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WHAT IS ONE PERSON COMPANY (OPC)

- Modern and Emerging Business Vehicle
- Means a Company which has only one person as a member
- The concept of a single person company is already prevalent to other parts of the world like the US, China, Singapore and some European countries
- Concept introduced in New Companies Act, 2013 to enable Micro and Small Business Entrepreneur to enjoy benefits of limited liability and separate legal entity

IMPACT

- Member of OPC has a limited liability i.e. liability limited to the extent of its paid-up share capital. OPC acts as a shield for its member against any pitfalls of liabilities
- OPC has a separate legal entity distinct from its Member
- Non-complex legal compliances or minimum paper work
- Provision for conversion to other types of legal entities by introduction of more members and amendment in the constitutional document.
- Going forward, OPC will become preferred form of business organisation among Micro and Small Business Entrepreneurs

PRIORITY SECTOR LENDING - RBI

The Reserve Bank of India under its Master Circular dated 01st July, 2013 has instructed Scheduled Commercial Banks to increase their involvement in financing of priority sectors, viz., agriculture and small scale industries. As per Master Circular, following activities are eligible for priority sector lending:

Manufacturing Sector	**Enterprise**	**Investment in Plant and Machinery**
	Micro Enterprises	Do not exceed Rs. 25 Lacs
	Small Enterprises	More than Rs. 25 Lacs but does not exceed Rs. 5 Crore
Service Sector	**Enterprises**	**Investment in Equipment**
	Micro Enterprises	Does not exceed Rs. 10 Lacs
	Small Enterprises	More than Rs. 10 Lacs but does not exceed Rs. 2 Crore

OPC coming under any of the above categories may fall under priority sector lending.

OPC VS. SOLE PROPRIETORSHIP

S. N.	FEATURE	OPC (YES/NO)	SOLE PROPRIETORSHIP (YES/NO)
1	Separate Legal entity from its member i.e. OPC and member are two different persons within the eyes of law	Yes	No
2	Limited Liability	Yes	No
3	Perpetual succession i.e. Business continuity even after death of a member	Yes	No
4	member / owner responsible for repayment of loan borrowed by OPC / Proprietor	No	Yes
5	Compulsory Registration	Yes	No

Most important benefit of OPC is that the risk of its member is limited to the extent of the value of shares held by such person in the OPC / Company. This would enable entrepreneur to take the risks of doing business without the fear of litigations and liabilities getting attached to the personal assets.

SALIENT FEATURES OF OPC

- It is run by individuals yet OPC is a separate legal entity similar to that of any registered Private Limited Company
- It is incorporated as a Private Limited Company
- Maximum and minimum no. of member – 1, Minimum no. of Director – 1 and Maximum no. of Directors – 15
- Member must appoint one nominee at the time of incorporation who will automatically become member in the event of his death thereby ensuring perpetual succession. Member may change said nominee at any time
- The **member** and **nominee** should be natural persons, Indian Citizens and resident in India. The term "resident in India" means a person who has stayed in India for a period of not less than 182 days during the immediately preceding one calendar year.
- One person cannot incorporate more than one OPC or become nominee in more than one OPC.
- OPC to lose its status if paid up capital exceeds Rs. 50 lakhs or average annual turnover is more than 2 crores in three immediate preceding consecutive years.
- No minor shall become member or nominee of the OPC or hold share with beneficial interest.
- OPC to lose its status if paid up capital exceeds Rs. 50 lakhs or average annual turnover is more than Rs. 2 crores in 3 immediate preceding consecutive years.

- OPC cannot carry out Non-Banking Financial Investment activities including investment in securities of any body corporate
- OPC cannot convert voluntarily into any kind of company unless 2 years have expired from the date of incorporation, except in cases where capital or turnover threshold limits are reached
- Existing Private Limited Companies may convert themselves into OPC if their paid up capital does not exceeds Rs. 50 lakhs or average annual turnover is not more than Rs. 2 crores in 3 immediate preceding consecutive years
- Contracts entered between OPC and its member, which are not in the ordinary course of its business, needs to be in writing followed by ROC filing

IDEAL FOR

- Entrepreneurs who wish to have sole business control
- New start-up business
- Existing sole proprietors mainly due to limited liability
- Existing Private Limited Companies having low business volumes to take the advantage of minimal legal compliance

PRIVILEGES

- Immunity from holding mandatory Annual General Meeting (AGM)
- Non-applicability of company law provisions for conducting shareholders meeting
- No requirement of minimum no. of board meetings in case OPC has only 1 director. In other cases, minimum 2 board meetings instead of 4 as in the case of private company
- Preparation of Cash Flow Statement is not mandatory
- Annual Return and Financial Statements can be signed by one director only
- Board’s report simplified

DISCLAIMER