

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,  
SECTION 3, SUB-SECTION (i)]

Government of India  
Ministry of Corporate Affairs

Notification

New Delhi, dated \_\_\_\_\_

G.S.R. (E).- In exercise of the powers conferred under sub-section (1) of section 406 read with sub-sections (1) and (2) of 469 of the Companies Act, 2013, the Central Government hereby makes the following rules, namely:-

**1. Short title and commencement.** - (1) These Rules may be called Nidhi Rules, 2014.

(2) They shall come into force on the date of their publication in the Official Gazette.

**2. Application.**- These rules shall apply to,-

(a) every company which had been declared as a *Nidhi* or Mutual Benefit Society under sub-section (1) of section 620A of the Companies Act, 1956;

(b) every company functioning on the lines of a *Nidhi* company or Mutual Benefit Society but has either not applied for or has applied for and is awaiting notification to be a *Nidhi* or Mutual Benefit Society under sub-section (1) of section 620A of the Companies Act, 1956; and

(c) every company incorporated as a *Nidhi* pursuant to the provisions of section 406 of the Act.

**3. Definitions.**- (1) In these rules, unless the context otherwise requires,-

(a) "Act" means the Companies Act, 2013 (18 of 2013);

(b) "Doubtful Asset" means a borrowal account which has remained a non-performing asset for more than two years but less than three years;

(c) "Loss Asset" means a borrowal account which has remained a non-performing asset for more than three years or where in the opinion of the Board, a shortfall in the recovery of the loan account is expected because the documents executed may become invalid if subjected to legal process or for any other reason;

(d) "Net Owned Funds" means the aggregate of paid up equity share capital and free reserves as reduced by accumulated losses and intangible assets appearing in the last audited balance sheet:

Provided that the amount representing the proceeds of issue of preference shares shall not be included for calculating Net Owned Funds.

(e) "Non-Performing Asset" means a borrowal account in respect of which interest income or instalment of loan towards repayment of principal amount has remained unrealised for twelve months;

(f) "Standard Asset" means the asset in respect of which no default in repayment of principal or payment of interest has occurred or is perceived and which has neither shown signs of any problem relating to repayment of principal sum or interest nor does it carry more than normal risk attached to the business;

(g) "Sub-Standard Asset" means a borrowal account which is a non performing asset:

Provided that reschedulement or renegotiation or rephasing of the loan instalment or interest payment shall not change the classification of an asset unless the borrowal account has satisfactorily performed for at least twelve months after such reschedulement or renegotiation or rephasing.

(2) Words and expressions used herein, but not defined in these rules and defined in the Act or in the Companies (Specification of definitions details) Rules, 2014 shall have the same meaning as assigned to them in the Act or in the said Rules.

**4. Incorporation and incidental matters.-** (1) A *Nidhi* to be incorporated under the Act shall be a public company and shall have a minimum paid up equity share capital of five lakh rupees.

(2) On and after the commencement of the Act, no *Nidhi* shall issue preference shares.

(3) If preference shares had been issued by a *Nidhi* before the commencement of this Act, such preference shares shall be redeemed in accordance with the terms of issue of such shares.

(4) Except as provided under the proviso to sub-rule (e) to rule 6, no *Nidhi* shall have any object in its Memorandum of Association other than the object of cultivating the habit of thrift and savings amongst its members, receiving deposits from, and lending to, its members only, for their mutual benefit.

(5) Every Company incorporated as a "*Nidhi*" shall have the last words 'Nidhi Limited' as part of its name.

**5. Requirements for minimum number of members, net owned fund etc.-** (1) Every *Nidhi* shall, within a period of one year from the commencement of these rules, ensure that it has-

(a) not less than two hundred members;

(b) Net Owned Funds of ten lakh rupees or more;

(c) unencumbered term deposits of not less than ten per cent. of the outstanding deposits as specified in rule 14; and

(d) ratio of Net Owned Funds to deposits of not more than 1:20.

