Unit 2

Lecture 5

How you can start a company ?

Is there any law in India related to companies?

From where we should start ?

- # COMPANY ACT
- Started in ☾ 1956. (company act , 1956)
- Need ☾ enabled companies to be formed by registration, sets out the responsibilities of companies, their directors and secretaries and also provides for the procedures for its winding
- Till date two new act passed by INDIAN government
- Company act 1956 ☾ company act , 2013 ☾

Structural Comparison

Companies Act 1956	Companies Act 2013
13 Parts	29 Chapters
658 Sections And 15 Schedules	470 Sections And 7 Schedules

Highlights

- Companies Act 1956 explains about the whole procedure of

✓How to form a company

✓ Its fees procedure,

✓ Name

✓ Constitution,

✓Its members,

✓The motive behind the company,

✓Its share capital,

✓Its general board meetings

✓Management and administration of the company including an important part which is the directors as they are the decision makers and they take all the important decisions for the company their main responsibility and liabilities about the company matter the most.

✓The Act explains about the winding of the business as well and what happens in detail during liquidation period.

Process to start a company

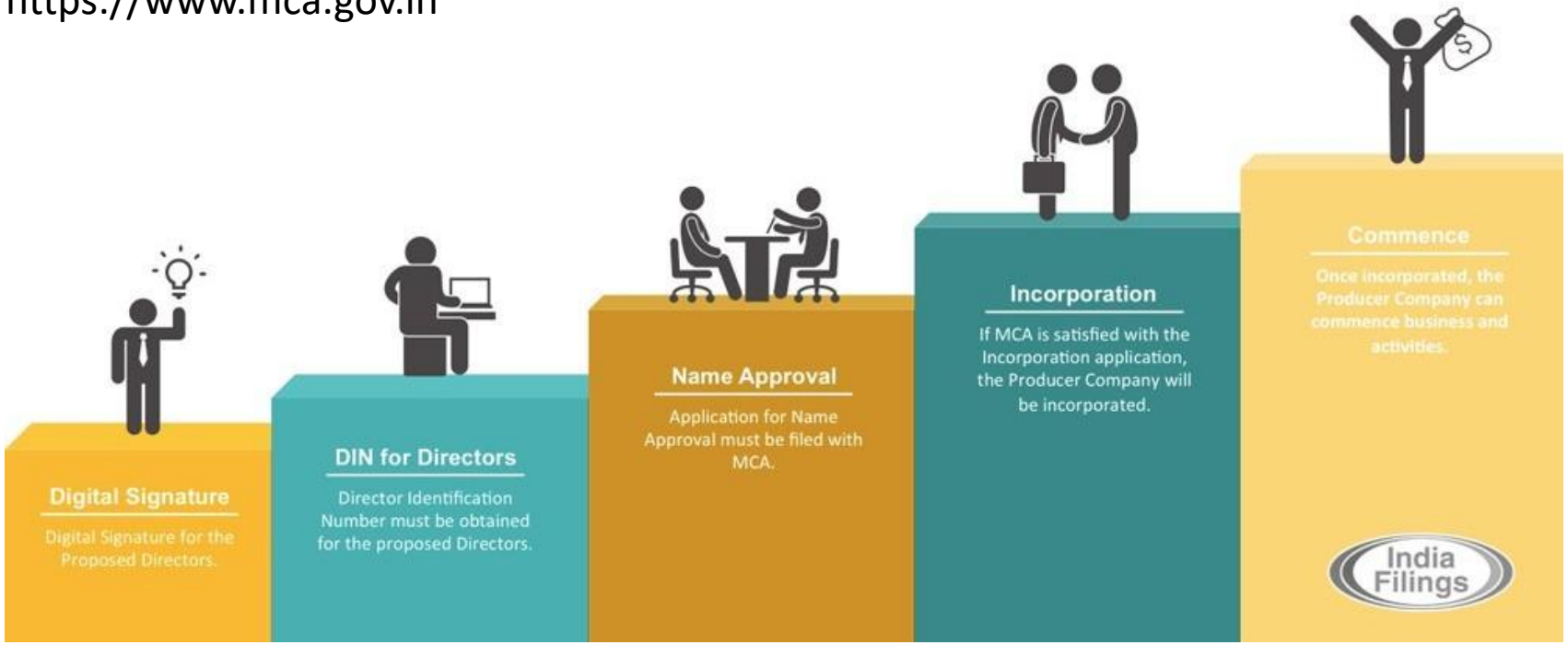
MINISTRY OF CORPORATE AFFAIRS
GOVERNMENT OF INDIA

EMPOWERING BUSINESS, PROTECTING INVESTORS
REGULATOR • INTEGRATOR • FACILITATOR • EDUCATOR

India Filings

Producer Company Incorporation Process

https://www.mca.gov.in



Process to start a company

Step 1: DSC

- The Information Technology Act, 2000 provides for use of Digital Signatures on the documents submitted in electronic form in order to ensure the security and authenticity of the documents filed electronically
- **Names of Certification Agency (CA) from where DSC can be acquired are** MTNL CA, TCS, IDBRT, SAFESCRYPT (SATYAM), nCODE Solutions, NIC, Central Excise & Customs

Step 2: Acquire Director Identification Number

- The concept of a Director Identification Number (DIN) has been introduced for the first time with the insertion of Sections 266A to 266G of Companies (Amendment) Act, 2006. As such, all the existing and intending Directors have to obtain DIN within the prescribed time-frame as notified.

