

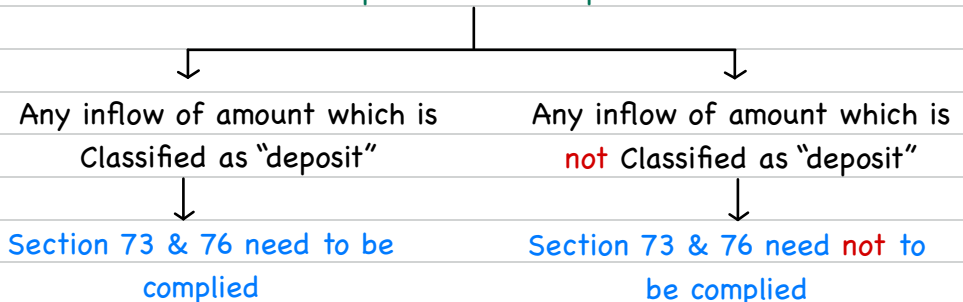
Acceptance of deposits by Companies



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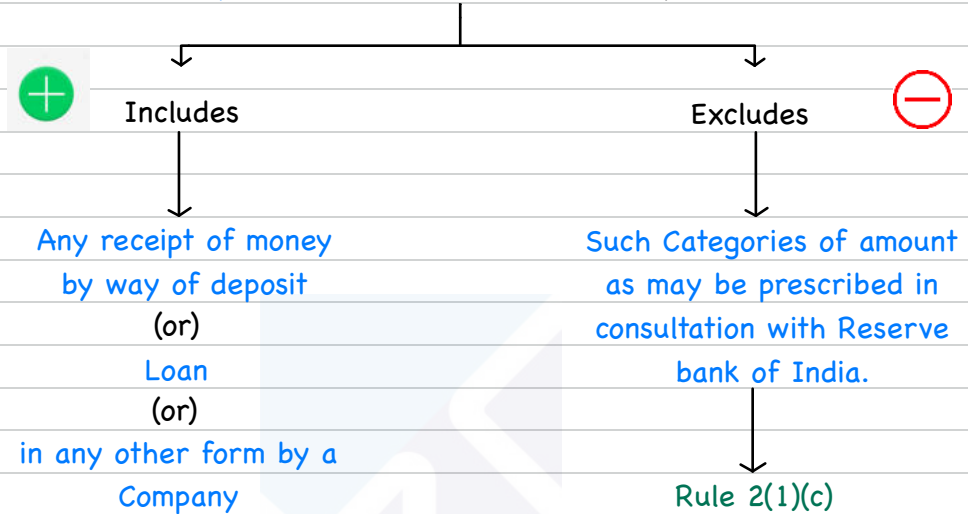
Section 2(31)	—	Meaning of "Deposit"
Rule 2(1)(c)	—	Amount which are not Considered as deposit
Section 73(1)	—	Prohibition on acceptance of deposits from Public
Section 73(2)	—	Conditions for accepting deposits from <u>Members</u>
Rule 3(3)	—	Maximum amount of deposits that can be accepted from members
Section 76	—	Provision regarding acceptance of deposits from public by eligible Companies
Rule 3(4)	—	Maximum amount of deposits that can be accepted from members & Public by eligible Company
Rule 3(5)	—	Maximum amount of deposits that can be accepted from Public by eligible Government Company
Section 76A	—	Punishment for Contravention of Section 73 (or) Section 76
Section 74	—	Repayment of deposits accepted before commencement of this act

Purpose of this chapter





Deposits

As per Section 2(31), the term "Deposit"



Following categories of amount are **not** considered as deposit [Rule 2(1)(c)]

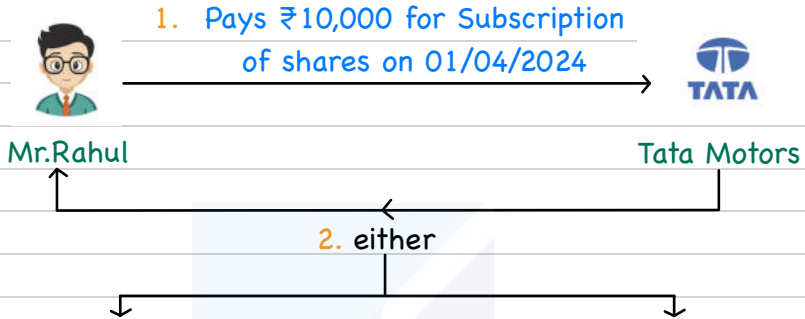
S.No	Particulars	Amount received from
1	Government 	(i) CG/SG/ Local Authority (ii) Statutory authority constituted under an Act of Parliament (or) state legislature Eg: SEBI, RBI etc., (iii) Any source where Repayment is guaranteed by CG/SG.
2	Foreign Sources (Subject to FEMA) 	(i) Foreign Government (ii) Foreign (or) International Banks (iii) Multinational financial Institution Eg: World bank etc., (iv) Foreign citizens/ body Corporate/ Person resident outside India.

S.No	Particulars	Amount received from
3	Amount received as a loan (or) facility from Banks	(i) Any Banking Company (ii) State Bank of India (SBI) and Subsidiary of SBI (iii) Co-operative Bank (iv) Public Financial Institutions
		
4	Financial Institution	(i) Public Financial Institutions (ii) Insurance Companies
		
5	Issue of Commercial Paper Eg: Promissory Notes, Cheque etc.,	Amount raised through Issue of Commercial Paper (or) other Instruments as Per RBI Guidelines
6	Inter-Company deposits	Amount received from Other Companies
7	Any Amount received for subscription of Securities [Share application money and Share allotment money]	<p>The Securities should be allotted within 60 days from date of Receipt</p> <pre> graph TD A[The Securities should be allotted within 60 days from date of Receipt] --> B[If not allotted within 60 days] A --> C[If allotted within 60 days] B --> D[Repaid within Next 15 days] B --> E[Not Repaid within Next 15 days] D --> F[No issues] E --> G[Deposit] C --> H[No issues] </pre>

Note:

Adjustment of money for other Purpose will not considered as Refund.

Example:1:-

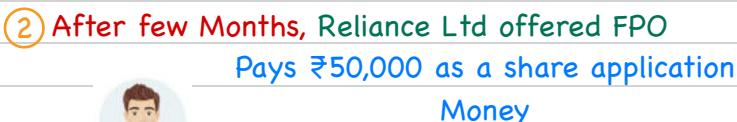
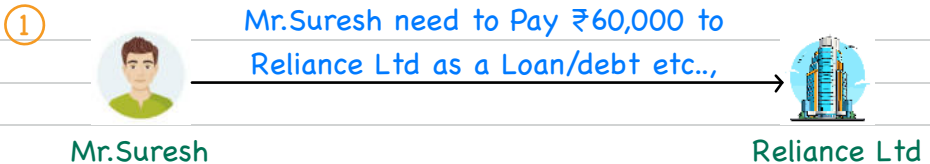


Tata Motors should allot shares within 30/05/2024 (60 days from the date of receipt)

Tata Motors should refund the amount the amount of ₹10,000 within 14/06/2024 (Within 15 days from expiry of 60 days)

3. If nothing is happened, ₹10,000 will be considered as deposit for Tata Motors

Example:2:-



③ Reliance Ltd have not allotted any shares within 60 days to Mr.Suresh



④ Reliance Ltd adjusted that ₹50,000 (Share Application Money) against his Old Payable ₹60,000.



In the above case, ₹50,000 will not be considered as Refund as it is adjusted for other purpose.

Hence, Those ₹50,000 will be considered as deposit for Tata Motors.

S.No	Particulars	Amount received from
8	Loan from directors	<p>Amount received from the person who at the time of such receipt was</p> <pre>graph TD; A[Amount received from the person who at the time of such receipt was] --> B[Private Company]; A --> C[Public Company]; B --> D[Director (or) Relative of a director]; C --> E[Director];</pre>
		<p>Following Conditions are to be Met:-</p> <p>① Director (or) Relative of the Director shall give declaration at the time of giving money.</p> <p>that</p> <p>Such Money " is not being given out of funds by borrowings (or) accepting loans (or) deposits from others"</p> <p>② Company shall disclose the details of money so accepted in the board's Report.</p>

S.No	Particulars	Amount received from
11	Held in "Trust"	<p>An Non-Interest bearing amount received and held in Trust</p> <p>Example:-</p> <p>01. Gives ₹15,000 to Suresh Pvt Ltd to keep safe and informed company that he will collect after 6 Months</p> <p>Mr.Ram  → Able Pvt Ltd </p> <p>Soln:- ₹10,000 will not be considered as deposit for Able Pvt Ltd, but for which Company should not give Interest.</p>

12. In the Course or furtherance of business

(A) Supply of goods (or) Services

As an advance received for Supply of Goods (or) Services will not considered as deposits



Goods/Services supplied within 365 days from the date of receipt of advance.

Note: But, Such Timelimit is not applicable, if advance is subject matter of legal proceedings.

(B) Immovable Property

As an advance received towards consideration for an Immovable Property as per an agreement.



Provided such advance is adjusted against such property as per the terms of agreement.

C Security deposit

As security deposit for the performance of the Contract for supply of goods (or) Provision of Services.

Example:-



Pays Security deposit of ₹2,50,000
at the time of entering into
agreement



RFQ Mobiles Pvt Ltd
Oppo TN Distributor

Sangeetha Mobiles

Soln:-

Here, Security Deposit of ₹2,50,000 will not be considered as deposit for RFQ Mobiles Pvt Ltd.

D Long term Projects

As advance received for long term projects for supply of Capital goods except those covered in Point-b.