(2) Within ninety days from the close of the first financial year after its incorporation and where applicable, the second financial year, *Nidhi* shall file a return of statutory compliances in Form **NDH-1** along with such fee as provided in Companies (Registration Offices and Fees) Rules, 2014 with the Registrar duly certified by a company secretary in practice or a chartered accountant in practice or a cost accountant in practice.

(3) If a *Nidhi* is not complying with clauses (a) or (d) of sub-rule (1) above, it shall within thirty days from the close of the first financial year, apply to the Regional Director in Form **NDH-2** along with fee specified in Companies

(Registration Offices and Fees) Rules, 2014 for extension of time and the Regional Director may consider the application and pass orders within thirty days of receipt of the application.

*Explanation.*- For the purpose of this rule "Regional Director" means the person appointed by the Central Government in the Ministry of Corporate Affairs as a Regional Director;

(4) If the failure to comply with sub-rule (1) of this rule extends beyond the second financial year, *Nidhi* shall not accept any further deposits from the commencement of the second financial year till it complies with the provisions contained in sub-rule (1), besides being liable for penal consequences as provided in the Act.

**6. General restrictions or prohibitions.-** No *Nidhi* shall-

(a) carry on the business of chit fund, hire purchase finance, leasing finance, insurance or acquisition of securities issued by any body corporate;

(b) issue preference shares, debentures or any other debt instrument by any name or in any form whatsoever;

(c) open any current account with its members;

(d) acquire another company by purchase of securities or control the composition of the Board of Directors of any other company in any manner whatsoever or enter into any arrangement for the change of its management, unless it has passed a special resolution in its general meeting and also obtained the previous approval of the Regional Director having jurisdiction over such *Nidhi*;

*Explanation.*- For the purposes of this sub-rule, "control" shall have the same meaning assigned to it in clause (27) of section 2 of the Act;

(e) carry on any business other than the business of borrowing or lending in its own name:

Provided that *Nidhis* which have adhered to all the provisions of these rules may provide locker facilities on rent to its members subject to the

rental income from such facilities not exceeding twenty per cent. of the gross income of the *Nidhi* at any point of time during a financial year.

- (f) accept deposits from or lend to any person, other than its members;
- (g) pledge any of the assets lodged by its members as security;
- (h) take deposits from or lend money to any body corporate;
- (i) enter into any partnership arrangement in its borrowing or lending activities;
- (j) issue or cause to be issued any advertisement in any form for soliciting deposit:

Provided that private circulation of the details of fixed deposit schemes among the members of the *Nidhi* carrying the words "for private circulation to members only" shall not be considered to be an advertisement for soliciting deposits.

- (k) pay any brokerage or incentive for mobilising deposits from members or for deployment of funds or for granting loans.

**7. Share capital and allotment.-** (1) Every *Nidhi* shall issue equity shares of the nominal value of not less than ten rupees each:

Provided that this requirement shall not apply to a company referred to in sub-rules (a) and (b) of rule 2.

- (2) No service charge shall be levied for issue of shares.

- (3) Every *Nidhi* shall allot to each deposit holder at least a minimum of ten equity shares or shares equivalent to one hundred rupees:

Provided that a savings account holder and a recurring deposit account holder shall hold at least one equity share of rupees ten.

**8. Membership.-** (1) A *Nidhi* shall not admit a body corporate or trust as a member.

(2) Except as otherwise permitted under these rules, every *Nidhi* shall ensure that its membership is not reduced to less than two hundred members at any time.

(3) A minor shall not be admitted as a member of *Nidhi*:

Provided that deposits may be accepted in the name of a minor, if they are made by the natural or legal guardian who is a member of *Nidhi*.

**9. Net owned funds.-** Every *Nidhi* shall maintain Net Owned Funds (excluding the proceeds of any preference share capital) of not less than ten lakh rupees or such higher amount as the Central Government may specify from time to time.

**10. Branches.-** (1) A *Nidhi* may open branches, only if it has earned net profits after tax continuously during the preceding three financial years.

(2) Subject to the provisions contained in sub-rule (1), a *Nidhi* may open up to three branches within the district.

