

AMENDMENTS IN COMPANIES (MEETINGS AND ITS POWERS) RULES, 2014

The Ministry of Corporate Affairs (MCA) has issued notification on 14th August 2014 for amendments in the Companies (Meetings and its Powers) Rules, 2014.

The amendments are summarized below:

- 1) Place of board meeting conducted through video conferencing or other audio visual means can now be outside India. Earlier, place of board meeting was required to be in India.
- 2) It is clarified that audit committee meeting for consideration of consolidated financial statements is also not permitted through video conferencing or other audio visual means. As per the earlier provision, it was not clear whether consideration of accounts would include consolidated financial statements or not.
- 3) MCA has revised criterion and transaction level threshold limits for obtaining prior approval of members by special resolution in respect of certain related party transactions which are neither in the 'ordinary course of business' nor on an 'arm's length basis'.
 - a) Criterion of paid-up share capital of Rs. 10 crore or more has been removed.
 - b) Comparison of earlier and revised criteria / limit in respect of specified transactions u/s 188(1) of the Companies Act, 2013 is as under:

Sr. No.	Nature of transaction	Earlier limits & criteria for transaction value	Revised limits & criteria for transaction value
1.	Sale, purchase or supply of any goods or materials, directly or through agent	Exceeding 25% of annual turnover	Exceeding 10% of turnover or Rs. 100 crore, whichever is lower
2.	Selling or otherwise disposing of, or buying, property of any kind directly or through agent	Exceeding 10% of net worth	Exceeding 10% of networth or Rs. 100 crore, whichever is lower
3.	Leasing of property of any kind	Exceeding 10% of networth or exceeding 10% of turnover	Exceeding 10% of networth or exceeding 10% of turnover or Rs. 100 crore, whichever is lower

4.	Availing or rendering of any services directly or through agent	Exceeding 10% of networth	Exceeding 10% of turnover or Rs. 50 crore, whichever is lower
5.	Appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.50 lacs	No change, earlier limit and criteria to continue
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% of networth	No change, earlier limit and criteria to continue

In respect of sr. no. 1 to 4 above, it is clarified that the limits specified shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

Our view: In respect to sr. no. 1 to 3 above, due to introduction of value based limit of Rs. 50 crores/ Rs. 100 crores as the case may be, more transactions would get covered for member's approval in case of companies having large networth and turnover. In respect to sr. no. 4, change in criteria could have differing implication on coverage.

Disclaimer:

This document has been prepared as a service to the clients. We recommend you to seek professional advice before taking any action on the specific issues.

In case of any clarification, you may reach us at nashah@nashah.com