

## ELIGIBILITY CRITERIA FOR CONVERSION OF LLP TO PRIVATE LIMITED COMPANY

The Conversion of LLP to Private Limited Company is governed by Section 366 of the Companies Act, 2013, and the Companies (Authorised to Register) Rules, 2014. To proceed with this conversion, the following criteria must be satisfied:

- **Minimum Partners:** The LLP must have a **minimum of 2 partners** to convert into a Private Limited Company.

The LLP must first seek approval from all partners to initiate the conversion process. Furthermore, it should have a minimum of **two shareholders and two directors**, with one director being a resident of India, as required under the Companies Act, 2013.

- **NO UNRESOLVED LIABILITIES:**

- The LLP should not have any outstanding unsecured debts or must obtain written consent from creditors. The financial records of the LLP should also be in compliance with statutory audit requirements to avoid any complications during the conversion process.

- **Approval of Name:**

- The proposed name for the Private Limited Company must be approved by the Registrar of Companies (RoC). A name reservation is mandatory before proceeding with the conversion.

- **Compliance with Financial Reporting:**

- The LLP must submit its latest audited financial statements. These accounts should not be older than **6 days from the date of submission** to the Registrar of Companies.

### ➤ **STEPS INVOLVED IN THE CONVERSION OF LLP TO PRIVATE LIMITED COMPANY**

The process of Conversion of LLP to Private Limited Company involves several legal steps and compliance with various statutory regulations. Below is a step-by-step guide outlining the procedure:

#### 1. Obtain Partner Consent:

- The first step is to pass a special resolution in a meeting of the LLP's partners, agreeing to the conversion. The resolution must be filed with the Registrar of Companies (RoC) within 30 days of passing the resolution.

#### 2. Name Approval from RoC:

- The proposed name of the Private Limited Company must be approved by the RoC through the submission of e-Form INC-1. The approved name is valid for 60 days, during which the company must complete its incorporation process.

#### 3. Filing of Form URC-1:

- After obtaining the name approval, the LLP must file Form URC-1 with the RoC. This form contains the details of the partners, the financial position of the LLP, the names of the proposed directors, and a declaration of compliance with relevant laws.

#### 4. Preparation of Constitutional Documents:

- The draft Memorandum of Association (MOA) and Articles of Association (AOA) must be prepared, outlining the objectives of the new company and the rules governing its operations. These documents must be filed with the RoC.

#### 5. Submission of No-Objection Certificates:

- No-objection certificates (NOCs) from all secured creditors of the LLP must be submitted, confirming that they have no objections to the conversion.

#### 6. Incorporation Forms:

- Forms INC-32 (SPICe), INC-33, and INC-34 are required to be filed with the RoC for the incorporation of the new Private Limited Company. These forms include information regarding the company's structure, directors, and registered office.

#### 7. Issuance of Certificate of Incorporation:

- After verifying the submitted documents, the RoC issues a Certificate of Incorporation. This certificate legally recognizes the conversion of the LLP into a Private Limited Company.

#### ➤ **DOCUMENTS REQUIRED FOR THE CONVERSION OF LLP TO PRIVATE LIMITED COMPANY**

The Conversion of LLP to Private Limited Company requires the submission of several essential documents to ensure compliance with the Companies Act, 2013. Below is a list of key documents that need to be prepared and filed:

- **LLP Agreement and Certificate of Incorporation:** A certified copy of the LLP Agreement along with the Certificate of Incorporation of the LLP is necessary to demonstrate the legal existence of the LLP.
- **List of Partners and Directors:** A comprehensive list showing the names, addresses, and occupations of the current partners of the LLP, as well as the proposed directors of the Private Limited Company, must be submitted. This includes details such as DIN (Director Identification Number), passport numbers, and residential addresses.
- **No-Objection Certificate (NOC) from Creditors:** A written NOC from all secured and unsecured creditors of the LLP is mandatory. This document confirms that creditors do not have any objections to the conversion.
- **Special Resolution Copy:** A copy of the special resolution passed by the partners, consenting to the conversion of the LLP into a Private Limited Company, must be filed with the RoC within 30 days.
- **Statement of Accounts:** A statement of the LLP's accounts, certified by an auditor, that is not more than six days old from the date of application must be submitted.
- **Affidavit from Partners:** An affidavit from each partner, stating that all documents filed with the Registrar are accurate and true.
- **Draft Memorandum of Association (MOA) and Articles of Association (AOA):** The constitutional documents of the Private Limited Company must be prepared, laying out the company's objectives and governance rules.

#### ➤ **POST-CONVERSION COMPLIANCE REQUIREMENTS**

Once the Conversion of LLP to Private Limited Company is completed, there are several post-conversion compliance requirements that need to be fulfilled to ensure the smooth functioning and legal recognition of the newly formed Private Limited Company. These compliance obligations include:

**Intimation to LLP Registrar:** Within 15 days of the issuance of the Certificate of Incorporation, the newly registered Private Limited Company must inform the Registrar of LLP, under which it was originally registered, to formally dissolve the LLP.

**Alteration of Stationery and Signage:** The newly formed Private Limited Company must update all company-related materials, such as letterheads, invoices, and signage, to reflect the new name and entity status as a Private Limited Company.

**GST and Other Registrations:** The company must update its GST registration and other statutory registrations (like PAN, TAN, etc.) to reflect the new Private Limited Company's status. If the LLP had tax registrations, these should be updated to ensure continuity of compliance.

**Bank Account and Contracts:** The Company's bank account details should be updated with the new name and status. Any contracts, agreements, or leases held in the LLP's name should be revised to reflect the new entity.

**Annual Filings:** As a Private Limited Company, annual returns and financial statements must now be filed in accordance with the provisions of the Companies Act, 2013. This includes the filing of Form AOC-4 (for financial statements) and MGT-7 (for annual returns).

## **CONCLUSION**

The Conversion of LLP to Private Limited Company is a strategic move for businesses seeking greater opportunities for growth, funding and corporate credibility.

While LLPs are advantageous for small and medium enterprises due to their flexible management structure and tax benefits, they face limitations in raising capital and attracting equity investors. By converting to a Private Limited Company, businesses gain access to equity funding, limited liability protection for shareholders and an improved corporate image, all of which are essential for scaling operations.