Process to start a company

Step 3: Register DSC

- Third step is to register DSC of the person authorized to sign E-forms on MCA21

Step 4: Apply for Reservation of Name [S.4(4)]

As per section 4(4) of Companies Act, 2013 read with rule 9 of Companies Incorporation Rules, 2014, application is to be made to registrar for reservation of name. six names can be proposed after checking its availability at MCA21 and as per guidelines given in the said rules

Note:- MCA21 is an e-Governance initiative of Ministry of Corporate Affairs (MCA), Government of India that enables an easy and secure access of the MCA services to the corporate entities, professionals and citizens of India.

Process to start a company

Step 5: <u>Drafting and Printing of Memorandum and Articles of Association</u>

- After ascertaining name availability from the Registrar of Companies
- to get the memorandum and articles of association for the proposed company drafted and printed. The memorandum of a company limited by shares shall be in Tables – A in Schedule – I of the Companies Act, 2013.
- If the promoters plan to get the securities of the proposed company listed with one or more designated stock exchanges, it is advisable to send the draft of the memorandum and articles of association to those stock exchanges for their scrutiny and suggestion to the effect whether they would like to have certain articles incorporated therein in compliance with the provisions of the Listing Agreements of the stock exchanges.

Process to start a company

Step 6: <u>Filing of Company Incorporation form – eform INC 7, DIR 12 & INC 22</u>

- As per Rule-12 of Companies (Incorporation) Rules, 2014, application for incorporation of a private and Public company, with the Registrar, within whose jurisdiction the registered office of the company is proposed to be situated, shall be filed in Form no. INC 7 [Rule 12 to 18] along with Form no. INC.22 for situation of registered office of the Company, (as the case selected in form no. INC 7) and DIR - 12.

<u>Note</u>: Form is required to be filed within 60 days as the name is reserved only for this time period. Stamp Duty is payable online as it exceeds Rs. 100/-

Process to start a company

Step 7: <u>Filing of Commencement of Business – eform INC 21</u>

❖On registration, a company cannot commence business or exercise any borrowing powers until it files a declaration by directors in Form INC – 21 to the effect that every subscriber to the memorandum has paid the value of the shares agreed to be taken by them as specified in section 1(1)(a).

❖E-form INC.21 is required to be filed with concerned Registrar of Companies for obtaining approval for commencement of Business and exercise of borrowing powers. This E-form is required to be filed by all companies incorporated under Companies Act 2013.

Step 5

TABLE –A

MEMORANDUM OF ASSOCIATION OF A COMPANY LIMITED BY SHARES

1st The name of the company is "".....Limited / Private Limited".

2nd The registered office of the company will be situated in the State of.....

3rd (*a*) The objects to be pursued by the company on its incorporation are:—

(*b*) Matters which are necessary for furtherance of the objects specified in clause 3(*a*) are:—

4th The liability of the member(s) is limited and this liability is limited to the amount unpaid, if any, on the shares held by them.

5th The share capital of the company is.....rupees, divided into.....shares of.....rupees each.

6th We, the several persons, whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company set against our respective names:—

Names, addresses, descriptions and occupations of subscribers	No. of Shares taken by each subscriber	Signature of subscriber	Signature, names, addresses, descriptions and occupations of witnesses
A.B. of.....Merchant	.....		Signed before me: Signature.....
C.D. of.....Merchant	.....		Signed before me: Signature.....
E.F. of.....Merchant	.....		Signed before me: Signature.....
G.H. of.....Merchant	.....		Signed before me: Signature.....
I.J. of.....Merchant	.....		Signed before me: Signature.....
K.L. of.....Merchant	.....		Signed before me: Signature.....
M.N. of.....Merchant	.....		Signed before me: Signature.....
Total shares taken:	_____ _____		

7th I, whose name and address is given below, am desirous of forming a company in pursuance of this memorandum of association and agree to take all the shares in the capital of the company (Applicable in case of one person company):—

Process to start a company

- **Minimum Requirement of a Private Company:**

❖ Minimum 2 Shareholders
❖ Minimum 2 Directors (The directors and shareholders can be same person)
❖ Minimum Authorised Share Capital shall be Rs. 100,000 (INR One Lac)
❖ DSC (Digital Signature Certificate) for all the Directors (for applying of DIN)
❖ DIN (Director Identification Number) for all the Directors

