

One Person Company

DEFINITION:

“One Person Company” (OPC) means a company which has only one person as a member.”

ELIGIBILITY:

Only a natural person who is an Indian citizen and resident in India shall be eligible to incorporate an OPC and also shall be a nominee for the sole member of an OPC.

No person shall be eligible to incorporate more than five OPCs.

INCORPORATION OF OPC:

An OPC can be incorporated with one person, provided that the memorandum of OPC shall indicate the name of any other person after obtaining his consent in the prescribed form who shall, in the event of the subscriber’s death or his incapacity to contract become the member of the company.

The written consent of such person shall also be filed with the Registrar at the time of incorporation of the OPC along with its memorandum and articles. The member of OPC can at any time change the name of the other person by giving notice in such manner as may be prescribed.

REGISTERED OFFICE:

The OPC within 15 days from the date of its incorporation should have a registered office capable of receiving and acknowledging all communications and notices as may be addressed to it. The company shall furnish to the Registrar verification of its registered office within 30 days of its incorporation. The words “One Person Company” shall be mentioned in brackets below the name of such company wherever its name is printed or affixed.

APPOINTMENT OF DIRECTORS:

An individual being member shall be deemed to be its first director until the director or directors are duly appointed by the member.

BOARD MEETINGS:

The OPC shall call at least one meeting of the Board of Directors in each half of a calendar year and the gap between the two meetings shall not be less than 90 days. Quorum for the meeting is not required as there is only one director on its Board of Directors.

Since the company is having only one director all the businesses to be transacted at the meeting of the Board shall be entered into minutes book and signed by the director. Only then the resolution passed shall become effective.

GENERAL MEETINGS:

Convening of Annual General Meeting (AGM) and Extra Ordinary General Meeting (EGM) shall not apply to OPC.

FINANCIAL STATEMENTS:

The financial statement shall be approved by the director. The auditors' report and directors' report shall be attached to every financial statement. A copy of the financial statements duly adopted shall be filed with the registrar within 180 days from the closure of the financial year.

CONTRACTS:

Any OPC enters into a contract with the sole member of the company who is also the director of the company, the company shall unless the contract is in writing, ensure that the terms of the contract are contained in a memorandum or recorded in the minutes of the first meeting of the Board of Directors of the company held next after entering into contract. The company shall inform the Registrar about every contract entered into by the company and recorded in the minutes of the meeting of its Board of Directors within a period of 15 days of the date of approval by the Board of Directors.

This shall not apply to contracts entered into by the company in the ordinary course of its business.

MANDATORY CONVERSION OF OPC INTO A PUBLIC OR A PRIVATE COMPANY IN FOLLOWING CASES:

- If paid up share capital of the OPC exceeds Rs. 50 lakh or the average annual turnover during the last 3 financial years exceeds Rs. 2 crore, it shall cease to continue as an OPC.
- In such case the said OPC is required to convert itself within 6 months of the date on which its paid up share capital is increased beyond Rs. 50 lakh or the average annual turnover exceeds Rs. 2 crore or the close of the financial year during which its balance sheet total exceeds Rs. 1 crore, as the case may be, into either a private company with minimum of two members and two directors or a public company with minimum of seven members and three directors in accordance with the provisions of section 18 (Conversion of companies already registered) under Companies Act, 2013.

- It shall alter its memorandum and articles by passing an ordinary or special resolution to give effect to the conversion and to make necessary changes incidental thereto.
- Within 30 days from the date OPC ceases its entitlement it shall give a notice to the Registrar in prescribed form informing that it has ceased to be an OPC.
- OPC can also itself get converted into a Private or Public company after increasing the minimum number of members and directors to two or minimum of seven members and three directors as the case may be, and by maintaining the minimum paid-up capital as per requirements of the Act for such class of company
- Any OPC which contravenes with the provisions shall be liable for punishment with fine which may extend to Rs.5,000 and with a further fine which may extend to Rs.5,000 for every day after the first during which such contravention continues.

CONCLUSION

From the above note is very clear that the concept of OPC is much advantageous in many ways as there are no much complications involved in complying with the rules and regulations. The formation and incorporation, procedure of the company is also less cumbersome. Convening of general meetings are not mandatory, the proceedings of the board meetings are also less complicated.

In addition to the above entrepreneurs need not go around looking for unwilling spouses, friends and relatives to become a director or a shareholder which is required to form a private limited company. It remains to be seen how entrepreneurs respond to the OPC option.

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