

Nidhi Rules

- 01 Incorporated Under Companies Act, 1956 and declared as Nidhi (Rule 2(a)). {prior to 01.04.2014}**
 ➔ There are 393 such companies declared as Nidhi and are required to get their status updated under Nidhi Rules through NDH-4 application as per Rule 23B.
- 02 Incorporated Under Companies Act 1956/2013 and/or functioning on the lines of but not declared as Nidhi/Mutual Benefit Society (Rule 2(b) and 2(c)). {Required to file NDH-4 w.e.f. 15.08.2019}**
 ➔ These companies need to apply for declaration through NDH-4 application within 9 months of Nidhi Amendment Rules, 2019 (Rule 23A) or 60 days after one year of incorporation or extension granted by RD under Rule 5(3) (Rule 3A) as the case be.
- 03 Incorporated under Companies Act 2013 after 19.04.2022.**
 ➔ Co's within 120 days of incorporation need to apply for declaration in NDH-4 application after complying with Net owned fund (NOF) and Members requirements under Rule 3B.
 ➔ Co's can only commence its business after Central Govt. decision approving NDH-4 application within 45 days of application.

Objective & Applicability

- A** Governed under Section 406 of the Companies Act, 2013.
- B** Framed to regulate Nidhi Companies—mutual benefit societies formed to encourage savings and thrift among their members.
- C** These rules apply only to Nidhi Companies / mutual benefit societies as the case be.

Post-Incorporation Compliance (within 1 year)

A Nidhi Company must:

- Have minimum 200 members.
- Maintain Net Owned Funds (NOF) of at least ₹20 lakh.
- Ensure NOF to Deposits ratio does not exceed 1:20.
- Hold unencumbered term deposits of at least 10% of outstanding deposits.
- File Form NDH-1 (Return of Statutory Compliances) certified by a CA/CS/CMA within 90 days of the financial year-end.

Membership Rules

Only individuals can be members.

No body corporate or trust can become a member.

Minimum number of members: 200.

A minor cannot be a member, but deposits may be accepted in the name of a minor (handled by a guardian).

Accepting Deposits

- ➔ Deposits can only be accepted from members.
- ➔ Fixed deposits can be for a minimum of 6 months and a maximum of 60 months.
- ➔ Recurring deposits must have a minimum tenure of 12 months.
- ➔ Interest cannot exceed the rate prescribed by RBI for NBFCs.
- ➔ Maximum deposit a Nidhi can hold:
 - Not more than 20 times the NOF of the company as per last audited Financial Statements.
- ➔ Application form to include (Rule-12)
 - Company's details, financial details, interest terms, brief particulars of management etc.
 - Few statements as: In case of non payment of deposits, depositors may approach their respective bench of NCLT's and for Deficiencies in servicing its depositors, the appropriate Consumer Disputes Redressal Forum-District, State or National as the case be.

Granting Loans

Loans can only be granted to members, with limits based on the member's deposit or Nidhi's NOF.

Secured loans only—against:

- ➔ Gold/silver/jewelry
- ➔ Immovable property
- ➔ Fixed Deposit Receipts
- ➔ National Savings Certificates

Loan limits:

- ➔ ₹2 lakh if total deposits < ₹2 crore
- ➔ ₹7.5 lakh if total deposits ₹2–20 crore
- ➔ ₹12 lakh if deposits ₹20–50 crore
- ➔ ₹15 lakh if deposits > ₹50 crore

Branches

- 01 Allowed only after 3 years of continuous profitability.
- 02 Can open up to 3 branches in a district without approval.
- 03 More than 3 branches in/outside a district requires Regional Director's approval.
- 04 Must notify the Registrar within 30 days of opening/closing a branch.

Prohibited Activities

A Nidhi Company cannot:

- 01 Carry out business of chit funds, hire purchase, leasing, insurance, or acquisition of securities.
- 02 Advertise itself for inviting deposits.
- 03 Accept deposits or lend to non-members.
- 04 Pay brokerage or incentives for mobilizing deposits or granting loans.
- 05 Open current accounts with its members.
- 06 Deal with non-members.
- 07 issue preference shares, debentures, or other securities.
- 08 Loans can only be given to members, with limits based on deposits.

Filing Requirements

- ➔ NDH-1: Annual return of statutory compliance.
- ➔ NDH-2: Application to extend compliance period (if necessary).
- ➔ NDH-3: Half-yearly return, filed within 30 days of each half-year.
- ➔ NDH-4: Application for declaration/updation of status of Nidhi.
- ➔ Annual Returns, Financial Statements and other filings as per the Companies Act.

Penalties for Non-Compliance

Non-compliance with the Nidhi Rules may result in:

Penalties under the Companies Act, 2013/Nidhi Rules.

What if NDH-4 is Rejected:

- > Not allowed to file PAS-3 & SH-7.
- > Any deposit taken will be deemed to have been raised in pursuance of Chapter V of the Companies Act, 2013.
- > Liberty to refile afresh NDH-4 after all needed statutory compliance to Nidhi Rules and Companies Act 2013.

For complete information:

It is advised to read Section 406, Companies Act 2013 and Rule 1 to 24 of Nidhi Rules, 2014 as amended.