- **Minimum Requirement of a Public Company**:

❖ Minimum 7 Shareholders
❖ Minimum 3 Directors (The directors and shareholders can be same person)
❖ Minimum Authorised Share Capital shall be Rs. 500,000 (INR Five Lac)
❖ DIN (Director Identification Number) for all the Directors
❖ DSC (Digital Signature Certificate) for one of the Directors

CAPTION	OLD COMPANIES ACT 1956.	NEW COMPANIES ACT 2013.
 Members	There are maximum of 50 members.	There are maximum number of 200 members.
 One person Company	Does not exists.	The concept of one person company was introduced to form a private limited company.
 In-corporation	It can be treated has conclusive evidence.	It cant be treated has conclusive evidence because action can be taken even after incorporation.

CAPTION	OLD COMPANIES ACT 1956.	NEW COMPANIES ACT 2013.
 Memorandum of association	It consists of name clause, situation clause, object clause, subscription clause, etc.,.	It consists of all the clauses but in object clause the sub-clause named other objectives is excluded.
 Articles of association	It has companies limited by share, limited by guarantee & unlimited companies.	No changes have been done in this regard.
 Resident Director	No such provision existed.	Every company shall have one director who lives in India for a period of 180 days for last calendar year.

CAPTION	OLD COMPANIES ACT 1956	NEW COMPANIES ACT 2013.
 E-governance	No such provision existed.	Inspection of documents in electronic form is made.
 Women director	No such provision existed.	In prescribed companies classes or class women can be a director.
 Maximum no. of Directors	Max. no of directors are 12 not beyond them with approval of central govt.	Number increased to 15 but by passing with special resolution .

CAPTION	OLD COMPANIES ACT 1956	NEW COMPANIES ACT 2013.
 Applicability of law	It is acceptable whole India except in Sikkim has they has their own company's act.	It is applicable to whole India.
 Issue of bonus shares	No such provision existed. However rules framed in unlisted public company.	Private limited company's are not permitted to issue bonus shares.(clause 63 and 23)
 Exit option of share holder	No such provision existed.	Share holders can have exit option if money raised has not been utilised.

CAPTION	OLD COMPANIES ACT 1956	NEW COMPANIES ACT 2013.
 **Corporate Social Responsibility (C.S.R.)**	• No provisions for CSR initiatives	• Constitution of corporate social responsibility (C.S.R.) Committee of the board is compulsory for companies: - Having turnover of rupees **1000 crore** or more or -a net profit of rupees **5 crore** during financial year. • Every financial year at least **2%** of the average net profits to be spent on CSR activities,

Company act, 2017

- Amendment done in 2017

The Companies (Amendment) Bill, 2017

The Bill amends the Companies Act, 2013 in relation to structuring, disclosure, and compliance requirements for companies. The amendment aims to strengthen corporate governance, strict action against defaulting companies, facilitating case of doing business in India and harmonization with SEBI.

KEY DATES

Introduced on: Mar 16, 2016
Passed in Lok Sabha: Jul 27, 2017
Passed in Rajya Sabha: Dec 19, 2017

NASSCOM
(National Association of Software and Services Companies)

TRADE ASSOCIATION

an organization founded and funded by businesses that operate in a specific **industry**.

NASSCOM

The National Association of Software and Services Companies (NASSCOM) is a trade association of Indian Information Technology (IT) and Business Process Outsourcing (BPO) industry.

Established in 1988, NASSCOM is a non-profit organisation.

Vision:

To help the IT and IT enabled products and services industry in India to be a trustworthy, respected, innovative and society friendly industry in the world.

Headquarters

NASSCOM is a global trade body with over 2000 members, of which over 250 are companies from China, EU, Japan, the U.S. and the UK.

NASSCOM's member companies are in the business of **software development, software services, software products, IT-enabled/BPO services and E-commerce**.

NASSCOM is headquartered in New Delhi, India, with regional offices in the cities of Bengaluru, Chennai, Hyderabad, Kochi, Kolkata, Mumbai, Pune and Thiruvananthapuram.

FUNCTIONS OF NASSCOM

Partnership with the government

NASSCOM acts as an advisor to the Indian government at the centre as well as state levels. With adequate representation in various ministries of the government, the organization ensures that the government frames industry friendly policies. It also forms partnerships at the global level for promoting the Indian IT and ITES industries

Protection of Intellectual Property Rights

The organization is a strong proponent of intellectual property rights. It supports software anti piracy by setting up hotlines and facilitating law enforcement.

Research on IT and ITES

NASSCOM conducts in depth research on the IT and ITES industries to keep its members well aware of the global trends, best practices, threats and opportunities.