Example:-



Advance of ₹10,00,000 paid by
Government to KNR Constructions Ltd



KNR Constructions Ltd

Government

Soln:-

Here, Advance of ₹10,00,000 will not be considered as deposit for Constructions Ltd.

E) Warranty/Maintenance Contract

Advance towards Consideration for providing Future services in form of warranty/Maintenance Contract as per written agreement.



Provided that Period for warranty/Maintenance Contract is not more than

(i) 5 Years

(or)

(ii) Common business Practice

Whichever is less

Common business Practice means "No of Years warranty given by other suppliers in the Market".

Example:-

(a) Poorvika Mobiles sells earbuds for ₹10,000 (8,000 for Product and ₹2,000 for warranty) along with warranty period of 3 Years?

Determine whether the amount of ₹2,000 is deposit or not?

Warranty for earbuds as per Common business practice is 2 years?

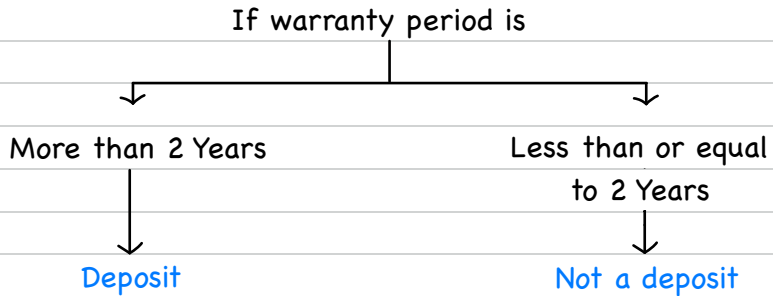
Soln:-

(i) 5 Years : 5 Years

(or)

(ii) Common business Practice : 2 Years

Whichever is less



Therefore, in the given case, Amount of ₹2,000 will be considered as deposit as Poorvika Mobiles gives warranty period is 3 Years.

(b) Poorvika Mobiles sells earbuds for ₹10,000 (8,000 for Product and ₹2,000 for warranty) along with warranty period of 4 Years?

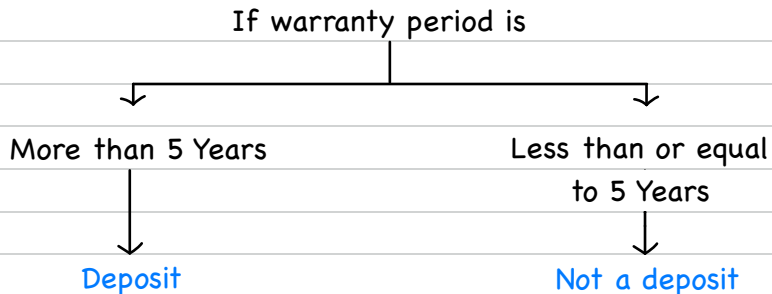
Determine whether the amount of ₹2,000 is deposit or not?

Warranty for earbuds as per Common business practice is 6 years?

(i) 5 Years : 5 Years
(or)

(ii) Common business Practice : 6 Years

Whichever is less



Therefore, in the given case, Amount of ₹2,000 will not be considered as deposit as Poorvika Mobiles gives warranty period is 4 Years.

F Sectoral Regulator

As advance received and allowed by Sectoral regulator.

G Publication

As advance for subscription towards Publication whether in Print (or) in electronic.



To be adjusted against receipt of such Publications

Note:-

In case of amount received under Point-(a),(b) and (d) above becomes refundable (with or without Interest)



Due to reasons that the Company does not have permission to deal in goods (or) services for which advance is received.



Then, It should be refunded within 15 days from the date when they becomes due (or) else it will be considered as Deposit.

Summary:-



Refunded within 15 days from the date it becomes refundable



Not a deposit

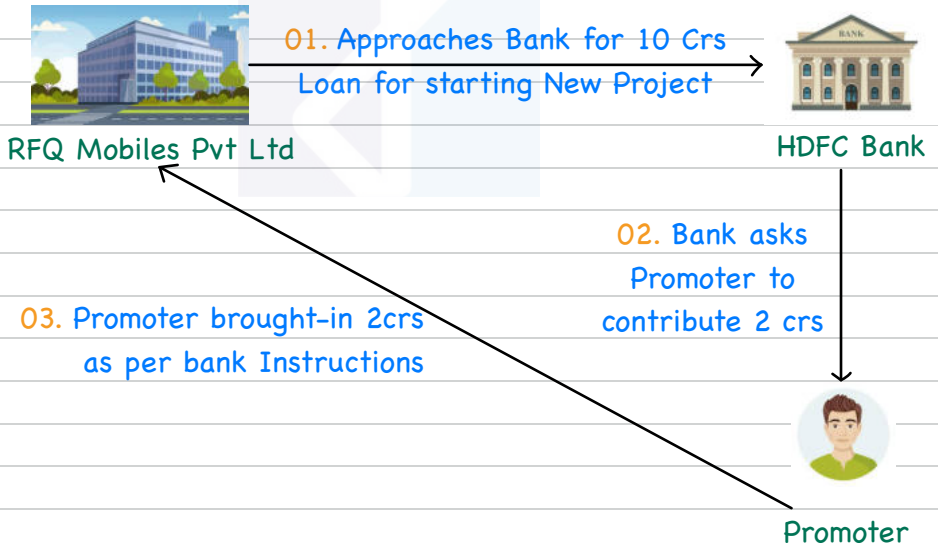
Not Refunded within 15 days from the date it becomes refundable



Deposit

S.No	Particulars	Amount received from
13	Unsecured Loans from Promoters	<p>Any amount brought in by Promoters of the Company by way of unsecured Loan Subject to following conditions:- "Loan is brought because of conditions imposed by Lending Institutions/Banks on promoters to contribute bank finance".</p> <p>Note:-</p> <ul style="list-style-type: none"> * It can be brought by Promoter (or) Relative of the Promoter (or) Both. * Such exemption is available only till the loans are repaid and not thereafter.

Example:-



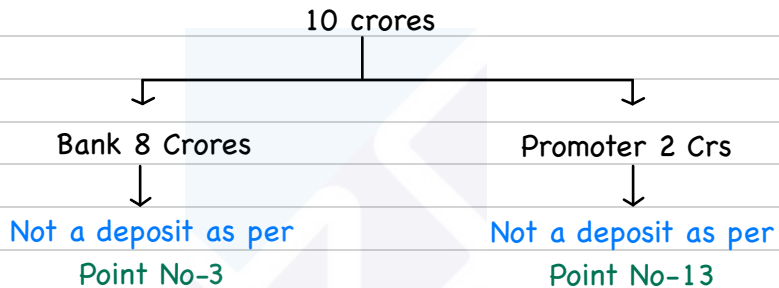
Note:- The Loan given by HDFC Bank (8 Crs) will be fully repaid within 31/03/2028.

Soln:-


The amount of 2 Crs given by Promoter will not be considered as deposit for RFQ Mobiles Pvt Ltd until 31/03/2028.

The amount of 2 Crs will be considered as deposit after 31/03/2028, if it remains unpaid.

Therefore,



S.No	Particulars	Amount received from
14	Nidhi Company (or) Subscription to Chit funds	Amount received by Nidhi Company u/s 406 and rules (or) Amount received by subscription of a Chit under the Chit fund act, 1982.
15	Collective Investment Scheme (CIS)	Amount received under any Collective Investment Scheme as per SEBI guidelines. Eg: Mutual Funds

S.No	Particulars	Amount received from
16	Startup Company	<div style="display: flex; align-items: center; justify-content: space-between;"> <div style="text-align: center;">  <p>Startup Company</p> </div> <div style="text-align: center;"> <p>01. An Amount of ₹25 Lakhs or more in a Single Tranche</p> <p>02. 10 Years Convertible Notes</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>Any Person</p> </div> </div> <p>Startup Company</p> <p>Explanation:-</p> <p>(i) Startup Company It means Private Company and recognised by Dept for Promotion of Industry and Internal Trade (DPIIT).</p> <p>(ii) Convertible Notes</p> <ul style="list-style-type: none"> (a) Evidencing debt initially (b) Which is repayable at the option of Holder (or) (c) Which is convertible into such number of eq.shares of startup Company. <p>(iii) 10 Years Convertible Notes Convertible in to equity shares (or) repayable within a period not exceeding 10 Years from the date of issue.</p>

S.No	Particulars	Amount received from
17	Any amount received by a Company from	<ol style="list-style-type: none"> 1. Alternate Investment funds 2. Domestic Venture Capital Funds 3. Infrastructure Investment Trust 4. Real estate Investment Trust 5. Mutual funds registered with SEBI

Meaning:-

Depositor:

As per Rule 2(1)(d)




Member of Private and Public Company who made deposit as per Section 73(2).

Any Person who made deposit as per Section 76.

Section - 73

Section - 73(1) - Prohibition on acceptance of deposits from Public.

1. No Company shall invite, accept (or) renew deposits from public except in a manner provided in Section-76.
2. But the "deposit provisions" and " deposit rules" shall not apply to
 1. Any banking Company
 2. Any Non-banking Financial Company (NBFC)
 3. Housing Finance Company
 4. Such other company as CG + RBI as may be prescribed
3. This is applicable to "Non-banking, Non- Financial Company" (i.e: Trading , Manufacturing Company). 

Section - 73(2) - Conditions for accepting deposits from Members.

1. Resolution

Pass **ordinary resolution** in general meeting for acceptance of deposit from members.

