

## **NIDHI COMPANIES**

Nidhi companies are governed by the **Companies Act, 2013 more specifically Section 406** of the said Act besides of course, the **Nidhi Rules, 2014 and the amendments thereafter** of the rules in 2019, 2020, 2022, 2023 and 2024. An extract from Google is reproduced here below stating the salient features about the Nidhi companies. These companies are regulated by the Ministry of Corporate Affairs (MCA) and do not require a license from Reserve Bank of India (RBI) to commence operations. However they follow the directions of the RBI on financial matters, particularly the deposit taking and acceptance area. A Nidhi company shall not carry out the business of chit funds, higher purchases, leasing, or insurance business.

These rules mandate that they function as public companies, deal only with members for lending/borrowing and maintain specific member/capital thresholds (like 200 members, ₹20 Lakhs NOF), and are required to file forms like NDH-1, NDH-4, etc. with penalties for non-compliance. The various Acts mentioned herein above are available as downloads for a more detailed understanding. Please find here below an overview about the Nidhi category of companies.

### **Key Legislation & Rules**

- **Companies Act, 2013 (Section 406)**: Establishes Nidhi Companies as a distinct class of public companies focused on mutual benefit for members.
- **Nidhi Rules, 2014 & Amendments (2019, 2020, 2022, 2023 and 2024)**: Provide detailed operational guidelines, membership criteria, capital requirements, and restrictions.

### **Key Requirements & Restrictions**

- **Incorporation**: Must be a Public Limited Company with "Nidhi Limited" in its name.
- **Members**: Minimum 200 members within one year.
- **Capital**: Minimum ₹10 Lakhs Paid-Up Capital and Net Owned Funds (NOF) of ₹20 Lakhs or more.
- **Operations**: Accept deposits and lend money *only* to members.
- **Prohibitions**: Cannot carry on business of chit funds, hire purchase, leasing, insurance, or issue preference shares/debentures.
- **RBI**: Exempt from Reserve Bank of India (RBI) approval.

### **Compliance & Penalties**

- **Mandatory Filings**: Must file Form NDH-1 (Return of Statutory Compliances) within 90 days of the financial year-end.
- **Penalties**: Non-compliance with Nidhi Rules can lead to fines (e.g., ₹5,000 initially, plus ₹500/day for continued default) for the company and officers.

Please find here below the various Acts, Rules, and amendments thereof, governing Nidhi Companies, as downloadable links.

- ❖ Companies Act, 2013 (Section 406)
- ❖ Nidhi Rules, 2014
- ❖ Amendments 2019
- ❖ Amendments 2020
- ❖ Amendments 2022
- ❖ Amendments 2023
- ❖ Amendments 2024

