

One person Company: Recent trends in Business

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ABSTRACT

Minimum two person forms a company is a popular saying is not appropriate at present after the establishment of Companies Act, 2013. One person Company established in India on 1st April, 2014. Under the formation of such OPCs any individual resident person of India can form a company on their own. Many important concepts have been introduced for the first time under Companies Act, 2013 and OPC is one of them. OPC is similar to the concept of Sole-proprietorship with separate legal entity. It provides opportunity to small business enterprise with the advantages of company. OPC provides full freedom to young entrepreneurs to contribute in the economic activities. A One Person Company is a model shift in the Indian corporate administration, bringing international standard. This paper is an attempt to understand the concept and recent trends in business in form of One Person Company. Study also covers total registered OPCs in India till date.

Key words: OPC, Concept of OPC and Registered OPC in India.

Introduction

With the change in the business trends the concept of two or more person form a company is outdated. The new concept of One Person Company has been come out as per companies Act 2013. It is a mixture of sole trading concern and Joint Stock Company. This concept for the Indian business market but it is accepted among people.

The new concept in business introduce by the government of India in the form of OPC for maximization of the benefits of the corporate form of business with the reduction in cost. All the advantages of the company are retained and cost of administration is reduced. OPC receives advantages of company viz. legal entity, transferable ownership and limited liability along with that advantage of sole trading concern viz. single ownership. Dr.J.J.Irani

Committee has recommended OPC in the year 2005.

OPCs are exempted from annual general meeting of shareholder because of single shareholding. OPC also need not to conduct board meeting because OPC has only one director. There is no requirement to take concern of any person that help businessman in taking quick decision.

OPC is available only for small business with share capital of less than Rs.50lacs and turnover of less than Rs.2crores. When any one of these two limits is breached the company has to convert in to private limited company by passing a special resolution in annual general meeting. OPC aimed at promoting entrepreneurship in India.

Review of Literature

Vatsala Singh in her article on “India : One Person Company – A concept for New Age Business ownership” examined the new concept of OPC in India. In the article researcher covers salient features of OPC and formation of OPC in India. Article also discuss about the exemption available and legal provision for OPC.

Mansukhlal Hiralal has given article on “India: One Person Company - Evolution under New Companies Act”. It is observed in his study companies rules and regulation. The article gives the information about companies Act, 2013. Further it gives information about formation of OPC in India.

Ruchita Dang explained in her research paper on “One Person Company: concept, opportunities and challenges in India ” about the concept of OPC as new dimension in India. The study gives the process of incorporation of OPC. The study discussed about the opportunities and threats as well as limitation of OPC.

Dr. Madhu Dash gives research paper on “One Person Company: A critical Analysis”. The researcher explained historical development of One Person Company. Researcher also gives a detail idea about the concept, salient feature and advantages of OPC.

Objectives of Study

1. Study concept of One Person Company
2. Analyze the new concept and growing OPCs in India

Concept of One Person Company

1. One Share Holder:

This is the important concept of One Person Company. OPC defines in Companies Act 2013 as single shareholder holds 100percent

shareholding. Act provides that only a natural person who is resident of India and also a citizen of India can form OPC. Rules also specify that at a time one person can form only one OPC.

2. Director:

The concept of OPC is that it may have only one director. But there is no restriction on more number of directors. As per the companies Act the total number of directors cannot exceed more than 15. In case of OPC an individual being member shall be deemed to be its first director until the director(s) is duly appointed by the member.

3. Nominee:

When an individual form the OPC, he has to nominate a Nominee with his consent in writing that in case of death or inability the owner of the OPC shall come forward and takeover the charge of OPC. At the time of death of the owner the nominee shall be the person recognized by company and title to shares of the member. Nominee is also entitled to get dividends and other rights and liabilities.

4. Tax Flexibility and Savings

In an OPC, it is possible for a company to make a valid contract with its shareholder or directors. This means as a director owner can receive remuneration, as a lessor he can receive rent, as a creditor you can lend money to your own company and earn interest. Directors' remuneration, rent and interest are deductible expenses that reduce the profitability of the Company and ultimately bring down taxable income of the business.

5. Freedom from compliance and easy to manage

OPC also gets freedom from complying with many requirements as applicable to other private limited companies. OPC is one of the

easiest forms of corporate entities to manage. No need to conduct Annual General Meeting or extra ordinary general meetings. OPC does not require preparation of cash flow in the annual financial statements. Director himself can sign annual returns instead of a company Secretary.

6. Complete Control of the Company with the single owner

Due to single owner and single director it helps to fast decision making and implementation. Apart from this OPC can appoint up to 15 directors for administration function without giving any share to them. OPC has advantage of company, limited liability and complete control over business.

Process of Incorporation



Process of incorporation of OPC involve following steps

Step 1: Individual has to apply for a Director Identification Number (DIN), and a Digital Signature Certificate (DSC).

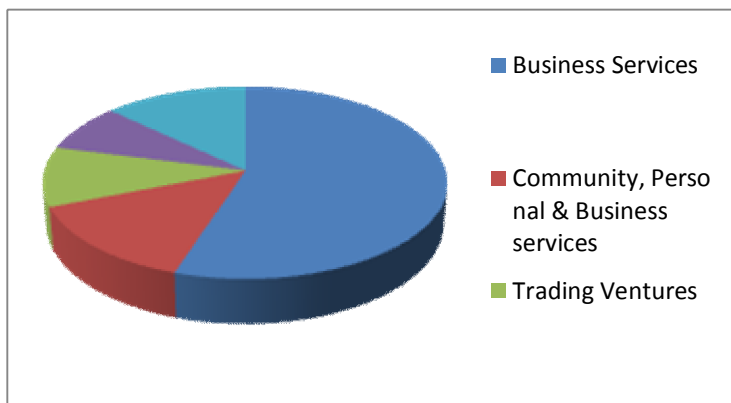
Step 2: Finalize the name of the company and Register the name of company.

