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Dormant Company: A Critical Analysis

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ABSTRACT

With the change in time and technology, there is a lot of change in the working of the people, with respect to their means and methods. There is thrive for easy working tools in all the sectors of the economy which a person desire. With this main aim and purpose, the Companies Act 2013 came into force. The primary objective of the revisions made to the Companies Act 1956 was to have a simplified law that will be able to address the changes taking place in the national and international scenario, enable the adoption of internationally accepted best practices and also provide flexibility in response to the ever-changing business models. One such change brought under the Companies Act, 2013 was the concept of Dormant Companies. In common parlance, the word “Dormant” means inactive or inoperative. A dormant company is an excellent opportunity to start a company for a future project or hold an asset/intellectual property without having significant accounting transactions. Even those companies which have failed to file their annual returns for the two consecutive years can be considered to be called dormant companies, which in itself indicate the beauty of Section 455 of the Companies Act, 2013, dealing with the law of Dormant Company.

In this paper, the researcher carries her research through the doctrinal method to determine the fact-situations and grounds related to the research topic. The research is mainly based on secondary sources such as academic articles, books, journals, newspaper articles, other related online sources, etc., which are available relating to the concerned study. Further, the researcher will adopt the bluebook 19th edition technique to cite the different resources of the various jurists.

Keywords – Company, Dormant, Inactive, Intellectual Property, Significant Accounting Transactions.

I. INTRODUCTION

With the change in time and technology, there is a lot of change in the working of the people, with respect to their means and methods. There is

thrive for easy working tools in all the sectors of the economy which a person desire. With this main aim and purpose, the Companies Act 2013 came into force. The primary objective of the revisions made to the Companies Act 1956 was

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to have a simplified law that will be able to address the changes taking place in the national and international scenario, enable the adoption of internationally accepted best practices and also provide flexibility in response to the ever-changing business models. These changes led to the development of new-age company laws, providing several benefits and several opportunities by which the chances of the growth of the Company have increased to a large extent.

This development brought up by the Companies Act 2013 led to the introduction of several new kinds of and different types of companies that can operate in the market legally. Besides the traditionally established Private companies and Public Companies, there are many new kinds of companies that have been added into the scope of the Companies Act 2013. Statutory Company, registered Company, Limited Liability Companies, Unlimited Liability Companies, Association not for profit, Government company, foreign Company, holding and Subsidiary Company, Associate Company, Public Financial Institutions, Unregistered Companies and Dormant Companies.

All these companies target different aspects and types of working of the companies. There is a variety which has been added by the Companies Act 2013, to make the working easier and more efficient of the Companies in the Indian market as compared to the markets during the time of Companies Act 1956. One of such companies established with this view and purpose is Dormant Companies.

In common parlance, the word "Dormant" means inactive or inoperative. A dormant company is an

excellent opportunity to start a company for a future project or hold an asset/intellectual property without having significant accounting transactions. Even those companies which have failed to file their annual returns for the two consecutive years can be considered to be called dormant companies. However, the question which generally arises in the minds of the reader while reading the concept of dormant Company is that when a company does not file its annual returns for two consecutive years, that Company is considered to be a defunct Company or a company which is not performing any activities and thus is later on the order of the Registrar of Companies is declared to strike off. But that is the beauty of Section 455 of the Companies Act 2013, which deals with the law of Dormant Companies.

In the following research paper, the researcher aims to study the new age concept of Dormant Company in the Indian market and provide the readers with the awareness of the developments brought and benefits available to them in the Indian market after the advent of the Companies act 2013, in the form of notion of Dormant Companies.

(A.) Aim and objectives

Following are the aim and objective of the paper-

- To understand the concept of Dormant Company.
- To understand the difference between a Dormant Company and a Defunct Company.
- To understand the benefits of Dormant Company.

- To help the readers critically understand the idea of Dormant Company and its situation in the Indian Markets.

(B.) Research questions

Based on the made research, the primary research questions which are put forward in the context of this paper are as follows-

- What is the concept of Dormant Company?
- What is the difference between Dormant Company and Defunct Company?
- What are the various procedures and conditions required to be followed to be a dormant company?
- What are the merits and demerits of a dormant company in the Indian market?

(C.) Research methodology

In this paper, the researcher carries his research through the doctrinal method to determine the fact situations and grounds related to the research topic. The research is mainly based on secondary sources such as academic articles, books, journals, newspaper articles, other related online sources, etc., which are available relating to the concerned study. Further, the researcher will adopt the bluebook 19th edition technique to cite the different resources of the various jurists.