IT companies are those which do projects related to programming , testing , database and other project related works

ITES as a form of outsourced service which has emerged due to involvement of IT in various fields such as banking and finance, telecommunications, insurance, etc.

Support for quality products and services

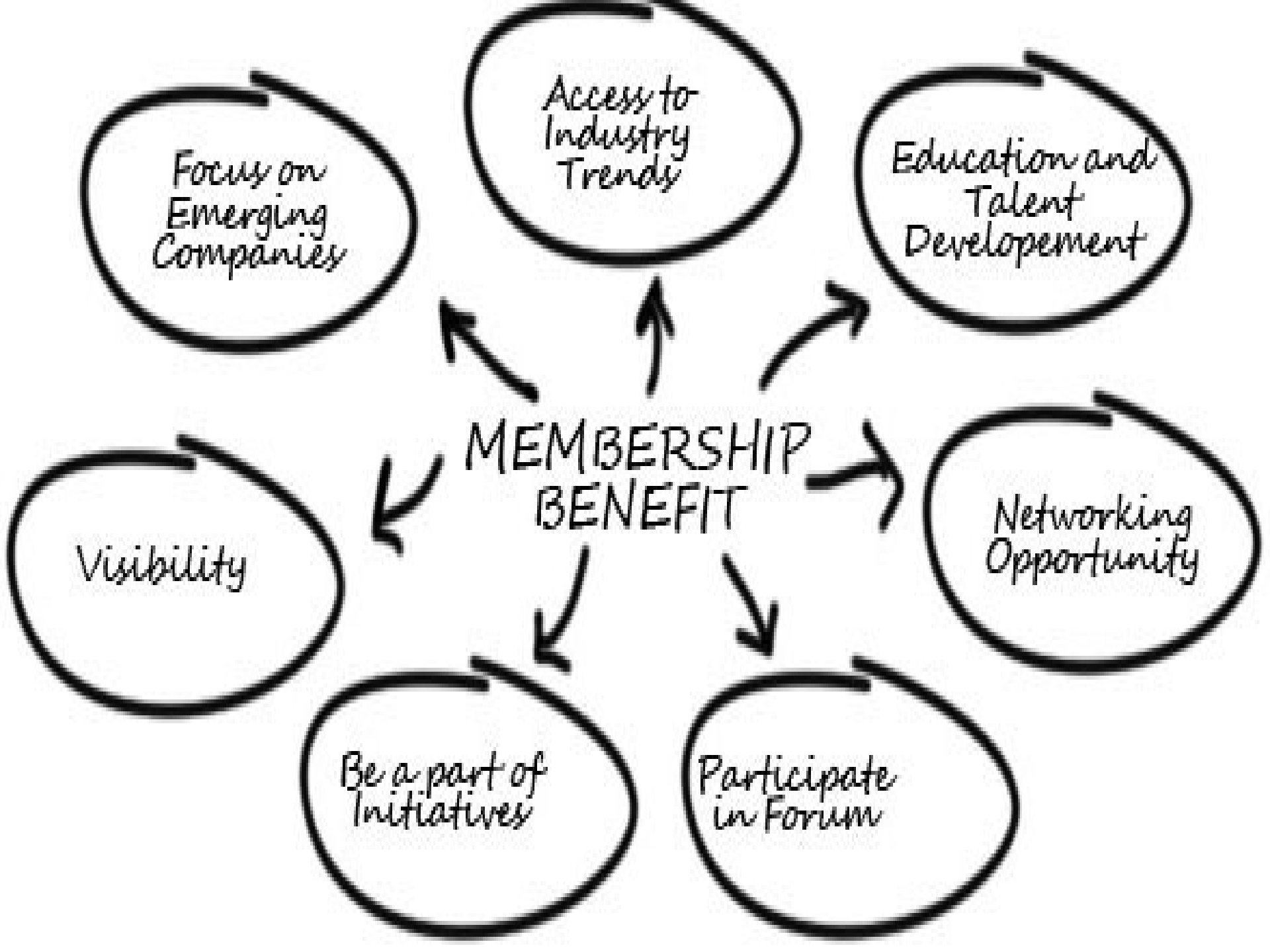
NASSCOM encourages its members to maintain high quality of products and services with the aim of developing global public confidence for its members and the industry. It also helps the members achieve international quality certifications through regular seminars and workshops on quality standards.

Talent Pool in India

India has one of the largest talent pool in the world with 300,000 engineers

and 2.1 million graduates being produced by its 11,200 higher education institutions each year.