(3) If a *Nidhi* proposes to open more than three branches within the district or any branch outside the district, it shall obtain the prior permission of the Regional Director and an intimation is to be given to the Registrar about opening of every branch within thirty days of such opening.

(4) No *Nidhi* shall open branches or collection centres or offices or deposit centres, or by whatever name called outside the State where its registered office is situated.

(5) No *Nidhi* shall open branches or collection centres or offices or deposit centres, or by whatever name called unless financial statement and annual return (up to date) are filed with the Registrar.

(6) A *Nidhi* shall not close any branch unless it-

(a) publishes an advertisement in a newspaper in vernacular language in the place where it carries on business at least thirty days prior to such closure, informing the public about such closure;

(b) fixes a copy of such advertisement or a notice informing such closure of the branch on the notice board of *Nidhi* for a period of at least thirty days from the date on which advertisement was published under clause (a) ; and

(c) gives an intimation to the Registrar within thirty days of such closure.

**11. Acceptance of deposits by *Nidhis*.**- (1) A *Nidhi* shall not accept deposits exceeding twenty times of its Net Owned Funds (NOF) as per its last audited financial statements.

(2) In the case of companies covered under clauses (a) and (b) of rule 2 and existing on or before 26<sup>th</sup> July, 2001 and which have accepted deposits in excess of the aforesaid limits, the same shall be restored to the prescribed limit by increasing the Net Owned Funds position or alternatively by reducing the deposit according to the table given below:

**TABLE**

<b>Ratio of Net Owned Funds to Deposits (as on 31.3. 2013)</b>	<b>Date by which the company has to achieve prescribed ceiling of 1:20</b>
a) More than 1:20 but upto 1:35	By 31.3. 2015
b) More than 1:35 but upto 1:45	By 31.3. 2016
c) More than 1:45	By 31.3. 2017

(3) The companies which are covered under the Table in sub-rule (2) above shall not accept fresh deposits or renew existing deposits if such acceptance or renewal leads to violation of the prescribed ratio.

(4) The ratio specified in sub-rule (2) above shall also apply to incremental deposits.

**12. Application form for deposit.**- (1) Every application form for placing a deposit with a *Nidhi* shall contain the following particulars, namely:-

- (a) Name of *Nidhi*;
- (b) Date of incorporation of *Nidhi*;

- (c) The business carried on by *Nidhi* with details of branches, if any;
- (d) Brief particulars of the management of *Nidhi* (name, addresses and occupation of the directors, including DIN);
- (e) Net profits of *Nidhi* before and after making provision for tax for the preceding three financial years;
- (f) Dividend declared by *Nidhi* during the preceding three financial years;
- (g) Mode of repayment of the deposit;
- (h) Maturity period of the deposit;
- (i) Interest payable on the deposit;
- (j) The rate of interest payable to the depositor in case the depositor withdraws the deposit prematurely;
- (k) The terms and conditions subject to which the deposit may be accepted or renewed;
- (l) A summary of the financials of the company as per the latest two audited financial statements as given below:
  - (i) Net Owned Funds
  - (ii) Deposits accepted
  - (iii) Deposits repaid
  - (iv) Deposits claimed but remaining unpaid
  - (v) Loans disbursed against-
    - (a) immovable property;
    - (b) deposits; and
    - (c) gold and jewellery
  - (vi) Profit before tax
  - (vii) Provision for tax
  - (viii) Profit after tax
  - (ix) Dividend per share
- (m) any other special features or terms and conditions subject to which the deposit is accepted or renewed.

(2) The application form shall also contain the following statements, namely:-



(a) in case of non- payment of the deposit or part thereof as per the terms and conditions of such deposit, the depositor may approach the Registrar of companies having jurisdiction over *Nidhi*;

(b) in case of any deficiency of *Nidhi* in servicing its depositors, the depositor may approach the National Consumers Disputes Redressal Forum, the State Consumers Disputes Redressal Forum or District Consumers Disputes Redressal Forum, as the case may be, for redressal of his relief;

(c) a declaration by the Board of Directors to the effect that the financial position of *Nidhi* as disclosed and the representations made in the application form are true and correct and that *Nidhi* has complied with all the applicable rules;

(d) a statement to the effect that the Central Government does not undertake any responsibility for the financial soundness of *Nidhi* or for the correctness of any of the statement or the representations made or opinions expressed by *Nidhi*;

(e) the deposits accepted by *Nidhi* are not insured and the repayment of deposits is not guaranteed by either the Central Government or the Reserve Bank of India; and

(f) a verification clause by the depositor stating that he had read and understood the financial and other particulars furnished and representations made by *Nidhi* in his application form and after careful consideration he is making the deposit with *Nidhi* at his own risk and volition.

