banks and public financial institutions + debentures+ public deposits are minimum Rs. 50 crore
- (ii) **Not Applicable for:** The companies where abovementioned conditions or limits are not applicable

**12. 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 deposits from the public
  - c. All Companies where aggregate outstanding loans from banks and public financial institutions are minimum Rs. 50 crore
- (iii) **Not Applicable for:** The companies where abovementioned conditions or limits are not applicable

**13. 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. A Public Limited Company where
    - i. Paid up share capital is minimum Rs. 10 crore
    - ii. Turnover is minimum Rs. 100 crore
    - iii. Aggregate Outstanding loans + debentures + public deposits are minimum Rs. 50 crore
- (ii) **Not Applicable for:** The companies where abovementioned conditions or limits are not applicable

**14. 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. A Public Limited Company where
    - i. Paid up share capital is minimum Rs. 100 crore
    - ii. Turnover is minimum Rs. 300 crore
- (ii) **Not Applicable for:** The companies where abovementioned conditions or limits are not applicable

**15. 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. A Public Limited Company where
    - i. Paid up share capital is minimum Rs. 10 crore
    - ii. Turnover is minimum Rs. 100 crore
    - iii. Aggregate Outstanding loans + debentures + public deposits are minimum Rs. 50 crore
- (ii) **Not Applicable for:** A unlisted Public Limited Company which is
  - i. A Joint Venture (JV)
  - ii. A Wholly Owned Subsidiary (WOS)
  - iii. A Dormat Company

**16. Appointment of a Resident Director:** Section 149(3) of Companies Act, 2013

- (i) **Applicable for:** All companies are required to have a minimum 1 resident director who is to stay in India for a minimum 182 days in a previous financial year

**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. A Public Limited Company where paid up share capital is minimum Rs. 10 crore
- (ii) **Not Applicable for:** The companies where abovementioned conditions or limits are 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. A Public Limited Company where paid up share capital is minimum Rs. 10 crore
- (ii) **Not Applicable for:** The companies where abovementioned conditions or limits are 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 Rs. 10 crore
- (ii) **Not Applicable for:** The companies where abovementioned conditions or limits are not applicable

**20. 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

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

**21. 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

**How to Comply with Companies Act Provisions:**

Our expert team can help you in ensuring all compliances under Companies Act. You may contact us via [www.labhyansh.com](http://www.labhyansh.com) or e-mail us at [contact@labhyansh.com](mailto:contact@labhyansh.com).

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