

NIDHI  
COMPANY

SEEDUP<sup>TM</sup>



# Why Nidhi Company ?

---

## Meaning

**Nidhi Company** is a type of NBFC formed, governed, and regulated by Section 406 of the new Indian Companies Act of 2013, the Companies (Nidhi Companies) Rules of 2014. The objective of incorporating a Nidhi Company is to encourage savings as well as frugality amongst its members. And it attempts to fulfill this objective by cultivating the habit of saving and thrift amongst its members. They are allowed to take a deposit from and lend to the members only i.e the funds contributed to a Nidhi company come only from its members (shareholders) and are to be used only by the shareholders of the Nidhi Company. RBI monitors all its financial dealings while it is regulated by Ministry of Corporate Affairs

## Benefits

**Capital Requirement:** It can be started with a minimum capital of 10 lakhs only.

**Encourages Savings:** It helps in cultivating the habit of saving and thrift amongst its members.

**No External Involvement:** It is not governed by any trusts or committees. It is an investment feature owned by the investors themselves. Members are thus governing body of Nidhi funds.

**Borrowings:** A member can borrow money at a cheaper rate of interest compared to bank rate and fewer obligations are involved.

# Requirements and Restrictions

## Requirements

- The **number of members** or shareholders of the Nidhi Company must be **200** at least by the end of **1 year of commencement**.
- **NOF** should be more than **Rs. 10 lakhs**.
- The **ratio for NOF to Deposit** should be more than **1:20**.
- **Unencumbered term deposits** should **not be less than 10%** of the **outstanding deposits**
- Nidhi can pay a **maximum interest of up to 12.5% on FD & RD** and **6% on a savings account**.
- Nidhi can **deposit up to 20 times the funds invested**.
- It has to **file Annual Returns, Income tax returns and financial statements every year**.

## Restrictions

- Chit funds,
- Leasing Finance,
- Hire-Purchase finances,
- Lotteries,
- Insurance,
- Cannot issue preference share or instruments
- Sell, pledge or mortgage the assets kept with it as security for a loan,
- Advertise themselves to invite deposits,
- Getting into a partnership for carrying out lending and borrowing activities,
- Taking deposits or lending funds to someone other than its shareholders,
- Open a current account with its members (though it is allowed to open a Savings Account),
- Lend to or take a deposit from a corporate,
- Pay commission, fee or incentive for mobilizing deposits,
- Carry on any other business than borrowing and lending to its members,
- Hire a Purchase Financer,
- Pay any brokerage for granting a loan to its members.

# Documents Required

---

## Basic Checklist

**Three Directors:** A Nidhi company must have at least three directors, one of whom has to be an Indian Citizen and Indian Resident

**Seven Promoters:** A Nidhi company must have at least seven Promoters. The Promoter and Director may be the same persons.

**Unique Name:** The name of the business must be unique. The suggested name should be identical or resembling with any existing companies or trademarks in India. At the time of incorporation, the name of the Company must contain the words "Nidhi Limited"

**Minimum Paid Up Capital:** Minimum paid up equity share capital of Rs. 5 Lakhs is required.

**Registered Office:** The Company has to have a place of business. The place should be such that other

**Licenses** can be obtained.

## Registered Office

Copy of latest bank statement (last 3 months) or

Copy of telephone bill, mobile bill, electricity or gas bill (last 2 months) or

Copy of property tax receipts or

Notarised rental agreement/Lease agreement

Scanned copy of sale deed/property deed

No objection certificate from property owner

## Documents Required (Continued)

### Resident Indian Director/ Promoter

**PAN Card** of all Shareholders and Directors

**Photograph:** Latest Passport size photograph of Shareholder/Director (In jpeg/pdf)

**ID proof:** Voter ID Card/ Passport/ Driving License

**Address Proof:** Bank Statement/Latest Electricity/Telephone/Mobile Bill

**Note:** Digital signatures must be obtained for the all proposed director(s) and promoter(s) of the company. It is required for signing of the incorporation application.

DSC can be obtained online. Your SeedUp support manager will submit the application and generate a link to complete video eKYC verification. The applicant would have to take a short video and verify OTP to authenticate the application.

### NRI Director/ Partner

**ID proof:** Passport/ PAN Card- To be attested by Indian embassy

**Address Proof-** If permanent Address in India- Bank Statement/Latest Electricity/Telephone/Mobile Bill: to be attested by any professional CA/CS or CMA (Practising)

**Present Address overseas and if country under: Commonwealth (CW) countries:** Notarised by Public Notary Hague Convention(HC): Notarised by Public Notary and apostilled by the competent authority of such country.

**Outside of CW or HC:** Notarised by Notary (Public) of such country and the certificate of Notary (Public) to be authenticated by a Diplomatic or Consular Officer.

## Documents Required (Continued)

---

### Foreign National

**ID proof (Passport/PAN Card) & Address Proof:**

**Residing in his own country under Hague Convention(HC):** Notarised by Public Notary and apostilled by the competent authority of such country.