II. EVOLUTION OF COMPANY

Great companies are built on great products

-Elon Musk

It is true to say that companies are ones which deal with and aims at providing different goods and services to people around the globe. However, it is the quality of the service provided by the Company which ultimately helps it gain status and position in the competitive market. On the one hand, it is the effort of the Company, and on the other hand, it is the effort of the legislation dealing with the functions of the companies which ensure the proper working and efficient output to the consumer. This company legislation came in India in the year 1850 when the first legislative enactment for Joint Stock Companies was passed in the year 1850. Then with the slow and gradual process, on the basis of Company Law Committee recommendations, the Companies Act, 1956 was enacted, which was amended several times. These amendments ultimately led to the enactment of the Companies Act 2013, which is considered to be more simplified, contemporary and rationalised legislation. This Companies Act 2013 defines the term 'Company' under section 2 (20) as "A company incorporated under this Act or under any previous company law".³

The word 'company' has no strictly technical or legal meaning.⁴ It may be described to imply an association of persons for some common object or objects. In other simple terms, 'company' can be defined or understood as a voluntary association of persons who have come together for carrying on some business and sharing profits therefrom.⁵ Besides legislation, efforts have been

³ The Companies Act, 2013, No.18, Acts of Parliament, 2013 (India).

⁴ Stanley, Re, (1906) 1 Ch. 131.

⁵ G.K. KAPOOR & SANJAY DHAMIJA, COMPANY LAW 6 (20h ed., 2017).

put forth by different jurists and legal professors to define the term company. Lord Justice Lindley defines the term company as “An association of many persons who contribute money or monies worth to common stock and employed in some trade or business and who share profit and loss arising therefrom. The common stock so contributed is denoted in money and is the capital of the Company. The persons who contribute to it or to whom it pertains are members. The proportion of capital to which each member is entitled is his share. The shares are always transferable although the right to transfer is often more or less restricted.” This definition of Company by Lord Justice Lindley is an extensive definition that entirely describes a company, its purpose, its working and also its functioning in a crisp yet descriptive manner.

Further, Chief Justice Marshall defines a Company as “An artificial being, invisible, intangible, existing only in contemplation of law. Being a mere creation of law, it only possesses the properties which the Charter of its creation confers upon it, either expressly or as incidental to its very existence.” Prof. Haney also defines a Company as “An artificial person created by law, having a separate entity, with the perpetual succession and a common seal”. All these definitions clearly define and provide the several characteristics of a Company, with majorly being a separate legal entity, perpetual succession and a common seal.

⁶ *supra* Note 1.

⁷ Ashish M. Shaji, *Dormant (Inactive) Company: Meaning, Benefits, Compliances, etc.*, ENTER SLICE, (Oct. 26, 2021, 12:50 AM),

Meaning of Dormant Companies

There are different types of companies which have been established following the same characteristic, amongst which ‘Dormant Companies’ is one such type, which is a recent development in the company law legislation and has been added in the Companies Act, 2013 under section 455 of the Companies Act 2013.⁶ The following concept was not present earlier in the Companies Act 1956.⁷ Section 455 of the Companies Act 2013 provides that a dormant company is “A company which is formed for a future project or to hold an asset or intellectual property and has no significant accounting transaction, that kind of company may be incorporated as the Dormant Company under the Companies Act, 2013”.⁸

In simple terms, a dormant Company can be understood as a company that has stopped its activities or taken a break from its activities for a certain period and would resume its functions after that period on a future project or asset. In this manner, the Company is considered to protect its intellectual property, its brand value and also is not made to start everything from the crash. The definition of dormant Company as provided under section 455 of the Companies Act 2013 deals with the term ‘inactive company’ under Explanation 1 to section 455(1), which defines inactive Company as, “A company which has not been carrying on any business or operation, or has not made any significant accounting transaction during the last two

<https://enterslice.com/learning/dormant-inactive-company/>.

⁸ *supra* Note 1.

financial years, or has not filed financial statements or annual returns during the last two financial years.”⁹ Both the definitions of dormant Company and inactive Company deal with the term ‘significant accounting transaction’, the meaning to which has been dealt with under Explanation 2 to section 455 (1)¹⁰. The said provision defines ‘significant accounting transaction’ as any transaction other than payment of fees by a company to the Registrar, payments made by it to fulfil the requirements of this act or any other law, allotment of shares to fulfil the requirement of this act, and payments for maintenance of its office and record.”