NASSCOM ensures that the quality and quantity of professionals in the country increases with time and that the country is able to cater to the global demand of IT and ITES outsourcing services


MEMBERSHIP BENEFIT
Access to Industry Trends
Education and Talent Developement
Networking Opportunity
Participate in Forum
Be a part of Initiatives
Visibility
Focus on Emerging Companies

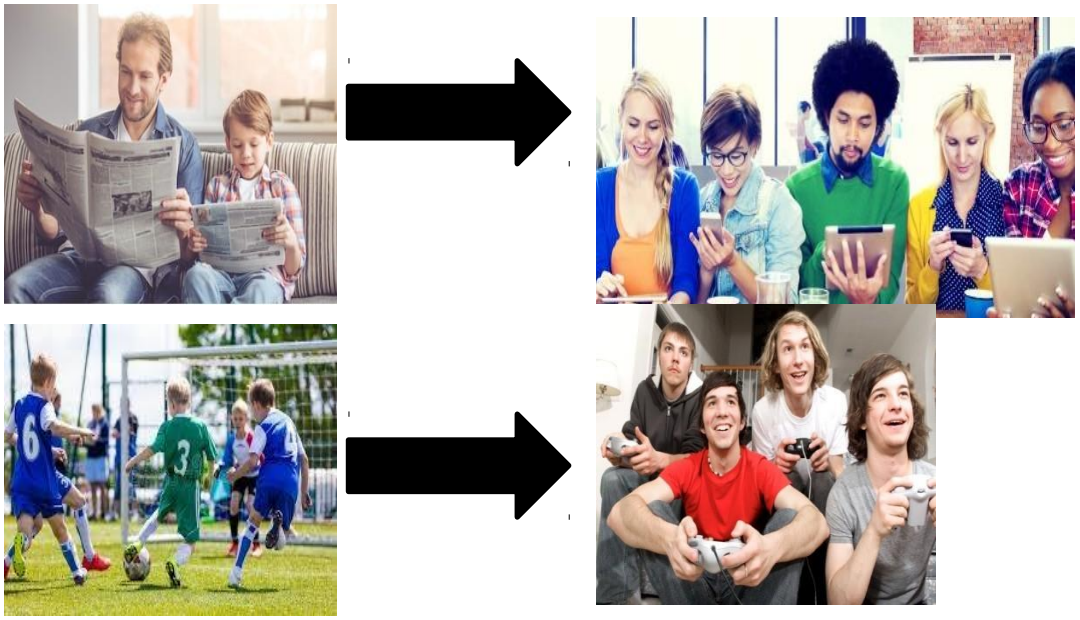
Role

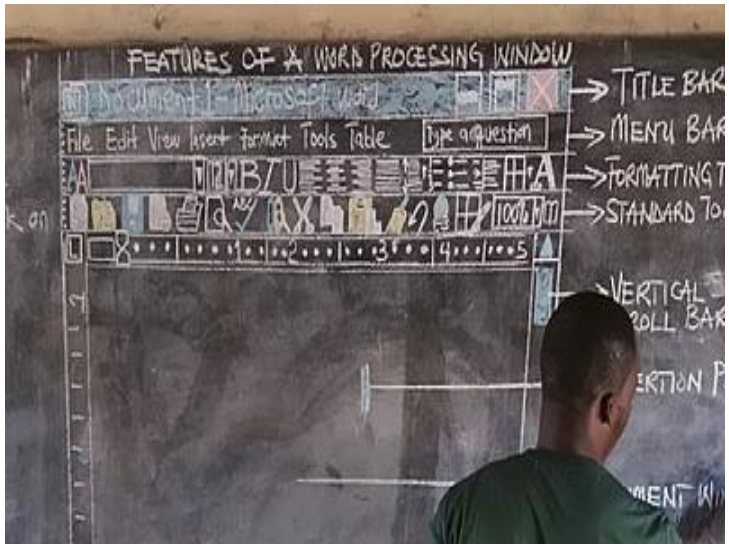
Industry Development

As the industry has expanded into multiple sub-sectors, NASSCOM has built an Industry Council structure that addresses the needs of the specific sector. Focused programs, research, events, industry initiatives are implemented through

Ex: **IT Services Council**

- With the advent of digital technologies, traditional businesses are being disrupted with technology central to this transition.