2. Circular (Clause-a)

Issue a Circular to the members along with statement containing

- * Financial position of the Company
- * Credit rating obtained
- * No of depositors
- * Amount due w.r.t previously accepted deposits
- * Such other particulars in prescribed form and Manner.

Rule-4 : Manner of circulating Circular

(a) Circular (Form DPT-1)



via Registered Post with acknowledgment due/
Speed Post/ electronic Mode.

To all its members



(b) Published in Newspaper (English + Vernacular Language)

↳ Local

(c) Certificate by statutory Auditor

(i) In Case, Company had **not committed a default**

Certificate from the statutory Auditor of the Company shall be attached in Form DPT-1.

↓ Stating that

" The Company has **not committed default** in repayment of deposits (or) Payment of Interest"

(ii) In Case, Company had committed a default

Certificate from the statutory Auditor of the Company shall be attached in Form DPT-1.

↓ Stating that

“ The Company had made good the default and period of 5 Years has lapsed since the date of making good the default”

(d) Effective date of the Circular

Date on which Circular was dispatched

(e) Validity of the Circular

Earliest of

* 6 months from the closure of FY in which it is issued (or)

* AGM related date

AGM related date

If AGM is held within due date

Date of AGM

If AGM is not held within due date

Due Date of AGM

(f) Fresh Circular

Fresh circular shall be issued in each succeeding FY for inviting deposits during that FY.

Example:-

01. Determine the Validity of the Circular assuming Able Pvt Ltd issued a circular on 28/02/2025 and AGM for FY 2024-25 is held on 25/08/2025.

Soln:-

Earliest of

- * 6 months from the closure of FY in which it is issued (or) 30/09/2025
- * AGM related date (AGM held- Date of AGM) 25/08/2025

Hence, the Circular is valid till 25/08/2025. If Company wants to accept deposit after 25/08/2025, it should issue Fresh Circular.

Example:-

02. Determine the Validity of the Circular assuming Able Pvt Ltd issued a circular on 28/02/2025 and AGM for FY 2024-25 is not held.

Soln:-

Earliest of

- * 6 months from the closure of FY in which it is issued (or) 30/09/2025
- * AGM related date (AGM not held- Due Date of AGM) 30/09/2025

Hence, the Circular is valid till 30/09/2025. If Company wants to accept deposit after 30/09/2025, it should issue Fresh Circular.

3. Filing of Circular with Registrar (Clause-b)

File a copy of the Circular
Such Statement



Within 30 days before the date of Issue of Circular to members

Registrar

4. Requirement of Deposit Repayment reserve a/c (Clause-C)

- (a) The Company required to deposit atleast 20% of the amount maturing during the FY on (or) before 30th April of each Year.

In Separate scheduled bank a/c



Deposit repayment reserve a/c

- (b) Purpose: Only Utilised for Repayment of deposits

- (c) Minimum balance: Shall not below 20% of amount maturing during the FY

Example:-

Outstanding deposit maturing during the FY 2025-26 – ₹1,00,000

Soln:-

Company need to deposit on (or) before 30/04/2025 } 20,000
(1,00,000 × 20%)

Therefore, ₹20,000 need to be transferred to DRR a/c within 30/04/2025

5. Declaration by Company (Clause-e)

- (i) In Case, Company had not committed a default
Company need to certify that



“ The Company has not committed default in repayment of deposits (or) Payment of Interest”

- (ii) In Case, Company had committed a default
Company need to certify that



“ The Company had made good the default and period of 5 Years has lapsed since the date of making good the default”

Exemptions:-

In above points (Clause a to e) shall not apply to following Private companies

Clause-a – Circular

Clause-b – Filing of Circular with Registrar

Clause-c – Requirement of Deposit Repayment reserve a/c

Clause-e – Declaration by Company

Private companies	Startup companies	Any other private Company
Private companies which accepts from its member's money not exceeding 100% of [PUSC + FR + SPA]	Startup companies for 5 Years from the date of Incorporation	Any Company which fulfils <u>all</u> the following conditions (a) Which is not an associate (or) Subsidiary of other Company. (b) Borrowing from Banks/FI is less than 2 times of PUSC (or) 50 Crores Whichever is lower (c) Company has not defaulted in the repayment of borrowings at the time of accepting deposits

Note: However, above companies need to file Form DPT-3 stating the details of Money accepted.

6. Provision for Security

(i) The Company may Provide the security for Repayment of deposits and Interest.

(ii) If Security is provided, The Company shall take steps for the Creation of Charge.

→ Entering Agreement and Filing Form CHG-1

(iii) If Company accepts deposits which is not secured (or) Partially Secured

↓
The Word "Unsecured deposits" shall be quoted in all advertisements, Circular and documents.

7. Repayment of deposits

All the deposits shall be repaid along with Interest in accordance with Terms and Conditions of the agreement.

8. If Company fails to repay deposits (or) Interest

The depositor

↓ may apply to

Tribunal

↓
Tribunal may order to repay the deposits (or) Interest (or) Loss/damages to the depositors.

9. Tenure for which the deposits can be accepted

Ⓐ Company should not accept deposit which is repayable on demand.

(b)

Minimum	Maximum
6 Months	36 Months (3 Years)

The Company should accept deposit which has a period between 6 Months to 36 Months.

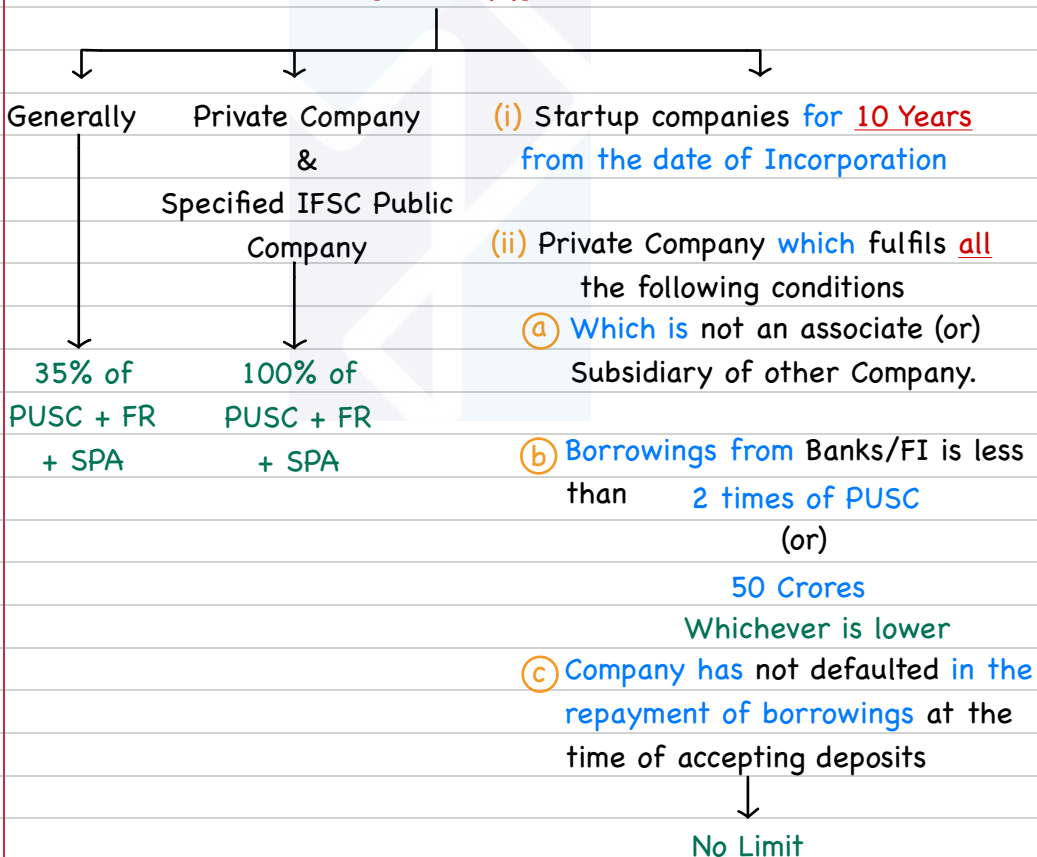
Exception to that Minimum 6 Months Provision

Deposits up to 10% of PUSC + FR + SPA – Can be accepted for less than 6 months but not less than 3 months

(3 Months to 36 Months)

10. Maximum amount of deposits that can be accepted from members

[Rule- 3(3)].



11. Trustee for depositors

Will be explained in Section-76

12. Duty of Trustees

Call for Meeting

- (a) When received a request from atleast 1/10 of depositors in Value.
- (b) On happening of event which affects the Interest of depositors.

13. Maximum Rate of Interest (ROI) and brokerage payable on deposits

(a) Rate of Interest (or) brokerage shall not exceed the rate of Interest prescribed by RBI in case of "NBFC" for accepting deposits.

(b) Brokerage shall be paid only to Persons who Solicits. ↪ Advertise

↓

If it is paid to other person, then it is violation of deposit rules.

14. Application for deposits

The application need to be submitted by depositor stating that

↓

"The deposit is not made out of any money borrowed by him from any other Person"

15. Deposit in Joint names

Deposits may be accepted by Company in Joint names not exceeding three.

That may be Jointly, either, First named (or) Anyone

Example 7: A, B and C have jointly deposited ₹ 3,00,000 in a company.

- *In case of 'Jointly' clause:*
the repayment of deposit on maturity shall be made to all the three together i.e. A, B and C or the survivors.
- *In case of 'Either or Survivor' clause:*
the repayment of deposit on maturity shall be made to either of the three i.e. either A or B or C or the survivor.
- *In case of 'First named or Survivor' clause:*
the repayment of deposit on maturity shall be made to the first named person i.e. A if he is the first named person or the survivor.
- *In case of 'Anyone or Survivor' clause:*
the repayment of deposit on maturity shall be as in the case of 'Either or Survivor'.

