

**ACCEPTANCE OF DEPOSITS BY COMPANIES**

**UNDER COMPANIES ACT, 2013 AND RULES MADE THERE UNDER**

1.	<p>Private Company and Public Company is prohibited from accepting deposits from persons other than its Directors. This means even a Private Limited Company cannot accept deposits from its Members or Relatives who are not Directors which was allowed under the Companies Act, 1956.</p> <p>Director giving deposits or unsecured loan to the Private Limited Company or Public Limited Company must give an declaration that he has not borrowed money from anyone for giving deposits to the Company. In short, owned funds must be used for lending.</p>
2.	<p>Private Company and Public Company may accept deposits (i.e. unsecured loan) from its Members (not relatives) subject to certain terms &amp; conditions i.e. Special Resolution, Circulation of notice among members, Deposit insurance (compulsory for amount upto Rs. 20,000/-). However, the same is exempted until 31.03.2015), Security to deposit holders covering principal amount as well as interest, Creation of 'Deposit Repayment Reserve Account' (separate bank account) and transfer sum not less than 15% of amount of deposits maturing during the year and next year, etc. Copy of such Notice needs to be filed with the ROC before its circulation among Members.</p> <p>Insurance Premium on Deposit Insurance shall be borne by the Company and cannot be recovered from deposit holders.</p> <p>Company should not have made any default in repayment of deposits and interest thereof.</p> <p>Unsecured Deposits are allowed but in such cases, entire amount of Deposit must be insured. Arrangement of Deposit Insurance before 30 days of issuing circular.</p> <p>If Deposits are secured then Debenture Trustee must be appointed in all cases.</p> <p>In brief, Private Company and Public Company can accept deposits only from its Directors (Exemption from compliance with the provision of Deposit Rules) and Members (provided provisions of Deposit Rules are complied with).</p>
3.	<p>Public Company may accept deposits from <b>Public</b> if its <b>Net worth</b> is not less than <u>Rs. 100 Crores</u> or <b>Turnover</b> is not less than <u>Rs. 500 Crores</u> and consent of shareholders through <b>Special Resolution</b> is obtained and the same is filed with ROC before making any invitation to the Public. Credit Rating is required to be obtained.</p>
4.	<p>All deposits whether accepted by a Private Company or aforesaid class of Public Companies must be secured either by way of deposit insurance (in case amount of deposit is less than or upto Rs. 20,000/- then Deposit Insurance is must) or creation of charge 1<sup>st</sup> charge or 1<sup>st</sup> pari passu charge on assets of the Company mentioned in Schedule III. However, amount or value of such assets should not be less than the principal amount of deposits and interest thereof. Only tangible assets should be given as a security. Intangible assets are not allowed.</p>

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| 5. | Allotment against Share Application Money should be made within 60 days from the date of receipt of payment otherwise refund entire money within 15 days from the expiry of 60 days. Failure to refund money shall make Company liable to pay interest thereon as it will be treated as Deposits. |
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