The concept of Dormant Companies has been dealt with not only under section 455 of the Companies Act 2013 but also Companies (Miscellaneous) Rules, 2014, which specify the law and procedures regarding a dormant company. The concept of Dormant Company is an innovative concept that is slowly and gradually getting acted upon by several companies in India. There are nearly 17,000 companies to date in India that have adopted the status of dormant, and the number is rising slowly and steadily every year.¹¹

Benefits of Dormant Company

Dormant Companies are the companies that are a new age development which has been developed

with the purpose of acquiring or maintaining a company's outstanding position is to enable the Company to maintain its corporate status even if it does not do any business.¹² There are several benefits that are attached to this concept.

1) Company Name Protection –

Trademark is one of the major components of Intellectual property, which plays a major role in the protection of the name of any company. A company declaring itself dormant protects its trademarked name, which in the absence of its functions in the market, could not be used by its competitors to influence the market. The dormant status of a company protects its name so that other companies are not allowed to trade under the name of the dormant Company.

2) Future Project –

When a company plans to work out an operation or a project, there are several stages involved in a such a case. The dormant status of the Company helps the Company to prepare for the future project by helping the promoters to trade and by protecting the domain name¹³. A good example of this nature could be that a company that has acquired a Telecom Licence is awaiting further preparations

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Dormant List*, MINISTRY OF CORPORATE AFFAIRS, GOVERNMENT OF INDIA, (Oct.27, 2021, 01:30 PM), <https://www.mca.gov.in/MinistryV2/dormantlist.htm> l.

¹² Prof. R. Balakrishnan, *Dormant Company (inactive company)*, TAXMANN, (Oct.27, 2021, 01:45 PM), <https://www.taxmann.com/research/company-and->

[sebi/top-story/10501000000020849/all-about-dormant-inactive-company-meaning-benefits-compliance-and-the-associated-process-experts-opinion](https://www.sebi/top-story/10501000000020849/all-about-dormant-inactive-company-meaning-benefits-compliance-and-the-associated-process-experts-opinion).

¹³ Himanshu Jain, *Dormant Company – Meaning, Benefits, and Section 455 of the Companies Act, 2013*, LEGAL RAASTA, (Oct.27, 2021, 01:52 PM), <https://www.legalraasta.com/blog/dormant-company/>.

of setting up its operations before starting a full-fledged business.¹⁴

3) **Company History** - While this is not the most important benefit, establishing a company that started and later started a business can be said to have been well established since its inception, even though it may have started its own business later. It helps the Company to show a better image to potential customers and/or lenders.¹⁵

4) **No repetitive procedures** – The dormant status of the Company prevents it from undergoing the same procedure and cost incurred during the time of incorporation again and again. It even prevents the companies from paying the taxes until the Company is active again.¹⁶

Dormant Company vs Defunct Company

When the term Dormant or Inactive is read, the first image which is drawn in the minds of the reader is that of a company that is not conducting its operation, which has become non-operational and would not conduct its function. However, it is not true. These non-operational companies are known as defunct companies. There is a huge difference between a dormant company and a defunct company.

A **dormant company**, on the one hand, as provided under section 455 of the Companies Act, 2013, is one who obtains the status of being dormant when an application in that regard has been made by the Company with the Registrar when the Company has become inactive and had not carried on business or operation during the last two financial years.¹⁷ This status helps the companies to protect their intellectual properties and help them to avoid the situation of beginning from the crash. Further, the Company having the dormant status has the benefit that it can anytime convert its status from being dormant to being active and can commence its workings.

A **defunct company**, on the other hand, is dealt with under section 248 of the Companies Act 2013. These are the types of companies that have nil assets and liabilities. These companies are the ones that have failed to commence the business within one year of incorporation and there is no application filed for obtaining the status of dormant by the Company to the Registrar.¹⁸ In such a case, the Company is declared defunct Company and shall be entitled to go on strike off.¹⁹ These are the companies that cannot be reactivated once declared strike off. The companies are understood to be shut down, and their intellectual property or other assets can be used by the other competitors in the market.

¹⁴ *supra* Note 10.

¹⁵ *supra* Note 11.

¹⁶ Dashmeet Kaur, *what are the benefits of Dormant Company*, SWARIT ADVISORS, (Oct.27, 2021, 02:02 PM), <https://swaritadvisors.com/learning/what-are-the-benefits-of-dormant-company/>.