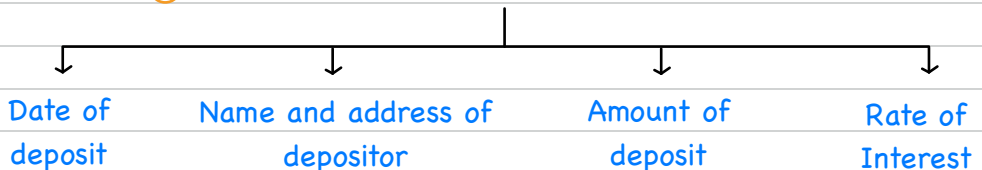
16. Nomination

The depositor shall appoint Nominee – So that, in case of death, the amount shall be given to Nominee.

17. Deposit Receipt

21 (a) The Company should issue Deposit Receipt "within 21 days from the date of receipt of amount"

(b) It should contain



18. Return on deposits and its due date

- (a) Every **Company** (other than Government Company) should file Form DPT-3 within 3 Months from the Closure of FY and it should be signed by Auditor.
- (b) It should contain Particulars of deposits (or) Transactions which are not considered as deposit (Rule 2(1)(c) (or) both.

Example :- For FY 2024-25, due date for filing Form DPT-3 will be 30/06/2025.

19. No Alteration in terms and Conditions of deposit

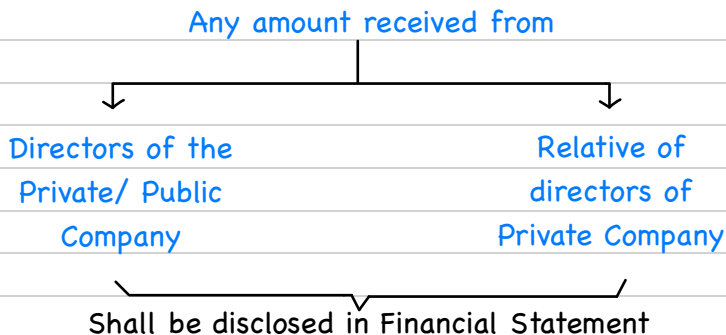
No rights to alter any of the following

- * Terms and conditions of deposit
- * Trust deed
- * Deposit Insurance Contract



in the Manner which is disadvantageous to the depositor's Interest after circular/advertisement and deposit accepted.

20. Disclosure in Financial statements



Note:- Though, it is not a deposit as per Rule 2(1)(c), Disclosure in FS is required.

21. Penal Rate of Interest (ROI)

If Company fails to repay deposits on Maturity



It should pay 18% per annum for the Overdue Period

Example:-

01/04/2024	30/09/2024	31/12/2024
Deposited ₹1,00,000 for 6 Months for 9% ROI	On Maturity, Company fails to repay	Repaid the Deposit along with Interest

Calculate total Interest to be paid by Company including Penal Interest?

Soln:-

Here, Company need to pay Interest at 9% rate for 6 Months
(April-September)

and

18% rate for 3 Months (Overdue Period) (October -December)

$$= ₹1,00,000 \times 9\% \times 6/12 = ₹4,500$$

$$= ₹1,00,000 \times 18\% \times 3/12 = ₹4,500$$

₹9,000

Hence, Company need to Pay Normal Interest of ₹4,500 and Penal Interest of ₹4,500.

22. Punishment for Contravention

If any person contravenes any of the deposit rules



Every Officer and Company

↓
Liable to

Fine upto ₹5,000
and
In case of continuing default - ₹500/day

Section-76

Provision regarding acceptance of deposits from public by eligible Companies

Only "eligible Companies" are permitted to accept deposits from public by Complying with Section 73(2) and 76.

1. Eligible Company

As per rule 2(1)(e)

1. It Should be Public Company.
2. The Networth should be Minimum ₹100 Crores (or) Turnover should be Minimum ₹500 Crores.
3. Pass Special resolution in the general Meeting for accepting deposits.
4. Special resolution has to be filed with ROC (Form MGT-14).
5. An Ordinary resolution is sufficient, if an eligible company accepts deposits within limit specified under Section 180(1)(c).

Section 180(1)(c) Limit – 100% of PUSC + FR + SPA

2. Obtain Credit Rating



- (a) The eligible Company shall contain Credit rating from recognised credit rating agency and the rating shall be informed to Public.
- (b) Credit rating shall be obtained every year during the tenure of deposits.
- (c) Copy of credit rating along with Form DPT-3 shall be sent to ROC every Year.
- (d) Rating shall not be below Minimum Investment grade rating (or) Other Specified rating for Fixed deposits.

No	S&P	Moody's	Fitch	Meaning and Color
1	AAA	Aaa	AAA	Prime
2	AA+	Aa1	AA+	High Grade
3	AA	Aa2	AA	
4	AA-	Aa3	AA	
5	A+	A1	A+	Upper Medium Grade
6	A	A2	A	
7	A-	A3	A-	
8	BBB+	Baa1	BBB+	Lower Medium Grade
9	BBB	Baa2	BBB	
10	BBB-	Baa3	BBB-	
11	BB+	Ba1	BB+	Non Investment Grade Speculative
12	BB	Ba2	BB	
13	BB-	Ba3	BB-	
14	B+	B1	B+	Highly Speculative
15	B	B2	B	
16	B-	B3	B-	
17	CCC+	Caa1	CCC+	Substantial Risks
18	CCC	Caa2	CCC	Extremely Speculative

3. Creation of charge on asset in case of secured deposits (Rule-6)

- (a) Charge shall be created within 30 days of acceptance of deposits.
- (b) Value of asset shall not be less than deposits accepted and Interest Payable.
(Value of asset should be valued by registered Valuer)

Example:-

If deposits accepted is ₹5,00,000, then the Value of asset should not be less than ₹5,00,000.

- (c) The Company shall create charge only on tangible Assets (Not on Intangible Assets).
- (d) The security shall be created in favour of Trustee.

4. Tenure for which the deposits can be accepted

Same as Section 73(2) Point No-9

5. Appointment of Trustees for depositors

- (a) One (or) More trustees for depositors need to be appointed for creating security.
- (b) Written consent shall be obtained from the trustees before appointment.
- (c) Statement that "Trustees given their consent" shall be mentioned in Circular (if it is given to members) or Advertisement (if it is given to Public)
- (d) Execute Deposit Trust deed (Form DPT-2) within 7 days before the Circular/Advertisement.

Eligibility of Trustee

Following person cannot be appointed as Trustee

- (a) Director/KMP/Officer/employee of Company, Associate, Subsidiary and Holding Company (CASH) and their relatives.
- (b) Depositor of the Company
- (c) Indebted to CASH + Subsidiary of such holding Company
- (d) Person has any Material Pecuniary Relationship with the Company.
- (e) Person has guarantee w.r.t deposit / Interest.

6. Removal of trustee before his term

Trustee cannot be removed without consent of all directors present at the meeting.

Suppose, if Company has Independent director, at least one Independent director should be in board meeting.

Example:-

Total board of directors in the company is 15

Directors present in the meeting is 10

Soln:-

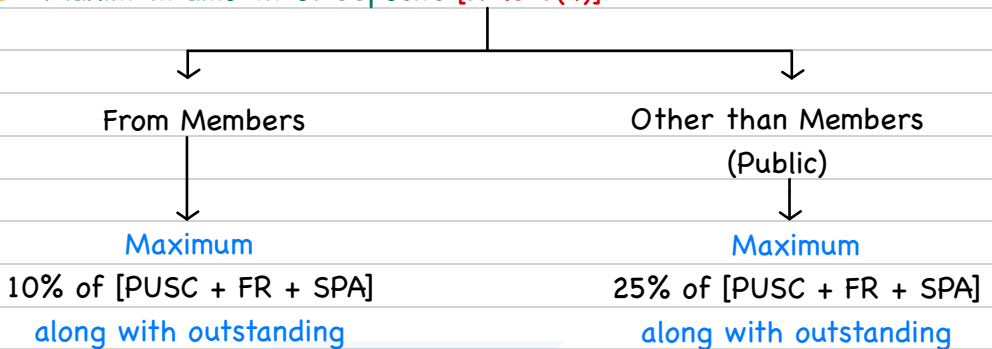
Consent of all 10 directors present in the meeting is required to remove trustees.

7. Duties of the trustees

Call for Meeting

- (a) When received a request from at least 1/10 of depositors in Value.
- (b) On happening of event which affects the Interest of depositors.

