

Indian Companies Act 2013, Objectives, Provisions, Features

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The Indian Companies Act, 2013 is the principal law governing the incorporation, regulation, management, and dissolution of companies in India. Enacted by Parliament and receiving presidential assent on 29 August 2013, it replaced the Companies Act, 1956 to modernise corporate regulation. The Act came into force in phases between September 2013 and April 2014. It applies uniformly across India and establishes a comprehensive legal framework to enhance corporate governance, transparency, accountability, and investor protection in both listed and unlisted companies.

Indian Companies Act

The Indian Companies Act 2013 represents a landmark shift in India's corporate legal framework. By replacing outdated provisions with modern governance standards, it balances regulatory control with business flexibility. The Act strengthens shareholder rights, enhances accountability of management, and aligns Indian corporate law with global best practices, making it a foundational pillar of India's economic and institutional architecture.

Also Read: [Official Secrets Act 1923](#)

Indian Companies Act Objectives

The Indian Companies Act aims to create a transparent, accountable, and efficient corporate ecosystem aligned with modern economic requirements.

- Consolidate and amend company law
- Improve corporate governance standards
- Protect shareholders and stakeholders
- Strengthen regulatory oversight
- Promote ease of doing business

Indian Companies Act Provisions

The Indian Companies Act lays down detailed provisions covering the entire lifecycle of companies in India.

1. Incorporation and Types of Companies

- Regulates registration and formation of companies
- Recognises private, public, and One Person Companies
- Introduces Section 8 non-profit companies
- Provides for Producer Companies for agricultural activities
- Allows maximum 200 members in private companies

2. Management and Administration

- Defines roles, duties, and liabilities of directors
- Mandates at least one resident director with 182 days stay in India
- Requires board meetings with minimum seven days' notice
- Empowers shareholders through approval-based decision-making
- Introduces electronic governance for filings and records

3. Key Managerial Personnel (KMP)

- Recognises Company Secretary as KMP under Section 203
- Mandatory appointment for listed companies
- Applies to companies with paid-up capital above ₹10 crore
- Enhances compliance and governance oversight
- Ensures professional accountability

4. Corporate Governance Framework

- Mandates independent directors in listed companies
- Requires one woman director for prescribed classes of companies
- Limits independent director tenure to two consecutive terms
- Defines statutory duties of directors
- Introduces class action suits for shareholders

5. Corporate Social Responsibility (CSR)

- Section 135 introduces mandatory CSR spending
- Applies to companies crossing net worth, turnover, or profit thresholds
- Requires minimum 2% of average net profits spent on CSR
- Mandates formation of a CSR committee
- Makes India the first country with mandatory CSR law

6. Audit and Financial Reporting

- Provides for rotation of auditors and audit firms
- Prohibits auditors from providing non-audit services
- Establishes National Financial Reporting Authority (NFRA)
- Enhances independence and accountability of auditors
- Strengthens disclosure norms in financial statements

7. Adjudication and Dispute Resolution

- Establishes National Company Law Tribunal (NCLT)
- Creates National Company Law Appellate Tribunal (NCLAT)
- Transfers company law disputes from civil courts
- Provides specialised and time-bound adjudication
- Simplifies insolvency and winding-up processes

Also Read: [Indian Ports Act 2025](#)

Indian Companies Act Features

The Indian Companies Act introduces structural reforms to modernise Indian corporate law.

- Consists of 29 chapters, 470 sections, and 7 schedules
- Replaces 658 sections of the Companies Act, 1956
- Introduces One Person Company for single entrepreneurs
- Increases private company member limit from 50 to 200
- Provides statutory backing to corporate governance principles
- Enables electronic maintenance of accounts and records
- Introduces fast-track mergers for small and group companies
- Allows cross-border mergers with regulatory approval
- Strengthens director accountability through defined duties
- Makes rehabilitation and liquidation processes time-bound

Indian Companies Act Amendments

The Indian Companies Act has been amended to improve compliance and promote business efficiency.

- It has been amended in 2017, 2019, 2020, etc.
- Reduced penalties for procedural and technical defaults

- Relaxed CSR compliance requirements in specific cases
- Shortened timelines for rights issues
- Created additional benches for NCLAT
- Allowed Non-Resident Indians to form One Person Companies
- Enhanced transparency in auditor resignations
- Strengthened independence of statutory auditors
- Proposed allowance of fractional and discounted shares
- Aimed at improving ease of doing business and investor confidence

Source: <https://vajiramandravi.com/current-affairs/indian-companies-act/>

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