¹⁷ Narender Kumar, *Difference between Dormant*

Company and Defunct Company, ENTER SLICE, (Oct.27, 2021, 02:23 PM), <https://enterslice.com/learning/difference-dormant-company-defunct-company/>.

¹⁸ *Id.*

¹⁹ *Id.*

III. STATUS OF A DORMANT COMPANY

For a company to obtain the dormant status, it is important to follow and abide by the procedural mandates set up under different companies' rules and the Companies Act 2013. There are different methods by which the status of dormant can be achieved by the Company after fulfilling the prescribed set conditions.

Modes of getting Dormant status for Company

There are majorly two modes by which the Company can obtain the status of dormant, either by making an application on its own or the Registrar of the Companies would initiate by issuing notice in the event of certain non-compliance.

- 1) **Suo Moto Application** – The Companies have been provided with the benefit of obtaining a dormant status if it is incorporated with the purpose to start a future project. It helps the Company to hold on to its assets and intellectual property without having significant accounting transactions. In such a case, if the Company wishes that such a scenario is beneficial for it to prosper and ensure a market status of it even during the period it is inactive, in such a case, a company can apply *Suo moto* to the Registrar of Companies in the Form of 'Dormant Company' on Form MSC -1 and would also be liable to pay the fees, according to the rules provided under

Registration Offices and Fees Regulations, 2014.²⁰

- 2) **Action by ROC** – The dormant status is tended to be received by the Company if it fails to complete the financial statements or annual returns for two consecutive years. In such a case, either the Company applies for achieving the status of dormant or else as per section 455(4) of the Companies Act, 2013, the Registrar of Company (RoC) shall issue a notice to that Company and enter the name of such Company in the register maintained for the dormant companies.²¹

Compliances for obtaining Dormant status of Company

There are several conditions which a company is under obligation to fulfil pre-receiving into the dormant status, and once received the status, postconditions to be fulfilled to ensure the dormant status is maintained and the active status can be easily achieved by the dormant companies.

Preconditions to get a status of Dormant Company

When any company, whether it is a public company, private or one-person Company, applies for obtaining the status of its Company as a dormant company, there are certain conditions that are required to be fulfilled prior to making such an application. These conditions have been provided under Rule 3 of Companies (Miscellaneous) Rules 2014. Some of these preconditions may include:

²⁰ *supra* Note 11.

²¹ *supra* Note 1.

- There must be no inquiry, inspection or investigation taken up/ordered/carried out or any prosecution pending or initiated against the Company under any law²².
- The Company should neither have any outstanding deposits nor default in the payment of the interest or any amount.²³
- The Company must not have any outstanding loan (Secured or Unsecured). In case the outstanding loan still exists, the Company can still apply after taking approval from the lender and enclose the same with Form MSC-1.²⁴
- There should be no dispute/conflict in the ownership or the management of the Company and enclose a Certificate in regards to it with Form MSC-1.²⁵
- There should be no outstanding dues or Statutory Taxes left by the Company to be payable to the State Government, Central Government or Local Authorities. Moreover, the Company should not have defaulted in the payment of workmen's dues.²⁶
- The securities of the applicant Company must not be listed on any Stock Exchange within or outside India. Hence, a Listed Company cannot apply under Section 455.²⁷

Postconditions after incorporating a Dormant Company

Once a company is successful in obtaining the status of the Dormant Company, it is bound to follow certain conditions to ensure that the proper status of the Company is maintained. Some of these conditions may include:

- A Dormant Company shall have to maintain at least 3 Directors in case of a Public Company, 2 for Private Company and 1 for OPC.²⁸
- The Dormant Company is required to conduct 1 Board Meeting every half of a calendar year. Also, the gap between the two meetings should not be less than 90 days.²⁹
- The Company shall have to file Annual Returns that indicate its financial position. It must be duly audited by a CA in practice in e-Form MSC-3 within 30 days from the end of each financial year.³⁰
- At least one Board meeting every six months is required to be convened by the Dormant Company.³¹
- A company can continue in dormant status for a maximum period of 5 years. Before the expiry of 5 years, the Company need to apply for changing the status to Active, and it is important to

²² *supra* Note 15.

²³ *Dormant Company – Section 455 of Companies Act, 2013*, CLEAR TAX, (Oct.27, 2021, 05:29 PM), <https://cleartax.in/s/dormant-company-act>.

²⁴ *supra* Note 14.

²⁵ *Id.*

²⁶ *supra* Note 21.

²⁷ *supra* Note 14.

²⁸ *supra* Note 5.

