

NIDHI COMPANY - Section 406 of the Companies Act:

“Nidhi” means a company which has been incorporated as a Nidhi with the 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, and which complies with such rules as are prescribed by the Central Government for regulation of such class of companies.

Rule 4. Incorporation and incidental matters.—

(1) A *Nidhi* to be incorporated under the Act shall be a public company and shall have a minimum paid up equity share capital of five lakh rupees.

(2) On and after the commencement of the Act, no *Nidhi* shall issue preference shares.

(3) If preference shares had been issued by a *Nidhi* before the commencement of this Act, such preference shares shall be redeemed in accordance with the terms of issue of such shares.

(4) Except as provided under the proviso to sub-rule (e) to rule 6, no *Nidhi* shall have any object in its Memorandum of Association other than the 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.

(5) Every Company incorporated as a “*Nidhi*” shall have the last words ‘Nidhi Limited’ as part of its name.

Rule 5. Requirements for minimum number of members, net owned fund etc.

(1) Every *Nidhi* shall, within a period of one year from the commencement of these rules, ensure that it has—

(a) not less than two hundred members;

(b) Net Owned Funds of ten lakh rupees or more;

(c) unencumbered term deposits of not less than ten per cent. of the outstanding deposits as specified in rule 14; and (d) ratio of Net Owned Funds to deposits of not more than 1:20.

(2) Within ninety days from the close of the first financial year after its incorporation and where applicable, the second financial year, *Nidhi* shall file a return of statutory compliances in Form NDH-1 along with such fee as provided in Companies (Registration Offices and Fees) Rules, 2014 with the Registrar duly certified by a company secretary in practice or a chartered accountant in practice or a cost accountant in practice.

(3) If a *Nidhi* is not complying with clauses (a) or (d) of sub-rule (1) above, it shall within thirty days from the close of the first financial year, apply to the Regional Director in Form NDH-2 along with fee specified in Companies (Registration Offices and Fees) Rules, 2014 for extension of time and the Regional Director may consider the application and pass orders within thirty days of receipt of the application.

Explanation.—For the purpose of this rule “Regional Director” means the person appointed by the Central Government in the Ministry of Corporate Affairs as a Regional Director;

(4) If the failure to comply with sub-rule (1) of this rule extends beyond the second financial year, *Nidhi* shall not accept any further deposits from the commencement of the second financial year till it complies with the provisions contained in sub-rule (1), besides being liable for penal consequences as provided in the Act.

Few relaxations:

Section 197(1) of the Act:

Second proviso to this sub-section shall not be applicable to Nidhi Companies which means that remuneration may be payable to any one managing director; or whole time director or manager exceeding five percent of the net profits of that company. Also there is no restriction for payment of remuneration to non-executive directors.

Section 160(1):

Replace the words “One lakh rupees” with the words “ten thousand rupees”.

Section 185:

It shall not apply to Nidhi Company if the loan is given to a director or his relative in their capacity as member and such transaction is disclosed in the annual accounts by a note.

Section 136:

It shall apply, subject to the modification that, in the case of members who do not individually or jointly hold shares of more than one thousand rupees in face value or more than one percent of the total paid-up share capital whichever is less, it shall be sufficient compliance with the provisions of the section if an intimation is sent by public notice in newspaper circulated in the district in which the Registered office of the Nidhi is situated stating the date, time and venue of Annual General Meeting and the financial statement with its enclosures can be inspected at the registered of the company, and the financial statement with enclosures are affixed in the notice board of the company and a member is entitled to vote either in Person or through proxy.