(3) Every *Nidhi* shall obtain proper introduction of new depositors before opening their accounts or accepting their deposits and keep on its record the evidence on which it has relied upon for the purpose of such introduction.

(4) For the purposes of introduction of depositors, a *Nidhi* shall obtain documentary evidence of the depositor in the form of proof of identity and address as under:

**(a) Proof of Identity (any one of the following)**

- (i) Passport
- (ii) Unique Identification Number
- (iii) Income-tax PAN card
- (iv) Elector Photo Identity Card
- (v) Driving licence
- (vi) Ration card

**(b) Proof of address (any one of the following)**

- (i) Passport
- (ii) Unique Identification Number
- (iii) Elector Photo Identity Card
- (iv) Driving licence
- (v) Ration card
- (vi) Telephone bill
- (vii) Bank account statement
- (viii) Electricity bill

(documents referred to serial numbers (vi), (vii) and (viii) above shall not be more than two months old)

**13. Deposits.-** (1) The fixed deposits shall be accepted for a minimum period of six months and a maximum period of sixty months.

(2) Recurring deposits shall be accepted for a minimum period of twelve months and a maximum period of sixty months.

(3) In case of recurring deposits relating to mortgage loans, the maximum period of recurring deposits shall correspond to the repayment period of such loans granted by *Nidhi*.

(4) The maximum balance in a savings deposit account at any given time qualifying for interest shall not exceed one lakh rupees at any point of time and the rate of interest shall not exceed two per cent. above the rate of interest payable on savings bank account by nationalised banks.

(5) A *Nidhi* may offer interest on fixed and recurring deposits at a rate not exceeding the maximum rate of interest prescribed by the Reserve Bank of India which the Non-Banking Financial Companies can pay on their public deposits.

(6) A fixed deposit account or a recurring deposit account shall be foreclosed by the depositor subject to the following conditions, namely:-

(a) a *Nidhi* shall not repay any deposit within a period of three months from the date of its acceptance;

(b) where at the request of the depositor, a *Nidhi* repays any deposit after a period of three months, the depositor shall not be entitled to any interest up to six months from the date of deposit;

(c) where at the request of the depositor, a *Nidhi* makes repayment of a deposit before the expiry of the period for which such deposit was accepted by *Nidhi*, the rate of interest payable by *Nidhi* on such deposit shall be reduced by two per cent. from the rate which *Nidhi* would have ordinarily paid, had the deposit been accepted for the period for which such deposit had run:

Provided that in the event of death of a depositor, the deposit may be repaid prematurely to the surviving depositor or depositors in the case of joint holding with survivor clause, or to the nominee or to legal heir with interest up to the date of repayment at the rate which the company would have ordinarily paid, had such deposit been accepted for the period for which such deposit had run.

**14. Un-encumbered term deposits.-** Every *Nidhi* shall invest and continue to keep invested, in unencumbered term deposits with a scheduled commercial bank (other than a co-operative bank or a regional rural bank), or post office deposits in its own name an amount which shall not be less than ten per cent. of the deposits outstanding at the close of business on the last working day of the second preceding month:

Provided that in cases of unforeseen commitments, temporary withdrawal may be permitted with the prior approval of the Regional Director for the purpose of repayment to depositors, subject to such conditions and time limit which may be specified by the Regional Director to ensure restoration of the prescribed limit of ten per cent.