²⁹ *supra* Note 14.

³⁰ *Id.*

³¹ *supra* Note 10.

note that the name of the Company shall be struck off by the Registrar of Companies.³²

Procedure for obtaining the status of Dormant Company

For the purpose of obtaining the status of dormant Company, any company being public, private or one person Company is required to follow a procedure besides fulfilment of the conditions prescribed. Initially, the Company is required to pass a special resolution in the general meeting of the Company after issuing notice to all shareholders of the Company for this purpose, which require the consent of at least three-fourths of the shareholders in value.³³ Once approval is obtained, within 30 days from such approval, an application is required to be made by a company for obtaining the status of Dormant Company to Registrar of Companies. The application made is required to be in the form MSC – 1, and the requisite fee is needed to be paid. E-form MSC – 1 is required to be filed pursuant to section 455(1) of the Companies Act, 2013 and Rule 3 of the Companies (Miscellaneous) Rules, 2014.³⁴

Later, the Registrar of Companies, after considering the application filed in Form MSC-1 and taking into consideration the terms and conditions of section 455 of the Companies Act 2013³⁵, would accept and issue a certificate, which allows the status of the dormant Company

to the applicant. The certificate is required to be issued in Form MSC – 2 as provided under Rule 4 of the Companies (Miscellaneous) Rules, 2014. After the issue of the certificate, for the final step, the Company is required to run a check on the status in the register of dormant Company maintained by Registrar.³⁶

Conversion of Dormant Company into Active Company

As per Rule 8 of the Companies (Miscellaneous) Rules, 2014, a company is allowed to maintain the status of a dormant company only for the period of consecutive five years. After the end of such period, the Registrar is provided with the power to initiate a process for striking off the name of the Company. Therefore, to avoid such a situation, the Company which has obtained the status of a dormant company is bound to adopt and follow the procedure for the conversion of the status of its Company from a dormant Company to an active company.

For this purpose, at the initial step as per Rule 8 of the Companies (Miscellaneous) Rules, 2014, an application is required to be made under section 455(5) of the Companies Act, 2013³⁷, providing for obtaining the status of an active company. The application is required to be made in Form MSC – 4 along with the payment of the fees as provided under Companies (Registration Offices and Fees) Rules, 2014. This application made under section 455(5) of the Companies

³² *supra* Note 5.

³³ Lakkaraju Srinivas, *Understanding the concept of Dormant Company*, TAX GURU, (Oct.27, 2021, 05:49 PM), <https://taxguru.in/company-law/understanding-concept-dormant-company.html>.

³⁴ Lokesh Jain, *Dormant Companies: A detailed*

analysis, TAX GURU, (Oct.27, 2021, 05:52 PM), <https://taxguru.in/company-law/dormant-companies-detailed-analysis.html>.

³⁵ *supra* Note 1.

³⁶ *supra* Note 10.

³⁷ *supra* Note 1.

Act, 2013 is required to be accompanied by a return made in the Form MSC – 3 in respect of the financial year in which the application for obtaining the status of an active company is being filed.³⁸ Thereafter, the Registrar shall consider the application made under Rule 8(1) of the Companies (Miscellaneous) Rules, 2014, and shall issue a certificate in Form MSC – 5, which allows the Company to obtain the status of an active company.

In case the Company has not filed an application in Form MSC -1, the directors are entitled to file an application under Rule 8(1) for obtaining the active status of the Company within 7 days of such an act or omission.³⁹ Further, if the Registrar on suo moto, is satisfied that the dormant Company has been functioning, in such a case, the Registrar can order an enquiry under section 206 of Companies Act, 2013 and after providing reasonable opportunity of being heard and after hearing in enquiry, if it is observed that the Company has been functioning, then the Registrar can remove the name of the Company from the dormant list and treat the Company as active Company.⁴⁰

IV. CRITICAL ANALYSIS

The concept of a dormant Company is innovative in nature which has developed after the introduction of the Companies Act, 2013. The concept being new in nature, it lacks awareness amongst the companies and also the participating public in India. When a deep analysis is drawn of the concept and the purpose for which the

concept of dormant status to the Company was introduced in the Companies Act, 2013, it can be observed that the notion was to make the workings of the Company easy. The idea of Dormant Company cannot be understood as or under the category of one of the kinds of Company; it is rather a status which is provided to the traditionally existing public, private and one person Company.

