










# COMPANIES BILL, 2012






On 18th December, 2012 the Lok Sabha passed the much expected Companies Bill, 2012 to replace the existing Companies Act, 1956, one of the most important legislation governing all companies in India for the past 56 years. The Bill has 470 clauses as against 658 Sections in the existing Companies Act, 1956.

## Comparison of Companies Act, 1956 and Companies Bill, 2012

Basis of Comparison	Companies act ,1956	Companies Bill,2012	
Maximum number of members for private company	50 (Fifty)	200 (Two Hundred)	
Minimum Number of members	Public Company - 7 Private Company - 2	No change for private and public companies.  New concept of one person company introduced which can have a single member	
Object Clause of MOA	Object clause consists of Main Objects, Incidental or Ancillary Objects and Other Objects.	MOA to contain the objects for which the company is proposed to be incorporated and any matter considered necessary in furtherance thereof.	
Issue of Preference Shares for more than 20 years	Prohibited	Permitted, only for infrastructure projects	
Maximum time for holding first AGM	18 months from incorporation or 9 months from closure of accounts, whichever is earlier	9 Months from closure of accounts	
Mode of Notice for holding AGM	Written Notice mandatory	In writing or in electronic form.	
Statutory Meeting	For Public company mandatory to hold after 1 month but before 6 months from the date of entitlement to commence business.	No provision	

Basis of Comparison	Companies act ,1956	Companies Bill,2012	
Maximum Number of Directors	12	15 More than 15 can also be appointed by passing special resolution at EGM	
Certification of Financial Statements	By Manager or Secretary, if any, and by not less than 2 directors one of whom shall be the MD where there is one.	Chairman alone can sign if so authorized by the Board.	
Cross Border Mergers	No Specific Provisions	Merger of Indian Companies with foreign companies permitted and rules to be notified by Central Government	
Maximum Tenure of Auditors	No Specific Provisions	For listed companies and other prescribed companies: - individual auditors to be rotated after 5 years - audit firm after every 10 years	
Service of Documents by company or an officer	By post under a certificate posting or by registered post	By registered post, speed post or courier.	
Issue of Shares at Discount	Permitted subject to compliance with conditions	Prohibited except in case of sweat equity shares	
Time and day for holding AGM	During business hours, on a day that is not a public holiday	During business hours i.e between 9 A.M. and 6 P.M. on any day that is not a National Holiday	
Consent for shorter notice for holding AGM	By all members entitled to vote at the meeting	By not less than 95% of the members entitled to vote at the meeting	
Financial Year and Extension.	Financial year not to exceed fifteen months. Financial year can end on date other than 31st March. Financial Year can be extended up to 18 months by ROC.	Financial year to end on 31st March every year for all companies. No explicit provision regarding extension of financial year is given.	

<b>Basis of Comparison</b>	<b>Companies act ,1956</b>	<b>Companies Bill,2012</b>	
Registered Office of New Company	Details of the Registered office to be filed in e-Form 18 at the time of incorporation.	Company shall have registered office within 15 days. Verification of registered office to be furnished within thirty days of its incorporation.	
Notice of Change in Registered Office of Existing Company to ROC	Within 30 days of the change.	Within 15 days of the change.	
Restrictions on Commencement of Business	Provision is applicable only to Public Companies	Applicable to all companies having share capital viz., Public Company, Private Company and One Person Company.	
Alteration of Article for Conversion of company to public or private company.	Special Resolution to be filed within 30 days from the date of General meeting approving the special resolution	To be filed within 15 days	
Procedure for Issue of share on private placement, bonus share and GDRS	No Specific Provisions	Contains specific provisions	
Consolidation and Division of Shares	Permitted to consolidate and divide share by passing resolution in general meeting	Changes in the voting percentage of shareholders require approval of the Tribunal.	
First Board Meeting	No specific time stipulated	Within 30 days from the date of its incorporation	
Time Gap between two board meetings	At least one meeting to be held in every quarter	Not more than 120 days gap between two consecutive board meetings.	
Length of Notice for Board Meetings	No specific length of notice specified	Not less than seven days notice	

Basis of Comparison	Companies act ,1956	Companies Bill,2012	
Quorum of General Meeting for Private and Public Companies	Private – 2 Members Public – 5 Members	Private – 2 Members Public – 5 members if total no. of members < 1000 - 15 members if total no. of members > 1000 but < 5000 - 30 members if total no. of members > 5000	
Maximum Number of Directorship	15  (Excludes private companies, unlimited companies, alternate directorship and directorship in non-profit associations)	20  (Out of which not more than 10 can be public companies and includes Alternate Directorship also)	
Composition of Board	Public Company - 3 Private Company - 2	Public Company - 3 Private Company - 2  <b>Every</b> company to have atleast one director who has stayed for atleast 182 days in India in previous Calendar year. Listed Companies to have at least 1/3rd independent directors. Certain class of companies to have atleast 1 women director.	
Disclosures in Board's Report	Section 217 contains disclosure requirements of Board's report	Additional Disclosures proposed by the bill, namely, Extract of Annual Return, Number of board meetings, CSR initiatives and policy, particulars of loans, guarantees, investments etc	
Compulsory Consolidation of Accounts	Consolidation is not mandatory. Balance Sheet of subsidiary to be attached by holding company while filing return to ROC	Consolidation is mandatory in addition to standalone statements.	

Basis of Comparison	Companies act ,1956	Companies Bill,2012	
Corporate Social Responsibility	No provisions for CSR initiatives	<p>Constitution of Corporate Social Responsibility (CSR) Committee of the Board is compulsory for companies:</p> <ul style="list-style-type: none"> <li>- having net worth of rupees 500 crore or more, or</li> <li>- turnover of rupees 1000 crore or more or</li> <li>- a net profit of rupees 5 crore or more during any financial year.</li> </ul> <p>Every financial year atleast 2% of the average net profits of last 3 years to be spent on CSR activities, otherwise reason for not spending to be given in Board's Report.</p>	