**15. Loans.-** (1) A *Nidhi* shall provide loans only to its members.

(2) The loans given by a *Nidhi* to a member shall be subject to the following limits, namely:-

(a) two lakh rupees, where the total amount of deposits of such *Nidhi* from its members is less than two crore rupees;

(b) seven lakh fifty thousand rupees, where the total amount of deposits of such *Nidhi* from its members is more than two crore rupees but less than twenty crore rupees;

(c) twelve lakh rupees, where the total amount of deposits of such *Nidhi* from its members is more than twenty crore rupees but less than fifty crore rupees; and

(d) fifteen lakh rupees, where the total amount of deposits of such *Nidhi* from its members is more than fifty crore rupees:

Provided that where a *Nidhi* has not made profits continuously in the three preceding financial years, it shall not make any fresh loans exceeding fifty per cent. of the maximum amounts of loans specified in clauses (a), (b), (c) or (d).

Provided further that a member shall not be eligible for any further loan if he has borrowed any earlier loan from the *Nidhi* and has defaulted in repayment of such loan.

(3) For the purposes of sub-rule (2), the amount of deposits shall be calculated on the basis of the last audited annual financial statements.

(4) A *Nidhi* shall give loans to its members only against the following securities, namely:-

(a) gold, silver and jewellery:

Provided that the repayment period of such loan shall not exceed one year.

(b) immovable property:

Provided that the total loans against immovable property [excluding mortgage loans granted on the security of property by registered mortgage, being a registered mortgage under section 69 of the Transfer of Property Act, 1882 (IV of 1882)] shall not exceed fifty per cent. of the overall loan outstanding on the date of approval by the board, the individual loan shall not exceed fifty per cent. of the value of property offered as security and the period of repayment of such loan shall not exceed seven years.

(c) fixed deposit receipts, National Savings Certificates, other Government Securities and insurance policies:

Provided that such securities duly discharged shall be pledged with *Nidhi* and the maturity date of such securities shall not fall beyond the loan period or one year whichever is earlier:

Provided further that in the case of loan against fixed deposits, the period of loan shall not exceed the unexpired period of the fixed deposits.

**16. Rate of interest.**- The rate of interest to be charged on any loan given by a *Nidhi* shall not exceed seven and half per cent. above the highest rate of interest offered on deposits by *Nidhi* and shall be calculated on reducing balance method:

Provided that *Nidhi* shall charge the same rate of interest on the borrowers in respect of the same class of loans and the rates of interest of all classes of loans shall be prominently displayed on the notice board at the registered office and each branch office of *Nidhi*.

**17. Rules relating to Directors.** (1) The Director shall be a member of *Nidhi*.

(2) The Director of a *Nidhi* shall hold office for a term up to ten consecutive years on the Board of *Nidhi*.

(3) The Director shall be eligible for re-appointment only after the expiration of two years of ceasing to be a Director.

(4) Where the tenure of any Director in any case had already been extended by the Central Government, it shall terminate on expiry of such extended tenure.

(5) The person to be appointed as a Director shall comply with the requirements of sub-section (4) of section 152 of the Act and shall not have been disqualified from appointment as provided in section 164 of the Act.

**18. Dividend.-** A *Nidhi* 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 and further subject to the following conditions, namely:-

- (a) an equal amount is transferred to General Reserve;
- (b) there has been no default in repayment of matured deposits and interest; and
- (c) it has complied with all the rules as applicable to *Nidhis*.

**19. Auditor:-** (1) No *Nidhi* shall appoint or re-appoint an individual as auditor for more than one term of five consecutive years.

(2) No *Nidhi* shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years;

Provided that an auditor (whether an individual or an audit firm) shall be eligible for subsequent appointment after the expiration of two years from the completion of his or its term.

*Explanation:* For the purposes of this proviso:

(i) in case of an auditor (whether an individual or audit firm), the period for which he or it has been holding office as auditor prior to the commencement of these rules shall be taken into account in calculating the period of five consecutive years or ten consecutive years, as the case may be;

(ii) appointment includes re-appointment.

**20. Prudential norms.-** (1) Every *Nidhi* shall adhere to the prudential norms for revenue recognition and classification of assets in respect of mortgage loans or jewel loans as contained hereunder.