**Residing outside his own country and the country where he resides is under Hague Convention:**

**Option A:** Notarised by Public Notary and apostilled by the competent authority of that foreign country.

**Option B:** Attested by Embassy of his Country of Origin at place where he resides.

**Residing in his own country under Commonwealth Country(CW):** Notarised by Public Notary

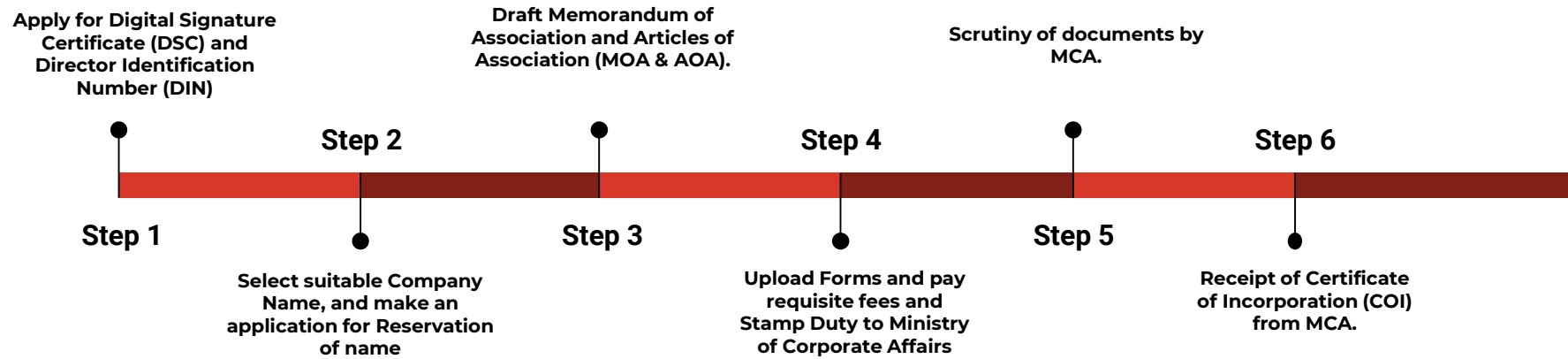
**Residing outside his own country and the country where he resides is under Commonwealth Country:**

**Option A:** Notarised by Public Notary of that foreign country.

**Option B:** Attested by Embassy of his Country of Origin at place where he resides.

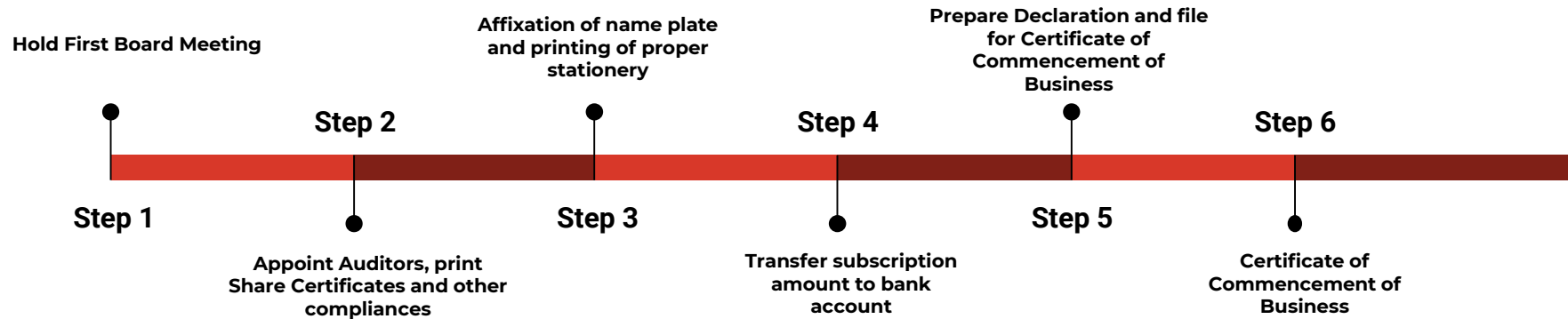
**Is from a country which is outside the Commonwealth and also not a party to Hague Apostille Convention:** Notarised by Notary (Public) of such country and the certificate of Notary (Public) to be authenticated by a Diplomatic or Consular Officer. All proposed Directors have to submit a list of Indian Company(ies) in which they are interested (i.e. holding 2% or more shares)

## Detailed Incorporation Process



## After Company Formation

---





## FAQs

---

**Is Nidhi Company Safe:** The Deposits with such companies are safe and secure because the Ministry of Corporate Affairs and Reserve Bank of India has framed rules and regulations to ensure the safety and security of Deposits and the Nidhi Company has to compulsorily abide by the rules of Central Government.

**Minor as a member:** A minor shall not be admitted as a member in a Nidhi company, but deposits may be accepted in the name of minor , if they are made by natural or legal guardian who is a member of the respective Nidhi.

**Declaration of dividend:** A Nidhi company shall not declare dividend exceeding twenty five per cent or such higher amount as may be specifically approved by the Regional Director for reasons to be recorded in writing.

**Representative of Nidhi Company:** Any person can deposit, lend or borrow money through the provisions provided by the Companies Act, 2013.They can all become members of a Nidhi Company. provided they are not a corporation or a company.

**Profitability of a Nidhi Company:** The branches of a Nidhi Company can be opened only when it has earned a net profit after tax constantly during the three preceding years.

**Nidhi Company vs NBFC:** All business companies in India are classified as Non-Banking Financial Companies or Banking Companies. Nidhi Company is incorporated and thus, it comes under NBFC. They cannot accept deposits from the public nor lend to the public, so they are not completely NBFCs.

# Why SeedUp?

- Completely online
- Time bound closure
- Round the clock customer support
- Complete confidentiality
- Cost effective
- Customised packages

Let's  
Start a  
Project  
Together!

**SEEDUP**<sup>TM</sup>

[info@seedup.in](mailto:info@seedup.in)