FEATURES OF A WORD PROCESSING WINDOW
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FORMATTING
STANDARD

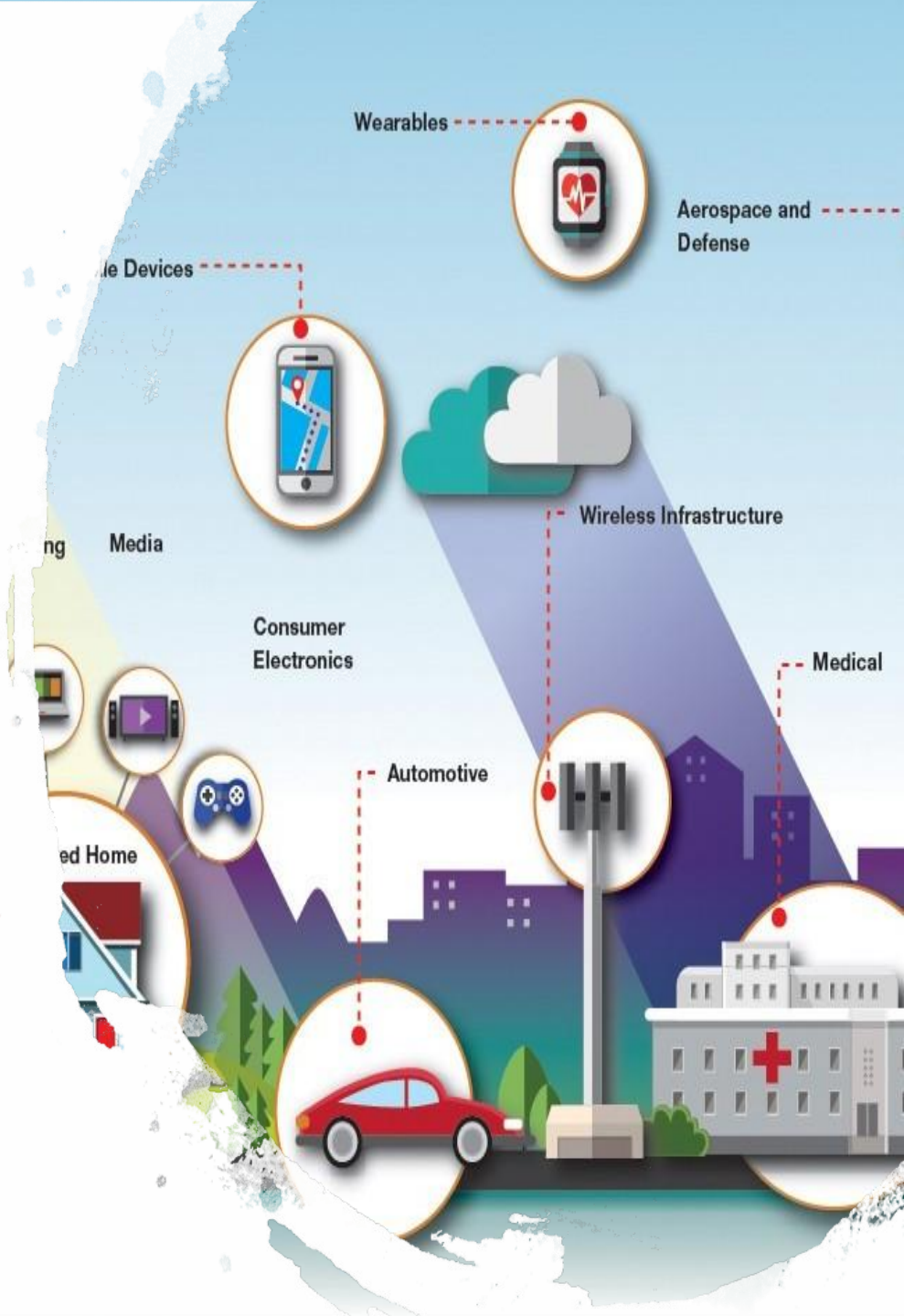
- By 2025, it is expected that the total addressable technology market would have grown to almost $ 4 trillion – however with one big difference.
- Almost 80% of this incremental spends on technology will be driven by digital technologies including mobile systems, social media, cloud, analytics, machine to machine, cyber security and integration platforms to connect these to legacy systems.
- How will the Indian IT services industry react to this opportunity?
- NASSCOM has constituted a cross section of senior industry executives, forming the IT Services and Solutions Council, to address the needs of this industry during this inflection time.

Ex: **Internet, Mobile and E-Commerce Council**

- The number of internet users in India have surpassed 400 million mark, making it the second largest market after China. Increase in internet penetration in India has also led to the exponential growth in e-commerce sector in India.
- With an annual growth of around 20%, it is estimated that the e-commerce industry will surpass $ 100 billion mark by 2021.

- New emerging fields like Internet of Things (IoT) are thriving on the success of internet and has started revolutionizing various sectors such as manufacturing, energy, transportation, medical, health care etc.

- Globally IoT market is expected to cross $300 billion by 2021 and India aims to capture 20 percent of its market share by this time.



Software Technology Parks of India (STPI)

Software Technology Parks of India (STPI)

❖Software Technology Parks of India (STPI) is a premier S&T organization under Ministry of Electronics and Information Technology (MeitY)

❖It engaged in promoting IT/ITES Industry, innovation, R&D, start-ups, product/IP creation in the field of emerging technologies like IoT, Blockchain, Artificial Intelligence (AI), Machine Learning (ML), Computer Vision, Robotics, Robotics Process Automation (RPA), Augmented & Virtual Reality, Animation & Visual effect, Data Science & Analytics for various domains like Gaming, FinTech, Agritech, MedTech, Autonomous Connected Electric & Shared(ACES) Mobility, ESDM, Cyber Security, Industry 4.0, Drone, Efficiency Augmentation, etc.