(2) Income including interest or any other charges on non-performing assets shall be recognised only when it is actually realised and any such income recognised before the asset became non-performing and which remains unrealised in a year shall be reversed in the profit and loss account of the immediately succeeding year.

(3) (a) In respect of mortgage loans, the classification of assets and the provisioning required shall be as under:

NATURE OF ASSET	PROVISION REQUIRED
Standard Asset	No provision
Sub-standard Asset	10% of the aggregate outstanding amount
Doubtful Asset	25% of the aggregate outstanding amount
Loss Asset	100% of the aggregate outstanding amount

Provided that a *Nidhi* may make provision for exceeding the percentage specific herein.

(b) The estimated realisable value of the collateral security to which a *Nidhi* has valid recourse may be reduced from the aggregate outstanding amount, if the proceedings for the sale of the mortgaged property have been initiated in a court of law within the previous two years of the interest, income or instalment remaining unrealised.

(4) In case of companies which were incorporated on or before 26-07-2001, such companies shall make provisions in respect of loans disbursed and outstanding as on 31-03-2002 for income reversal and non-performing assets as per table given below:

For the year ended	Extent of provision
31-03- 2015	Un-provided balance on equal basis over the three
31-03- 2016	

31-03- 2017	years as specified in the preceding column.
-------------	---

(5) (a) The Notes on the financial statements of a year shall disclose-

- (i) the total amount of provisions, if any, to be made on account of income reversal and non-performing assets remaining unrealised;
- (ii) the cumulative amount provided till the previous year;
- (iii) the amount provided in the current year; and
- (iv) the balance amount to be provided.

(b) Such disclosure shall continue to be made until the entire amount to be provided has been provided for.

(6) In respect of loans against gold or jewellery-

(a) the aggregate amount of loan outstanding against the security of gold or jewellery shall either be recovered or renewed within three months from the due date of repayment;

(b) if the loan is not recovered or renewed and the security is not sold within the aforesaid period of three months, the company shall make provision in the current year's financial statements to the extent of unrealised amount or the aggregate outstanding amount of loan including interest as applicable;

(c) no income shall be recognised on such loans outstanding after the expiry of the three months period specified in (a) above or sale of gold or jewellery, whichever is earlier; and

(d) the loan to value ratio shall not exceed 80 percent.



*Explanation.-* For the purposes of this rule, the term 'loan to value ratio' means the ratio between the amount of loan given and the value of gold or jewellery against which such loan is given.

**21. Filing of half yearly return.-** Every company covered under rule 2 shall file half yearly return with the Registrar in Form **NDH-3** along with such fee as provided in Companies (Registration Offices and Fees) Rules, 2014 within thirty days from the conclusion of each half year duly certified by a company secretary in practice or chartered accountant in practice or cost accountant in practice.

**22. Auditor's certificate.-**The Auditor of the company shall furnish a certificate every year to the effect that the company has complied with all the provisions contained in the rules and such certificate shall be annexed to the audit report and in case of non-compliance, he shall specifically state the rules which have not been complied with.

**23. Power to enforce compliance.-** (1) For the purposes of enforcing compliance with these rules, the Registrar of companies may call for such information or returns from *Nidhi* as he deems necessary and may engage the services of chartered accountants, company secretaries in practice, cost accountants, or any firm thereof from time to time for assisting him in the discharge of his duties.

(2) In respect of any *Nidhi* which has violated these rules or has failed to function in terms of the Memorandum and Articles of Association, the concerned Regional Director may appoint a Special Officer to take over the management of *Nidhi* and such Special Officer shall function as per the guidelines given by such Regional Director:

Provided that an opportunity of being heard shall be given to the concerned *Nidhi* by the Regional Director before appointing any Special Officer.

**24. Penalty for non-compliance.-** If a company falling under rule 2 contravenes any of the provisions of the rules prescribed herein, the

company and every officer of the company who is in default shall be punishable with fine which may extend to five thousand rupees, and where the contravention is a continuing one, with a further fine which may extend to five hundred rupees for every day after the first during which the contravention continues.

---

\*