

8. ECell Event: #12

Resource Person: Dr. CA Chaitanya Shah, Director - Chaitanya Shah & Co.

Held on 11.06.2022 (Online mode)

Activity / Event report

Name of event: ECell (IEIC-CIE)

Date(s) of conduction: 11TH JUNE 2022 Class / SEM: MMS/PGDM BATCH 2020-2022

No. of students participated: 32

Faculty coordinator: Prof. Gaanyesh Kulkarni

Student coordinator/ committee: Ms. Sonali Tiwari

Resource person: **Dr. CA Chaitanya Shah**

Organization: Chaitanya Shah & Co.

Designation: CEO

DESCRIPTION

OBJECTIVE: To understand the company formation for startup/aspiring entrepreneurs, and entrepreneurial potential

KEY TAKEAWAYS:

• Introduction about our speaker, Dr. CA Chaitanya Shah • Overview on the topics:

- Entrepreneurial Journey
- Legal entities and its types
- Major Pros & Cons of Different Legal Entities
- Criteria's of Choosing Legal Entity
- Process of Pvt. Ltd. Company Formation

• **Entrepreneurial Journey (MSME) Act 2006 consists of steps such as:**

- Idea
- Start-up
- Micro
- Small
- Medium
- Understanding legal entity and its types:
 - Legal entity means legal rights and responsibilities.

➤ **Different types of legal entities such as**

- a. Sole Proprietorship
- b. Partnership

c. Limited Liability Partnership (LLP)

d. Private Limited Company.

e. Public Company.

f. One Person Company

➤ **Advantages of Sole Proprietorship**

o Are easy to establish and have minimum legal compliances. o Owner gets the complete ownership and is often considered as stepping stone to future growth.

➤ **Disadvantages**

o It is a personal liability and it is difficult is raising money. o Third party confidence is minimum

(E.g.-of small scale for export and import)

➤ **Advantages of Partnership**

o Many numbers of people are better than one.

o Easy to establish and start-up costs are low.

o More capital is available and borrowing capacity is greater. o Employees with high calibre can be partnered together.

It is governed by the partnership act, 1932

➤ **Disadvantages**

o There's a difficulty to transfer the ownership and lack of regulations.

o Taxation subject to individual's tax rate.

o Limited life.

o Unlimited liability.

o Disagreement between the partners.

o Limited ability to raise capital.

➤ **Advantages Limited Liability Partnership.**

o It is convenient and no minimum capital is required. o There's no limits on numbers of partners

o No Registration & Low Compliance Cost

o Taxation of LLP

➤ **Disadvantages**

o Public Disclosure of Financials.

o More Compliance.

o No option for Equity Investment.

o An Indian partner is mandatory.

o Higher Income Tax rates.

o There is no tax-benefits for Partners.

o Minimum Two members are necessary.

o Transfer of Ownership is difficult.

➤ **Advantages of Pvt. Ltd. Company.**

- o Separate Legal Entity and no minimum capital
- o Uninterrupted existence.
- o Limited Liability.
- o Free & Easy transferability of shares.
- o Owning Property.
- o Capacity to sue and be sued.
- o Dual Relationship.
- o Borrowing Capacity & Business Image & FDI Allowed

➤ **Disadvantages**

- o Registration Process
- o Legal Compliances Formalities
- o Division of Ownership
- o In some cases, Personal Liability
- o Difficult process & costly winding up
- o Preferred Option beyond a certain stage

➤ **Advantages of One Person Company**

The concept was introduced in 2013 as a private company with only one director and one shareholder.

- o Safety Net - Liability of the single shareholder in an OPC is limited to the unpaid subscription money in his/her name.

o Succession.

o Market Value is as same as Pvt. Ltd Co.

o Easy Credit Facilities / Credibility

o Easier Returns Filing.

- Formation of the company – Formed by companies act 2013 ➤ Major steps were:

✓ Promotion stage - the idea of starting a business is converted into reality with the help of promoters of the business idea. ✓ Registration stage - The company gets registered, *which brings the company into existence.*

List of Documents / Steps:

- o Memorandum of Association: A memorandum of association (MoA) must be signed by the founders of the company. A minimum of 7 members are required in case of a public company and 2 in case of a private company. The MoA must be properly registered and stamped.
- o Article of Association: Article of Association (AoA) is also required to be signed and submitted. All members who previously signed MoA, should also be signing the AoA. Deals with way the business will be managed.
- o The next step is preparing a list of directors which should be filed with the Registrar of Companies.
- o Directors of the company should provide a written consent agreeing to be directors, should be filed with the Registrar of Companies (*RoC*).
- o The notice of address of the office needs to be filed.

o A statutory declaration should be made by any advocate of either the High Court or Supreme Court, or a person of the capacity of Director, Secretary or Managing Director. This declaration shall be filed with the RoC.

✓ Incorporation stage (Certification of Incorporation) – This certificate validates the establishment of the company in the records.

✓ Commencement of Business stage (Certificate of commencement of business) - Required for a public company to start doing business, while a private company can start business once it has received the certificate of incorporation.

• The privileges to Private companies are:

1. Not required to appoint Independent Director;
2. Not required to appoint Woman Director;
3. Provisions regarding rotation of directors do not apply
4. Not required to form Audit Committee, Remuneration and Nomination Committee;
5. Maximum Ceiling of managerial remuneration do not apply
6. Not required to appoint Secretarial Auditor;
7. Not required to get their Shares/Securities dematerialized.

• **Criteria for selecting legal entity:**

1. Continuity of Existence – succession planning
2. Complex Procedures/Compliances – costly/disclosures
3. Liabilities – Limited Liability
4. Control / Succession
5. Investment / Business Needs

Question and answer sessions were held regarding the first presentation continued with the discussion of second presentation on entrepreneurial potential.

• MSME Statistics

• Vision – MSME Minister.

• What is an entrepreneur

• GS – Entrepreneurial Journey -

➤ Idea – Start-up - KG / Building Cricket

➤ Tiny & Micro - Primary / Club

➤ Small Scale - Secondary / State

➤ Medium - Graduation / National

➤ Large Scale - Post Graduates / Expertise International • Businessman's Journey

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➤ Tiny / Micro Units - Technocrat

➤ Small Scale Units - Technocrat / Professional

➤ Medium Sized Units - Professional / Entrepreneur ➤ Large Scale Units - Entrepreneur

• Growth Journey - ADAPTABILITY

• Entrepreneur ROLE

• Business Issues (example given as a tip of iceberg)

- Decision making explained with a chart
- Video series for the benefit of the entrepreneurs.

Question and answer sessions held.

- Few words from the speaker Dr. CA Chaitanya Shah
- Few words from the faculty coordinator of the session – Prof. Ganesh Apte
- Closure of the session with a vote of thanks by our hosts Miss Sonali Tiwari and Mr. Parth Thakkar.

Event report prepared by: Ms. Nishita Shetty (PGDM)

Live session was initiated by Prof Ganesh Apte

Hosting was done by Miss Sonali Tiwari and Master Parth Thakkar. This event conducted under the guidance of E-Cell Department, AIMS.