

## Corpsec Hotline

October 11, 2005

### LIMITED LIABILITY PARTNERSHIPS: A POSSIBLE BOON FOR PROFESSIONALS IN INDIA?

The Ministry of Company Affairs ("MCA") in India will, within a few days, come out with an approach paper to invite comments from all stakeholders on how to shape a new law allowing limited liability partnerships ("LLPs").

A LLP is a form of business entity, widely used in other countries of the world, which permits individual partners to be shielded from joint liability created by another partner's decision or misconduct. The Government had set up the Naresh Chandra Committee ("NCC") which advised the Government on occasions on which a partner's deeds would constitute a liability for the partnership and where a partner's immunity from liability should end. The Committee had further recommended that no restriction should be placed on the number of partners in a LLP. The J.J. Irani Committee, which advised the MCA earlier this year on the proposed new company law, favoured the form of a business entity where there would not be any restrictions regarding the maximum number of partners. At present, The Indian Partnership Act, 1932 prescribes a minimum of two and a maximum of twenty partners for all partnerships, except in the case of banking where the maximum limit is ten.

It is still not clear as to which sectors will be included within the scope of this proposed LLP legislation. It is believed that the services that are likely to receive a significant boost in India are insurance consultancy services and equity investment services like venture capital funds. In this context, it may be recalled that the Reserve Bank of India ("RBI") had earlier disallowed New Bridge Capital, a US based private equity fund from acquiring Global Trust Bank since the concept of LLPs is yet to gain legitimacy in India.

As per the NCC's recommendations, the scope of LLP should at first be made available to firms providing professional services as opposed to trading or manufacturing firms. If this be the case, then the professionals will soon be able to do riskier business without the fear of losing their personal assets in order to cover the possible liabilities of their partnership.

**-Khushboo Baxi & Kishore Joshi**

You can direct your queries or comments to the authors

Source: The Economic Times, dated October 11, 2005.

### DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

## Research Papers

### Medical Device Industry in India

April 28, 2025

### Clinical Trials and Biomedical Research in India

April 22, 2025

### Structuring Platform Investments in India For Foreign Investors

March 31, 2025

## Research Articles

### 2025 Watchlist: Life Sciences Sector India

April 04, 2025

### Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

### INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

## Audio

### CCI's Deal Value Test

February 22, 2025

### Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

### Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

Click here to view Hotline archives.

## Video

Vyapak Desai speaking on the danger of deepfakes | Legally Speaking with Tarun Nangia | NewsX

April 01, 2025

**Vaibhav Parikh, Partner, Nishith  
Desai Associate on Tech, M&A, and  
Ease of Doing Business**

March 19, 2025

**SIAC 2025 Rules: Key changes &  
Implications**

February 18, 2025