Software Technology Parks of India (STPI)

STPI is establishing CoEs/Technology incubators for building India's leadership in the above mentioned technology areas across the country in a collaborative manner. Till date, STPI has launched the following 19 Centres of Entrepreneurship (CoEs):

- Electropreneur Park at New Delhi
- Internet of Things (IoT) OpenLab at Bengaluru
- Electropreneur Park at Bhubaneswar
- VARCoE at Bhubaneswar
- FinBlue at Chennai
- NEURON at Mohali
- MOTION at Pune
- IMAGE at Hyderabad
- Apiary at Gurugram
- MedTech CoE at Lucknow
- Internet of Things (IoT) in Agriculture CoE at Guwahati
- Animation CoE at Shillong
- Emerging Technologies – AR/VR CoE at Imphal
- Geographic Information System (GIS) CoE at Itanagar
- Gaming Tech CoE at Aizawl
- Graphic Design CoE at Kohima
- Healthcare Tech CoE at Gangtok
- Data Analytics CoE at Agartala
- AIC STPI Bengaluru

Software Technology Parks of India (STPI)

❖Since its inception in 1991, STPI has been working towards equitable and inclusive IT-led growth pan-India which in turn has helped promoting Software exports, Science, Technology & Innovation (STI) and Software product development.

❖With nine jurisdictional directorates and 60 centres, STPI has expanded its presence pan-India to support IT/ITeS Industry.

❖Working closely with all stakeholders, STPI has played a key role in transforming the country as the preferred IT destination, a fact that aptly proven by the stupendous growth in exports by STPI-registered units from Rs. 52 crores in 1992-93 to Rs. 5,08,438 crores in 2020-21, which is approx. 50% of the national software exports and 2.3% of India's GDP.

❖The first historic event that triggered the high-octane growth of IT Industry in India was the establishment of three Software Technology Parks (STPs) at Bengaluru, Bhubaneswar and Pune in 1989. Consequently, in 1991 these three STPs were merged to create a single entity Software Technology Parks of India.

Software Technology Parks of India (STPI)

Objectives

To promote the development and export of software and software services including Information Technology (I.T.) Enabled Services / Bio-IT.

To provide statutory and other promotional services to the exporters by implementing Software Technology Park/ Electronics and Hardware Technology Park Schemes and other such schemes which may be formulated and entrusted by the Government from time to time.

To provide data communication services including value added services to IT / IT Enabled Services related industries.

To promote micro, small and medium entrepreneurs by creating conducive environment for entrepreneurship in the field of IT / IT Enabled Services.

Software Technology Parks of India (STPI)

Governing Council

Home | Governing Council

Composition

The Governing Council shall comprise the following:-

1. Hon'ble Minister, Administrative Ministry - Chairperson
2. Hon'ble Minister of State, Administrative Ministry - Deputy Chairperson
3. Secretary, Administrative Ministry – Executive Vice-Chairperson

Software Technology Parks of India (STPI)

Members

1. Additional Secretary/ Group Coordinator for STPI, Administrative Ministry
2. Joint Secretary, (Societies), Administrative Ministry
3. Financial Advisor, Administrative Ministry
4. One representative of Department of Telecommunications not below the rank of Joint Secretary
5. One representative of Ministry of Home Affairs not below the rank of Joint Secretary
6. One Representative of Intelligence Bureau not below the rank of Joint Secretary
7. One Representative of Ministry of Finance not below the rank of Joint Secretary
8. One Representative of Department of Commerce not below the rank of Joint Secretary
9. Chairman, Electronics and Computer Software Export Promotion Council
10. Up to three persons of eminence in the disciplines related to the functions of STPI.(e.g Electronics, Computer Software, International Trade, Finance etc.) nominated by the Chairperson.
11. Up to two representatives of trade / professional bodies related to the Industry nominated by the Chairperson
12. Deputy Chief Executive Officer, STPI
13. Chief Executive Officer, STPI - Member Secretary

Product-based vs Service-based Companies

Product based companies create products like Oracle, Adobe Photoshop and they usually sell it to as many clients as possible. More often than not product based companies sell something tangible while **Service based companies** usually offer services that might not be tangible. For example, a soft skill training institute offers training and helps you pick up new skills. The service offered in this case isn't tangible. Service based companies like TCS, Wipro etc usually use products (Oracle, Photoshop, Premier Pro) made by product based companies for various purposes.

Product-based IT Company	Services-based IT Company
Innovation: Here you will get challenges that will take you towards innovation. Every time something better is expected so if you are keen to learn, you will get good problems to solve. There is always a scope of doing something better to enhance the product line as per competition.	**Monotonous:** Here, you would be given a fixed set of work with a fixed deadline. No one is going to ask for anything extra if you are done with your task. There will be no challenges as the work is planned and allocated as per client requirements. Many times, you keep doing the same work as that's the need of the business as a service to be given to the client.
Joy of accomplishment: If you are coming up with a new idea and working towards it, you get satisfaction and a sense of accomplishment.	**Just completing tasks:** Since the requirement is coming from the client, once a task is allocated, you are just completing the task.