8. Maximum amount of deposits [Rule-3(4)].



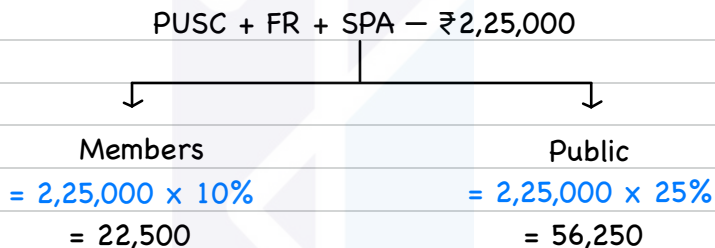
Example:-

Paid up Share Capital (PUSC) - ₹1,00,000

Free reserve - ₹75,000

Securities Premium a/c - ₹50,000

Soln:-



Note:-

But as per Rule-3(5) —“Eligible Government Company” can accept Maximum 35% of PUSC + FR + SPA

9. Circular

10. Filing of advertisement with Registrar

11. Requirement of Deposit Repayment reserve a/c.

} Same as Section

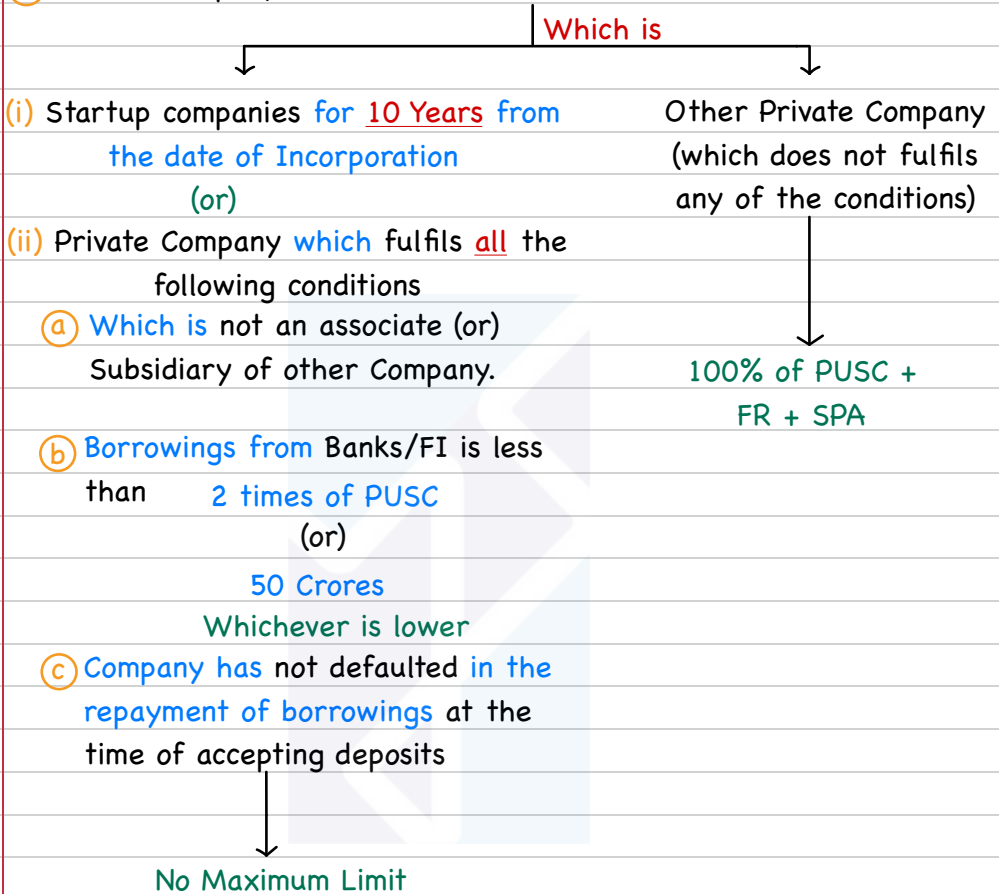
73(2) Point

} No-2,3,4

But, the word “Circular” need to be read as word “Advertisement”
Advertisement should be signed by majority of directors or their agent before filing it with registrar.

Summary of limits for all types of Companies:-

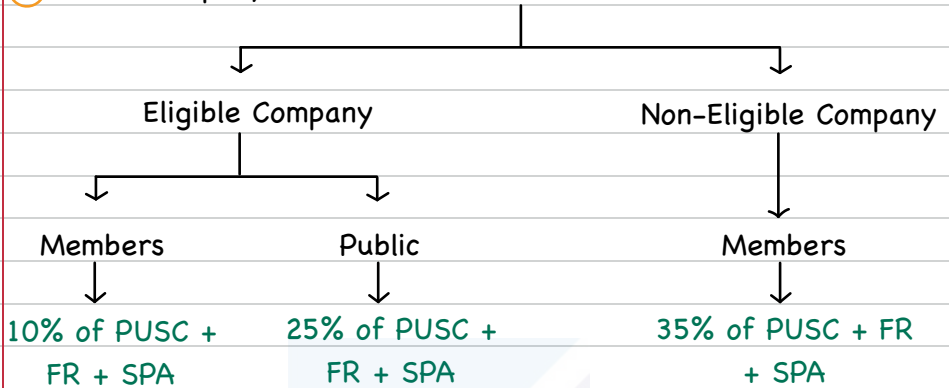
(A) Private Company



(B) Specified IFSC Public Company

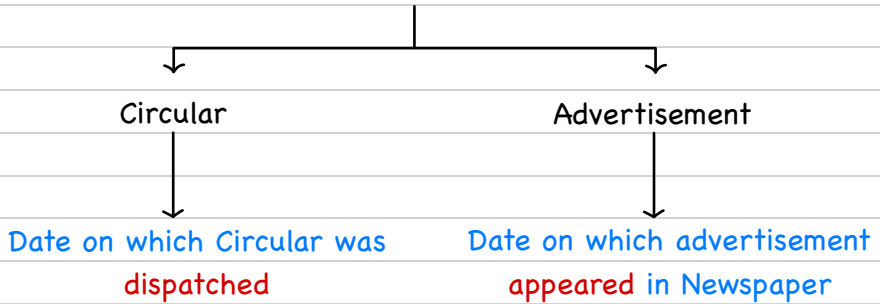
↓
100% of PUSC + FR + SPA

© Public Company



{ "Eligible Government Company" can accept deposits from public upto 35% of PUSC + FR + SPA }

12. Effective date of Circular/Advertisement



13. Maximum Rate of Interest (ROI) and brokerage payable on deposits

(a) Rate of Interest (or) brokerage shall not exceed the rate of Interest prescribed by RBI in case of "NBFC" for accepting deposits.

(b) Brokerage shall be paid only to Persons who Solicits. ↪ Advertise
If it is paid to other person, then it is violation of deposit rules.

14. Application for deposits

The application need to be submitted by depositor stating that
↓
"The deposit is not made out of any money borrowed by him from any other Person"

15. Deposit in Joint names

Deposits may be accepted by Company in Joint names not exceeding three.

That may be Jointly, either, First named (or) Anyone

16. Register for deposits

Every Company accepting deposits shall maintain Register of deposits at its Registered office.

It should contain following particulars

- * Name, address and PAN of depositors
- * Particulars of guardian (If Minor)
- * Particulars of Nominee
- * Deposit receipt Number
- * Date and amount of deposit
- * Duration / ROI
- * Due date of Payment
- * Particulars of security

The above details should be entered in the register within 7 days from the date of Issue of deposit receipt



It should be duly authenticated by director/ Secretary/ any other officer authorised by the board.

Note:-

Register shall be maintained in good order for the period of not less than 8 Years from the FY in which latest entry is made in the register.

Example:-

If last entry in the register is 30/09/2025

Then, the register shall be maintained till 31/03/2034 (8 Years from the end of FY 2025-26 i.e; 31/03/2026)

17. Premature repayment of deposits

- (a) Premature repayment can be done only after expiry of 6 Months.
- (b) If depositor requests for premature repayment – ROI shall be reduced by 1% from the rate that is payable for deposit.

Example:-

ROI accepted initially- 10%

Soln:-

If it is prematurely repaid. Then, Only 9% Interest will be Paid (10%-1%).

Note:-

- ① If No of Months is less than 6 Months – That Months will be ignored
- ② If No of Months is less than 6 Months – That Months will be considered as 1 Year

Example:-

If depositor request premature repayment of deposit at

1 Year 3 Months – Interest will be paid for 1 Year only, because 3 Months will be ignored (Round-down)

1 Year 8 Months – Interest will be paid for 2 Year, because 8 Months will be Considered a 1 Year (Roundup).

The above reduction of ROI is not applicable in following Case

① To Comply with Rule-3

Repaid by Company in order to reduce the total amount to bring it within prescribed limit.

Example:-

① FY 2024-25	② FY 2025-26
PUSC – ₹1,00,000	PUSC – ₹1,00,000
FR – ₹50,000	FR – ₹25,000
SPA – ₹50,000	SPA – ₹25,000
<u>2,00,000</u>	<u>1,50,000</u>
Maximum deposits accepted from members = $2,00,000 \times 35\%$ = 70,000	Now, Maximum deposits accepted from members = $1,50,000 \times 35\%$ = 52,500
Assume, during FY 2024-25 Company accepted deposit for entire ₹70,000.	Here, the Maximum deposit that can be accepted is ₹52,500 but, Company during FY 2024-25 already accepted ₹70,000. Hence, now Company need to repay the excess deposit which is ₹17,500 (70,000-52,500).

If Company repays ₹17,500, The ROI will not be reduced by 1%.

② war risk (or) other related benefits to the Personnel of Naval, Military (or) air forces (or) to their families during emergency declared under article 352 of the Constitution.

18. Premature closure of deposit to earn higher rate of Interest

In Case a depositor desires to avail higher rate of Interest by renewing the deposit before its actual maturity date.



The company shall pay him the higher rate of Interest only if the deposit is renewed for a period longer than the unexpired period of previous deposit.

Example:-



Ravi

01/04/2024	01/04/2025	31/03/2027
1,00,000	RBI Changes the ROI to 11% and Company decided to give 11% ROI for New deposits	Maturity date for original Deposit.
10%		
3 Years		

On 01/04/2025, Mr.Ravi thinks 🤔 that "If we renew deposit now, we will be getting ROI of 11%. So, we can renew now".

Soln:-

Now, the Company can give higher rate of Interest (11%) if Mr.Ravi is renewing deposit for unexpired period of previous deposit (2 Years).