Dormant Companies are those companies that are not actively participating in their operations and would rather require a certain period of time (with the majority time period of five years as provided under Rule 8 of the Companies (Miscellaneous) Rules, 2014) for actively working out their ideas and productions. This conception brought up in the new age company law has a lot of benefits and has made the functioning of companies easy to a larger extent. When a broad idea of the notion of dormant Company is taken into consideration, it can be observed that initially, if a group of people or association of individuals wish to start up a company with respect to certain production or trading or any other purpose to provide goods or services, but the execution of production or trading, would require a lot of raw materials and resources, in such a case the status of dormant Company, comes to their rescue. The Company can be incorporated priorly, and the status of dormant can be taken, which can help the Company to not begin from scratch and to come into action as soon as all the resources are in hand. Thus, the status of dormant helps to set up

³⁸ The Companies (Miscellaneous) Rules 2014, No. 2487, Ministry of Corporate Affairs, 2014 (India).

³⁹ *supra* Note 31.

⁴⁰ *Id.*

a company that is intended to use or act in future. This concept further helps the Company to ensure that the image built up by it because of its prior consignments is maintained in the market, and due to one future project, the Company is not made to undergo the procedure of winding up, ultimately protecting the market value, the intellectual property, the assets and also the interests of the Company in the market. Sometimes, there may arise a scenario wherein the Company requires a break from its functioning; in such a situation, the idea of obtaining the status of the dormant Company comes to the rescue of such companies.

But as it is well said that there are two faces of a coin, the situation of a dormant Company also has two facets. On one side where it has several benefits; on the other side, there are several attached demerits to the concept of dormant Company. To begin with, when it comes to obtaining the status of a dormant company, in such a case, it is initially important that the Company thriving to obtain the dormant status is incorporated, and the name of such a company is trademarked. If these requirements are not fulfilled, it is not possible to obtain the status of a dormant company, thus making the procedure lengthy and time taking and ultimately having a heavy effect on the funds of the Company. When another idea of dormant Company is considered, it can be understood that even after the status of dormant is the Company is required to file its accounts every year, with the associated cost of producing such accounts. In such a situation, if no such criteria are fulfilled even for once, the

Company can lose its dormant status and can be struck off.

Further, besides all these demerits, one of the major critics of the concept of dormant Company is that according to Rule 8 of the Companies (Miscellaneous) Rules, 2014, the dormant status of the Company can be observed for the period of five years, after which if the Company does not become active, the Registrar, can strike off the Company. When such a situation is considered from the point of view of the market, it can be observed there are several changes which occur in a market on a daily basis. It is not necessary that the status and the market of the dormant, which was at the time when it worked actively, is the same after it becomes active again from its dormant status. There is increasing competition in the market, and there are several companies that are ready to overtake the place of the other companies in the market, which in one or the other way is affecting the market value of the dormant Company.

The other associated demerit to the rule of five years is that it itself provides that the Company can be struck off by the Registrar if it does not resume its function after the period of consecutive five years, in such a case if the Company does not resume its function, the people in the market may lose their faith in the Company, and in an indirect manner may even incur huge losses. These demerits, therefore, act in one way or the other as a major loophole in the development of the concept of dormant Company.

V. CONCLUSION

With the advent of the Companies Act 2013, there are several changes that have been brought to the means and methods of the workings of the Company. The new act has given an all-new image to the age-old law of Companies Act 1956. The concept of Dormant Companies is one of the best examples, which provides a clear-cut image of such new company law developed through the medium of Companies Act 2013. When the Companies Act 2013 was introduced, everyone believed it was just an old book wrapped in a new cover. But aspects like dormant companies push across the concept in very clear terms. The idea of dormant companies is one which has provided a great relief to the companies which due to certain reasons, although incorporate themselves as companies but is unable to undertake the activities, and was previously considered to be struck off by the Registrar. This concept has provided these companies with such time which can be utilised by it to ensure that its aims and objectives are met, and highest benefit is caused to the ultimate consumer, without such Company being forced to begin from scratch, which in itself is the biggest benefits provided to the companies. But with benefits comes demerits.

While understanding the rapid scale of development and largely increasing competition in the Indian market, a company, although established not performing its function, ultimately provides its competitors with a golden chance to build its image in the market, during such time of break taken by the dormant Company, which when will become active have an adverse effect on its market value and its

reputation, building of which is equal to beginning from scratch for any company. Thus, when it comes to the application of dormant companies in the market like India, which has high competition, there are many pros and cons and a lot of strategies, which a company needs to undertake to ensure the ultimate benefit to it as well as to its consumer.