R&D at its highest peak: Over here, everyone is expected to keep doing R&D as any new idea is always welcomed. It may change the whole business line. So, people are encouraged to speak up and share their ideas.	**Less scope of R&D:** Since the requirements are frozen at the start of the work, there is less scope of R&D for all. A specific team takes care of that area and not everyone gets the chance to research.
Code Quality Check: Since you are building a product, its quality is at the highest priority. A lot of importance is given to your code quality and efficiency.	**Code Quality Check not a priority:** As your company is not creating anything for themselves apart from good relations with the client, they will not bother you until the client bothers them. So, you may not worry about code quality.
Growing Tech Stack: Here, the chance of working on new technology is very high as the world is changing every single day and you need to keep upgrading your product accordingly.	**Limited Tech Stack:** Here, people may end up using the same technology for years as there are different teams for different technologies, so the scope of growing the tech stack is very low.

upgrading your product accordingly.	stack is very low.
Healthy Competition: As such a place is filled with great talent, you always get a strive to be better. There is always a healthy competition to learn more and provide better solutions. Multitasking is appreciated the most.	**Political Environment:** As they have many people to do the same task, people tend to get in politics. Technical competency doesn't play a huge role, thus usually office politics, backstabbing, flattery take the front seat during appraisals and reviews. As a consequence, you see a lot of arrogance from people and a lot of chaos in project executions.
Business understanding: In a product company, you need to understand the whole business idea to come up with more ideas so the freedom to expand your business acumen is high.	**Domain understanding:** Since most of the services companies specialize in a particular domain only, so there is less scope of understanding the whole business. You may gain expertise in a particular domain like health care, telecom, etc.
Higher salary benchmark: The focus is more on talent and thus good paymasters. There is no client billing here so they cautiously choose better talent and give them better salaries so that they stay for long with them.	**Lower salary benchmark:** The focus is on billing, so more billing, more people are allocated to a project, so they may compromise on talent and pay a particular range only.

Latest Advancements in Information Technology

Artificial Intelligence

Artificial intelligence (AI) is an advancement that is being adopted by many IT professionals. But it also brings up a lot of questions and even fears in some people. If we teach machines to think, will they be smarter than us? What are the repercussions of this innovation? But the truth is that there are many kinds of AI, and we can rest assured that they are safe.

The most basic forms of AI can perform functions, but have no memories. They can play games like chess, but they won't recall what their last move on the board was. They simply analyze the situation in the moment and respond with a well of pre-programmed responses. This makes them great for automated customer service.

The next level up has limited memory, and the third can develop an understanding of the world around it. Social media bots can fall into this category. IT professionals can use these two levels of AI to perform functions within the workplace, such as risk management and cybersecurity.

But the last step in AI – one we haven't yet reached – is a program that can make judgements about itself and the world around it. We are a long way off from self-aware machines, though. Right now, developers are still trying to perfect the memory and decision-making functions of AI.

Cloud Computing

Cloud computing allows IT professionals to store data and access resources via the internet. This solves many storage and security problems, and allows for some monetary savings since you only pay for the “cloud space” you use.

Cloud computing is also bolstering one of the other advancements in information technology – AI. AI systems are currently an expensive investment for some businesses, which means it is almost inaccessible for some. But with cloud computing, a library of machine learning tools is available to the masses, opening up new possibilities for innovation.

Monitoring and Predicting

Software and computing errors can be seriously detrimental to any business. It could cost the company money, time, and even goodwill.

That's where the next IT advancement comes in. We now have cognitive systems which can predict and detect errors in other programs. This can help companies to respond quickly to – or even completely avoid – catastrophic failures.

By implementing and understanding these preventative measures, IT professionals can protect their employer from a very costly situation.

Zero-Knowledge Proofs

With privacy issues making headlines this year, this IT advancement is more in-demand than ever. It's prominence mostly boomed with the rise of cryptocurrency, which comes with a lot of privacy concerns. The purchase of cryptocurrency is not always a private transaction, which can leave people exposed.

Zero-knowledge proofs are used to protect users in this case and keep transactions anonymous. This can prevent the leaking of private information, which could be a huge problem for a business.

One example of a zero-knowledge proof is called a zk-SNARK (zero-knowledge succinct non-interactive argument of knowledge). Though they can be effective at keeping private information private, there are some complications. They're slow and difficult to set up, and if the cryptographic key was compromised, the entire system falls apart.

But this technology is advancing, at it will become more secure in the future.

Current affairs related with the IT industry