↳ (01/04/25
to
31/03/27)

19. Return on deposits and its due date

- (a) Every Company (other than Government Company) should file Form DPT-3 within 3 Months from the Closure of FY and it should be signed by Auditor.
- (b) It should contain Particulars of deposits (or) Transactions which are not considered as deposit (Rule 2(1)(c) (or) both.

Example :- For FY 2024-25, due date for filing Form DPT-3 will be 30/06/2025.

20. No Alteration in terms and Conditions of deposit

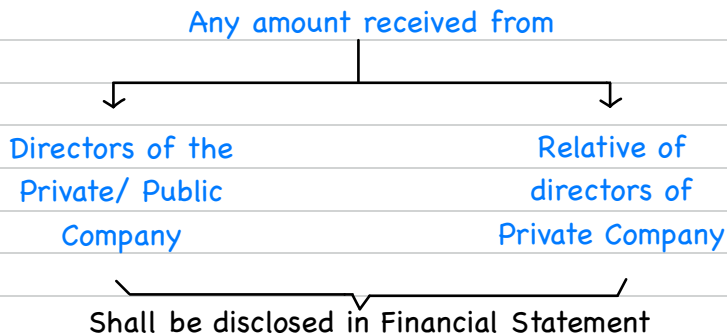
No rights to alter any of the following

- * Terms and conditions of deposit
- * Trust deed
- * Deposit Insurance Contract



in the Manner which is disadvantageous to the depositor's Interest after circular/advertisement and deposit accepted.

21. Disclosure in Financial statements



Note:- Though, it is not a deposit as per Rule 2(1)(c), Disclosure in FS is required.

22. Penal Rate of Interest (ROI)

If Company fails to repay deposits on Maturity



It should pay 18% per annum for the Overdue Period

23. Punishment for Contravention

If any person contravenes any of the deposit rules



Every Officer and Company



LIABLE to



Fine upto ₹5,000

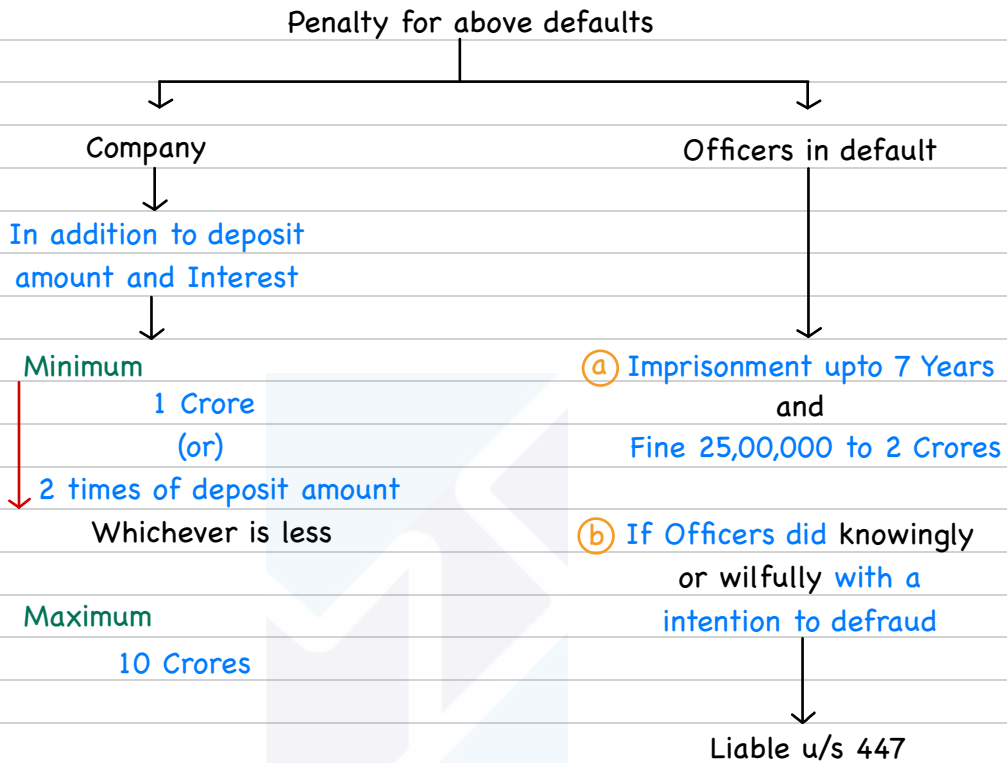
and

In case of continuing default - ₹500/day

Section-76A

Punishment for Contravention of Section 73 (or) Section 76

- (a) If Company accepts/Invite deposit in Contravention of Section 73 (or) Section 76.
- (b) If Company fails to repay deposits and Interest



Section-74

Repayment of deposits accepted before commencement of this act

01. If deposit accepted before 01/04/2014 and remains unpaid as on 01/04/2014 (or) becomes payable at any time after 01/04/2014.

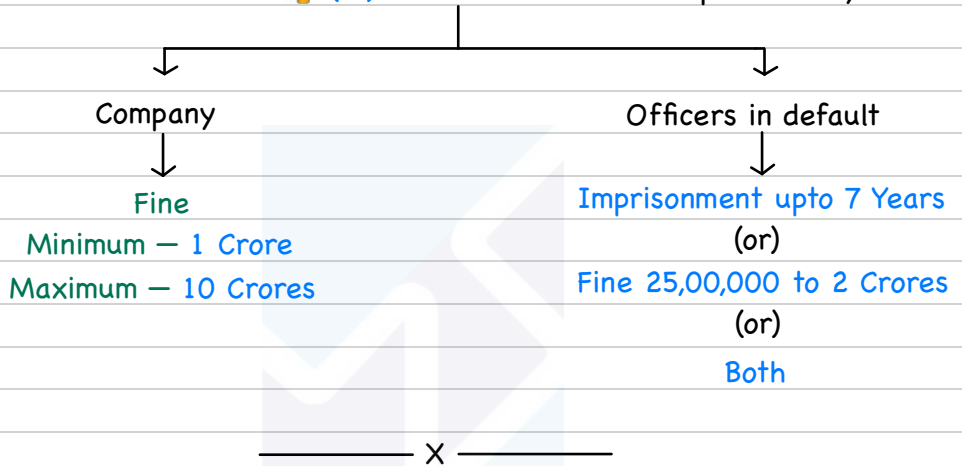
The Company shall take following steps

- a) File a statement containing list of all deposits remains unpaid and Interest as on 01/04/2014 with ROC within 3 Months (i.e: 30/06/2014).
and
- b) Repay such deposits within 3 years from 01/04/2014 (or) Date of maturity whichever is earlier

02. The Tribunal may grant additional time for repayment of deposit (or) Interest on application made by Company.

03. Punishment for Contravention

If Company fails to repay the deposit (or) Interest within Timelimit mentioned above 🙌 (or) within additional time provided by tribunal



Forms

DPT-1 — Circular Format

DPT-2 — Deposit Trust deed

DPT-3 — Return on deposit

Question for Practice

Question-1

DEF Pvt Ltd is engaged in the business of Manufacturing household Plastic goods. The books of accounts of the company provides that aggregate of its paid-up capital, Free reserves and Securities Premium account is ₹35,00,000. The Company intends to accept deposits from its members to the extent of ₹35,00,000. Advise the company whether it can do so. Support your answer as per the provisions of the Companies act,2013.

Answer-1

As per section 73(2) of the Companies act, 2013 read with Rule 3(3) of the Companies (Acceptance of deposits) Rules,2014, The Company can accept deposits from its members upto 35% of PUSC + FR + SPA. However, Private company and Specified IFSC Public Company can accept deposits from its members upto 100% of PUSC + FR + SPA.

In the given case, DEF Private limited is the Private Company and wants to accept deposits from its members to the extent of ₹35,00,000 which is 100% of PUSC + FR + SPA.

As per the aforesaid provisions, DEF Private Ltd can accept deposits from its members upto 100% of PUSC + FR + SPA. Hence, the company can accept deposits up to ₹35,00,000 from its Members.

Question-2

A Government Company, which is eligible to accept deposits under Section-76 of the Companies act, 2013 cannot accept deposits from public exceeding 25% of aggregate of its PUSC + FR + SPA. State, with reasons whether the statement is "True" or "False".

Answer-2

As per section 76 of the Companies act, 2013 read with Rule 3(4) of the Companies (Acceptance of deposits) Rules, 2014, the Eligible Company can accept deposits from public upto 25% of PUSC + FR + SPA. However, as per Rule 3(5) of the Companies (Acceptance of deposits) Rules, 2014, "Eligible Government Company" can accept Maximum 35% of PUSC + FR + SPA.

In the given case, it is mentioned that "Eligible Government Company cannot accept deposits from public exceeding 25% of aggregate of its PUSC + FR + SPA"

Therefore, the given statement where the limit of 25% of PUSC + FR + SPA for eligible Government Company is "False" because the limit is 35% of PUSC + FR + SPA.

Question-3

The Promoters of Green Limited contributed in the form of unsecured loan to the Company in fulfilment of the Margin Money requirements stipulated by the state Industries Development Corporation Ltd (SIDCL) for granting loan. In the Light of the Provisions of the companies act, 2013 and rules made thereunder analyse whether the unsecured loan will be deposit (or) not?

Answer-3

As per Rule-2(1)(c) of the Companies (Acceptance of deposits) Rules, 2014, the following amount will not be considered as deposit

Any amount brought in by Promoters of the Company by way of unsecured Loan

Subject to following conditions:-

"Loan is brought because of conditions imposed by Lending Institutions/Banks on promoters to contribute bank finance".

Note:- * It can be brought by Promoter (or) Relative of the Promoter (or) Both.