Step 3: Proprietor should select a nominee (the person who will become the owner of the company in case of death of Proprietor) & fill a nominee consent form.

Step 4: File all the above papers along with Memorandum and Articles of Association and submit them to the Ministry of Corporate Affairs.

Step 5: After receipt of Final Incorporation Certificate and work can be start at a One Person Company.

OPC incorporation - Business segment



The business segments in which OPCs were incorporated:

Business Services = 55%

Community, Personal and Business Services = 14%

Trading Ventures = 10%

Manufacturing = 8%

All Other Segments = 13%

Comparison of OPC registration with other form of Business

	No. of person required	Ownership	Capital Required	Compliance
One Person Company (OPC)	Single Director & Shareholder	Separate entity & owned by one person	Minimum Capital Rs.1,00,000	No board meeting or AGM are needed
Limited Liability Partnership (LLP)	Minimum two Director	Separate entity & owned by several owner	No financial assets needed for registration	No compulsory compliance
Sole Proprietorship	Single Person	Business & owner viewed as a single entity	No financial assets needed for registration	No compulsory compliance
Private Limited Company	Minimum 2 Director & 2 Shareholders	Business to be consider as separate entity	Minimum capital Rs.1,00,000	1 board meeting every quarter and 1 AGM every 6 months

OPC Registered in India

First one person company in India was incorporated on 28th April 2014 at Delhi. The company name is "Vijay Corporate solutions OPC Private Limited." Mr. Vijay Sharma is the only Director and Shareholder of the Company.

In India One Person Company norms established on 1st April, 2014. Up to August 478 OPC has been established. In the month of August 218 OPC have been registered in India with Authorized capital of Rs. 4.63crores. According to data given by Corporate Affairs Ministry 478 OPCs have been registered with an Authorized capital of

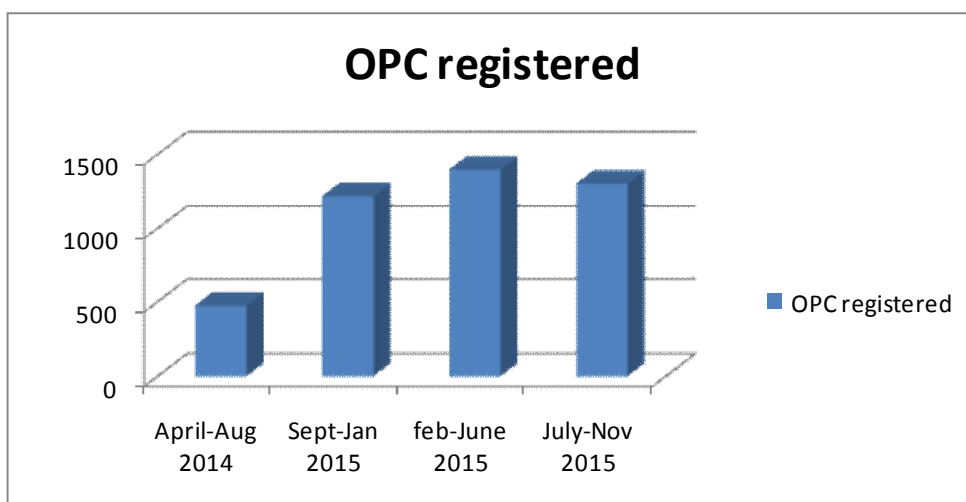
Rs.11.95crores. In terms of segment 275 OPCs are in Business services, 54 OPCs are in Community, personal & social service, 39 OPCs in Manufacturing and 36 were in Trading.

One Person company is a growing sector in India. Up to 31st October, 2014, total number of registered OPC was 911 with collective Authorized Capital of Rs.19.86crore. During the period of seven months 526 OPCs have been set up in Business services, 106 OPCs in Community, personal and social services, 74 OPCs were in trading and 73 in manufacturing segment. In the month of October itself 165 entities were

established with the Authorized capital of Rs.3.76crore.

The concept of OPCs is expected to facilitate easier access to funding sources for entrepreneurs. Up to 31st December, 2014 1,403 OPCs were registered with their collective Authorized capital of Rs.31.31crore.

Five Month-wise Registered OPC in India



Above chart shows OPC registered for five month period. Study is done from 1st April 2014 i.e. from the date of company norms established up to November 2015. Total period cover in study is twenty months that is divided in four equal segment of five month each. For the first five month number of OPC registered was 478, which increase to 1222 in the next five month and still it shows growth trends in the next five month to 1402. During last five month period OPC shows little decreasing trend. Till November 2015 total OPC registered in India was 4410. It is observed that on an average 220 OPCs were registered every month till date.

Conclusion:

One Person Company is a new business concept for the Indian Market but still it has gain an excellent response within one and half year. More and more small business enterprises and sole trader are

During the period of Nine months 775 OPCs have been set up in Business services, 196 OPCs in Community, personal and social services, 135 OPCs were in trading and 106 in manufacturing segment. In the month of December itself 277 entities were established with the Authorized capital of Rs.5.90crore.

accepting this new concept because of the advantages of OPC. The important advantage of OPC is a single person can start a business without fear of unlimited liability. OPC gets the advantages of sole proprietorship and a company both at one time. OPC helps the people who are in to small business or self employment sector. OPC gives many opportunities to start a small business with limited liability to the individual. For getting benefit of limited liability many sole trader convert their business in to OPC. In India people has accepted this new trends very fast and we find remarkable growth of OPC from 1st April, 2014 till date.

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From success to failure is one step; from failure to success is a long road.

~ Yiddish Proverb