* Such exemption is available only till the loans are repaid and not thereafter.

In the given case, promoters of green limited contributed to comply with the margin money requirement stipulated by state industries development corporation Ltd (SIDCL).

Therefore, Contributions made by Promoters of green limited will not be considered as deposit as it is contributed by promoters themselves, because of conditions imposed by SIDCL.

Question-4

Sasha Pvt Ltd received ₹3,00,000 from one of the relative of a director. The said relative has furnished a declaration that the amount was received by him from his mother as a gift. Decide as per the relevant provisions of the companies act, 2013, whether the said amount received by the company will be considered as deposits (or) not?

Answer-4

As per Rule 2(1)(c) of the companies (Acceptance of deposits) rules 2014, any amount received by Private Company from its directors and relative of director will not considered as deposits.

In case of Public Company, any amount received from director will not be considered as deposit.

However, if the above received amount will not be considered as deposits only if it is complied with two conditions.

They are

- (i) The director or relative should give declaration at the time of giving the Money that the "amount is not being given out of funds borrowed (or) accepting deposits from others"

(ii) The Company should disclose the details of money received in the Board's report.

In the given case, Sasha Pvt Ltd received ₹3,00,000 from one of the relative of a director and the said director has furnished a declaration that the amount was received by him from his mother as a gift.

The amount of ₹3,00,000 received by Sasha Pvt Ltd will not be considered as deposit as it received from relative of the director and the director also furnished declaration that the amount is given out of funds received by him from his mother as a gift. The additional conditions should be that Company should disclose the same in the board's Report.

Question-5

Rashmika Ltd., received share application money of ₹50,00,000 on 01/06/2024 but failed to allot shares within the prescribed time limit.

The share application money of ₹5,00,000 received from Mr.Kumar, a Customer of the Company, was refunded by way of book adjustment towards the dues payable by him to the Company on 30/07/2024.

The Company Secretary of Rashmika Ltd reported to the board that the entire amount of ₹50,00,000 shall be Deemed to be deposits as on 31/07/2024 and the Company is required to comply with the provisions of the Companies act, 2013 applicable to acceptance of deposits in relation to this amount.

You are required to examine the validity of the reporting of the Company Secretary in the light of the relevant provisions of the Companies act, 2013.

Answer-5

As per Rule 2(1)(c) of the companies (Acceptance of deposits) rules 2014, the amount received for share application money or advance towards share allotment shall not be considered as deposit if the shares are allotted within 60 days from the date of receipt of amount. If not allotted within 60 days, the amount should be repaid within 15 days from the date of expiry of 60 days.

It is also clarified that "any adjustment of the amount for any other purpose shall not be treated as refund"

In the given case, Rashmika Ltd received a share application money of ₹50,00,000 on 01/06/2024 and not allotted shares within the prescribed limit.

Therefore, the Company should repay such amount within 14/07/2024 (i.e: 15 days from the date of expiry of 60 days) or else it will be considered as deposit.

In the light of above provision, the contention of Company Secretary is not valid because it will not be deemed to be deposit as on 31/07/2024, it will be treated as deposit only on 14/08/2024 if those amount is not refunded.

At the same time, ₹5,00,000 received from Mr.Kumar is adjusted by way of book adjustment towards dues payable on 30/07/024 will not considered as refund.

Question-6

State the procedure to be followed by companies to accept deposits from its members according to the Companies act, 2013. What are the exemptions available to the private limited Companies?

Answer-6

Section - 73(2) - Conditions for accepting deposits from Members.

1. Resolution

Pass **ordinary resolution** in general meeting for acceptance of deposit from members.

2. Circular (Clause-a)

Issue a Circular to the members along with statement containing

- * Financial position of the Company
- * Credit rating obtained
- * No of depositors
- * Amount due w.r.t previously accepted deposits
- * Such other particulars in prescribed form and Manner.

Rule-4 : Manner of circulating Circular

(a) Circular (Form DPT-1)



via Registered Post with acknowledgment due/
Speed Post/ electronic Mode.



To all its members



(b) Published in Newspaper (English + Vernacular Language)

↳ Local

(c) Certificate by statutory Auditor

(i) In Case, Company had **not committed a default**

Certificate from the statutory Auditor of the Company shall be attached in Form DPT-1.

↓ Stating that

" The Company has **not committed default** in repayment of deposits (or) Payment of Interest"

(ii) In Case, Company had committed a default

Certificate from the statutory Auditor of the Company shall be attached in Form DPT-1.

↓ Stating that

“ The Company had made good the default and period of 5 Years has lapsed since the date of making good the default”

(d) Effective date of the Circular

Date on which Circular was dispatched

(e) Validity of the Circular

Earliest of

* 6 months from the closure of FY in which it is issued (or)

* AGM related date

AGM related date

If AGM is held within due date

Date of AGM

If AGM is not held within due date

Due Date of AGM

(f) Fresh Circular

Fresh circular shall be issued in each succeeding FY for inviting deposits during that FY.

3. Filing of Circular with Registrar (Clause-b)

File a copy of the Circular
⊕
Such Statement

Within 30 days **before** the date of
Issue of Circular to members

Registrar

4. Requirement of Deposit Repayment reserve a/c (Clause-c).

(a) The Company required to deposit atleast 20% of the amount maturing during the FY **on (or) before** 30th April of each Year.

In Separate scheduled bank a/c

Deposit repayment reserve a/c

(b) Purpose: Only Utilised for Repayment of deposits

(c) Minimum balance: Shall not below 20% of amount maturing during the FY

5. Declaration by Company (clause-e)

(i) In Case, Company had **not committed a default**

Company need to certify that

" The Company has **not committed default** in
repayment of deposits (or) Payment of Interest"

(ii) In Case, Company had committed a default

Company need to certify that

“ The Company had made good the default and period of 5 Years has lapsed since the date of making good the default”

The above points except passing of ordinary resolution is not applicable to

Exemptions:-

Above points in clause [a to e] shall not apply to following companies

Private companies	Startup companies	Any Company
Private companies which accepts from its member's money not exceeding 100% of [PUSC + FR + SPA]	Startup companies for 5 Years from the date of Incorporation	Any Company which fulfils all the following conditions
		(a) Which is not an associate (or) Subsidiary of other Company.
		(b) Borrowing from Banks/FI is less than 2 times of PUSC (or) 50 Crores Whichever is lower
		(c) Company has not defaulted in the repayment of borrowings at the time of accepting deposits

Question-7

Viki limited engaged in the business of consumer durables. It is managed by a team of professional managers. The company has not made default in payment of statutory dues, and repayment of debentures/Institutional loan with Interest. The Company advertised a circular in the newspaper dated 20/09/2024 inviting the deposits from the members and public for the first time.

The latest audited financial statement of the company revealed the following data as on 31/03/2024

S.No	Particulars	Amount
1	Paidup share Capital	70 Crores
2	Securities Premium a/c	20 Crores
3	Free Reserves	20 Crores
4	Long term borrowings	50 Crores

The Company in the advertisement invited public deposit for a period of 4 Months (Plan-A) and for a period of 36 Months (Plan-B).

(i) Explain the term "eligible company" and Calculate the Maximum amount of deposit that can be accepted from Public (Non-Member) for Plan-A and Plan-B based on latest audited FS under the Provisions of the Companies act, 2013.

(ii) Calculate the Maximum amount of deposit Viki limited can accept from the Public under Plan-B in case it is a wholly owned Government Company under the Provisions of the said Act.

Answer-7

(i) As per section 76 of the Companies act, 2013, Only eligible Company can accept deposits from public.

As per rule-2(1)(e) of the Companies (Acceptance of deposits) rules, 2014, Eligible Company means

1. It Should be Public Company.
2. The Networth should be Minimum ₹100 Crores (or) Turnover should be Minimum ₹500 Crores.
3. Pass Special resolution in the general Meeting for accepting deposits.
4. Special resolution has to be filed with ROC (Form MGT-14).
5. An Ordinary resolution is sufficient, if an eligible company accepts deposits within limit specified under Section 180(1)(c).

The Maximum Limit for acceptance of deposit for eligible Company will be 25% of PUSC + FR + SPA from Public and 10% of PUSC + FR + SPA from its members

Further, As per Section 76, The Maximum tenure for accepting deposit from public is 6 months to 36 months. However, the company can accept deposit for less than 6 months but not less than 3 Months upto 10% of PUSC + FR + SPA

In the given case, Viki Ltd is a Public Company and also has Networth of ₹110 Crores (PUSC-70, FR-20 and SPA-20).

Therefore, Viki Ltd will be considered as eligible company because its Networth exceeds ₹100 Crores and it can accept deposits from Public.

Maximum deposits that can be accepted in Plan-A (4 Months)

As per aforesaid provisions, The Company can accept deposit from public for less than 6 months but not less than 3 Months upto 10% of PUSC + FR + SPA.

Hence, The Company can accept deposits from public under Plan-A will be 10% of PUSC + FR + SPA is 11 Crores (110Cr x 10%)

Maximum deposits that can be accepted in Plan-B (36 Months)

The Maximum deposit that can be accepted from Public is 25% of PUSC + FR + SPA, i.e 27.5 Cr (110 cr x 25%).

Under Plan-A, the company will be accepting upto 11cr.

Hence, The Company can accept deposits from Public in Plan-B will be ₹16.5 Crs.

(ii) As per Rule 3(5) of the Companies (Acceptance of Deposits) rules 2014, the Wholly owned Government Company can accept deposits from public upto 35% of PUSC + FR + SPA

Hence, in the given case, if Viki Ltd is a wholly owned Government Company it can accept deposits from Public is 38.5 Crs (110 x 35%).

Question-8

Explain the Provisions relating to "Credit Rating" which an "Eligible Company" should follow to raise public deposits as per companies Act,2013.

Answer-8

- (a) The eligible Company shall contain Credit rating from recognised credit rating agency and the rating shall be informed to Public.
- (b) Credit rating shall be obtained every year during the tenure of deposits.
- (c) Copy of credit rating along with Form DPT-3 shall be sent to ROC every Year.
- (d) Rating shall not be below Minimum Investment grade rating (or) Other Specified rating for Fixed deposits.

Question-9

Perfect Ltd Company raised the secured deposit of ₹100 Crores on 30th June 2024, from the Public on Interest @12% repayable after 3 years. The Charges has been created within prescribed time in favour of trustee of depositors against the deposit taking following assets of the Company as Security:

Land & Building	₹60 Crores
Plant & Machinery	₹20 Crores
Factory shed	₹20 Crores
Trade Mark	₹20 Crores
Goodwill	₹25 Crores

Explain the Validity of the charges created on assets with reference to the Companies (Acceptance of deposits) rules, 2014.

Answer-9

As per Section-76(1) of the Companies act, 2013

- (a) Every Company which accepts secured deposits from the public shall charge on assets within 30 days of accepting deposits.
- (b) Value of asset shall not be less than deposits accepted and Interest Payable thereon.
(Value of asset should be valued by registered Valuer)
- (c) The Company shall create charge only on tangible Assets (Not on Intangible Assets).
- (d) The security shall be created in favour of Trustee.

In the Given case, the Charge is created on Land & Building, Plant & Machinery, Factory shed, Trademark and Goodwill and the Charge is created for only ₹100 Crores.

Therefore, the Company has not complied with the Provisions because, of the following reasons

1. The Charge should be created only against Tangible assets, but in this case Company created charge against Intangible assets (Trademark and Goodwill)
2. The market value of asset subject to charge should not be less than amount of deposits and Interest Payable thereon.
Value of Deposits = ₹100 Crores
Amount of Interest payable = 36 Crores (100 x 12% x 3Y)
Totally value of asset subject to charge should be ₹136 Crores but here it is only ₹100 Crores.

Question-10

NOP Limited, Since its incorporation in 2002, is engaged in the Production of premium quality glass bottles. According to financials results of the Company as on 31.03.2024 net worth of the company was ₹ 90 crore and turnover for the year 2023-24 was ₹ 510 crore. The company proposed to accept the deposits as on 1st February,2025, which would be due for repayment on 30th September,2029 from the public for expansion and redevelopment programs for company.

Furthermore, the company has accepted a loan of ₹ 1.5 crore from Mr. P Kishore (Director) and the loan was to be repaid after 24 months. Company in its books of account, records the receipt as a loan under non-current liabilities. At the time of advancing loan, Mr. P Kishore affirms in writing that such amount is not being given out of funds acquired by him by borrowing or accepting loans or deposits from others and complete details of such loan transaction is furnished in the board's report.

On the basis of above facts answer the following questions:

(i) Whether company was eligible to accept deposit from public? What is the criteria for acceptance of deposit and tenure for which deposit can be accepted? Whether the tenure decided by company was in accordance with provisions of the Companies Act, 2013?

(ii) With reference to the loan advanced by Mr.P Kishore to Company, state whether the same is to be classified as a deposit or not?

Answer-10

(i) As per section 76 of the Companies act, 2013, Only eligible Company can accept deposits from public.

As per rule-2(1)(e) of the Companies (Acceptance of deposits) rules, 2014, Eligible Company means

1. It Should be Public Company.
2. The Networth should be Minimum ₹100 Crores (or) Turnover should be Minimum ₹500 Crores.
3. Pass Special resolution in the general Meeting for accepting deposits.
4. Special resolution has to be filed with ROC (Form MGT-14).
5. An Ordinary resolution is sufficient, if an eligible company accepts deposits within limit specified under Section 180(1)(c).

In the Instant case, the Turnover of NOP limited for ₹510 Crores.

Hence, it is eligible to accept deposits from the Public.

Further, As per Section 76, The Maximum tenure for accepting deposit from public is 6 months to 36 months. However, the company can accept deposit for less than 6 months but not less than 3 Months upto 10% of PUSC + FR + SPA

In the given case, the tenure for the proposed deposits dated 1st February, 2025 which would be due for repayment on 30th September 2029, is not valid as the maximum period of acceptance of deposits cannot exceed 36 Months. Hence, it is not in compliance with the provisions of the Companies act, 2013.

(ii) As per Rule 2(1)(c) of the Companies (Acceptance of deposits) Rules, 2014, any amount received from a person who is a director of the company will not be considered as deposit if such person furnishes declaration to the company that "the amount is not being given out of funds acquired by him from others" and the company shall disclose the details of money so accepted in the board's report.

In the given case, Mr.P Kishore is a director and he gives the declaration required. Hence, it will not be considered as deposits.

Question-11

The following are the extracts from the financial statements of BUI Private limited, which is neither a start-up nor it is an associate or subsidiary company of any other company.

Particulars	Amount
Authorised capital: 10,00,000 Equity shares of ₹100 each	10,00,00,000
Paid-up share Capital: 8,00,000 Equity shares of ₹100 each	8,00,00,000
Securities premium Reserve a/c	2,00,00,000
General reserves	5,00,00,000
Term Loan from LMR Bank Ltd	12,00,00,000
Cash Credit Loan (for Working Capital)	5,00,00,000

The Company has never failed to file the Annual return and Financial statements with the registrar. The Company has already successfully repaid all the monies which were accepted earlier in the form of deposits along with due Interest.

Since the company was successful in implementation of its housing project by utilising the money accepted in the form of deposits, the board was interested to accepting deposits once more and take up another housing project in NOIDA since the members of the company were having sufficient surplus money which they wanted to invest in the company to start the Project.

However, their condition was that the same will be provided by them if the company accepts them in the form of deposits and the applicable provisions of the Companies act, 2013 and rules made thereunder are strictly complied with. But, the board of directors of BUI Private limited were not in support of depositing any amount in any deposit repayment reserve a/c for the purpose of repayment of the said deposits, since the repayment was to be made out of the amount received from the customers who were going to book for the flats in the housing project. Two proposals came for review to the board, out of which only one proposal was to be selected. The board wanted you to advise them in choosing the appropriate deposit scheme.

Proposal 1 – Acceptance of deposits of ₹20,00,00,000, to be repaid with interest @7% per annum;

Proposal 2 – Acceptance of deposits of ₹14,00,00,000, to be repaid with interest @8% per annum;

Referring to the applicable provisions of the companies act, 2013 the rules made thereunder and the notifications issued in this respect, advise the Board stating the justification in support of your advice.

Answer-11

As per section 73(2) of the Companies act, 2013 the clause- (a to e) of Section 73(2) shall not be applicable for following Private Companies

1. Private companies which accepts from its member's money not exceeding 100% of [PUSC + FR + SPA]

2. Startup companies for 5 Years from the date of Incorporation

3. Any Company which fulfils all the following conditions

(a) Which is not an associate (or) Subsidiary of other Company.

(b) Borrowing from Banks/FI is less than

2 times of PUSC

(or)

50 Crores

Whichever is lower

(c) Company has not defaulted in the repayment of borrowings at the time of accepting deposits

Clause-a – Circular

Clause-b – Filing of Circular with Registrar

Clause-c – Requirement of Deposit Repayment reserve a/c

Clause-e – Declaration by Company

In the given case, BUI Private Limited was not in support of depositing any amount in any deposit repayment reserve a/c for the purpose of repayment of the deposits.

Therefore, if company satisfies all the three conditions mentioned in point No.3, it can accept deposits from members without any limit and also not required to comply with deposit repayment reserve a/c Provisions.

But here company does not satisfy because its borrowings from banks is not less than 2 times of its PUSC or 50 Crores whichever is less.

2 times of PUSC

16,00,00,000

(or)

50 Crores

50,00,00,000

Whichever is lower

The borrowings should be less than ₹16,00,00,000 but here it is 17,00,00,000 (12 + 5).

Hence, the Company does not have access to accept unlimited deposits. Therefore, the Company can accept deposits from members upto 100% of PUSC + FR + SPA without complying with the requirement of Deposit repayment reserve a/c.

100% of PUSC + FR + SPA = 15,00,00,000 (8 + 2 + 5)

Maximum amount of deposit that company can accept from members is ₹15 Crs.

Hence, Proposal 2 is valid for the BUI private limited "Acceptance of deposits of ₹14,00,00,000, to be repaid with interest @8% per annum".

Question-12

Samy publishing Ltd facing acute cash crunch wants to utilise a portion of "Deposit repayment reserve a/c" to pay off its short-term creditors who are pressing hard for repayment of ₹20,00,000. Is it justified to use funds lying in "Deposit repayment reserve a/c" in this manner? Give your answer as per the provisions of the Companies act, 2013.

Answer-12

As per section 73(2) of the companies act, 2013, the amount deposited in the "Deposit repayment reserve a/c" shall not be used by the Company for any purpose other than repayment of deposits.

In the given case, Samy publishing Ltd wants to utilise a portion of "Deposit repayment reserve a/c" to pay off its short-term creditors.

Therefore, Samy publishing Ltd shall not permitted to utilise the balance in "Deposit repayment reserve a/c" to pay off its short-term Creditors.

Question-13

A company shall execute a deposit trust deed at _____ days before issuing the circular or circular in the form of advertisement.

- a) 7
- b) 14
- c) 21
- d) 28

Answer-13

- a) 7