DUAL by DESIGN

THE TWO-ENTITY MODEL FOR MISSION-DRIVEN ORGANISATIONS IN INDIA



A report from the Centre for Advancement of Philanthropy

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Dual by Design: The Two-Entity Model for Mission Driven Organizations in India

Abstract: Indian law recognises no separate legal category for organisations that combine social purpose with commercial activity. In response, a growing number of mission-driven organisations have adopted a 'dual' or 'tandem' structure. These are legally independent for-profit, and nonprofit entities linked by a shared founder, mission, or brand. Drawing on primary interviews and a review of the relevant literature, this paper examines why organisations adopt this model, how they typically operate, and the governance challenges around related-party transactions, brand identity, compliance burden, and founder succession—that arise. It closes with recommendations for organisations and policymakers alike.

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The Centre for Advancement of Philanthropy (CAP) is a Mumbai-based support organisation, established in 1986 with a mandate to be a credible and comprehensive resource on charitable activity in India. CAP offers complete compliance advisory to nonprofit organisations, enabling them to be compliant in every respect, in the following areas – Legal, Fundraising, Board Governance, Human Resources, Volunteer Management, Strategy, Communication & CSR Compliance.

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1. Overview

There is no single blueprint or model for doing good in this world. The organisations that have made a lasting difference, whether in poverty alleviation, livelihoods, education, conservation or public health, understand that the nature of the problem often determines the nature of the solution. BRAC, one of the largest development organisations in the world, combines traditional social protection programmes such as food aid and cash transfers, alongside income generation and asset-based creation as a strategy for self-reliance.[1] AMUL's cooperative dairy farming is a celebrated model of operations and ownership that returns profits to a base of 3.6 million farmers, and reinvests a share of profits towards farmer support initiatives.[2] SEWA operates through two parallel bodies: a trade union for advocacy, and a cooperative for economic activity.[3]

A farmer/artisan cooperative, a media organisation telling stories of development, a program for the elderly, or a social sector intermediary all pursuing impact may require flexibility in their structure, funding relationships, and market support to do so effectively. This means the choice of legal structure plays a large role in *how* these organisations function and the models they utilise to drive their mission. In India, the term 'social enterprise' is not defined, and the law recognises two kinds of organisations: those that exist to make profits, such as companies, limited liability partnerships, sole proprietorships and those that exist to serve a public purpose, such as trusts, societies or Section 8 (nonprofit) companies. Organisations that overlap between these two do not exist as a separate legal category in India, and must choose to register and operate either as a for-profit *or* a nonprofit.

Faced with this constraint, a growing number of organisations have arrived at a pragmatic solution: they operate with two parallel structures. A nonprofit entity sits alongside a for-profit one, usually connected by a shared founder, a common or complementary mission, and sometimes the same brand name. There are clear advantages to doing so: the for-profit entities enable market access, face fewer restrictions on revenue-generating and other permissible activities, allowing them to cross-subsidise the associated nonprofit to relieve some of its funding pressures and bring in an element of financial sustainability. Programmatically, a dual model allows for greater reach, innovation, and complementarities in

[1] Rashid, L. (2017, May). *BRAC's ultra-poor graduation programme: An end to extreme poverty in our lifetime*[Conference paper]. UN Expert Group Meeting, United Nations Department of Economic and Social Affairs. https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2017/04/Lamia-Rashid-BRAC-Ultrapoor-Graduation-Paper-for-UN-Expert-Group-Meeting-May-2017-25Apr17.pdf

[2] Doughnut Economics Action Lab. (2025, March 5). Khanna, S., Sharma, D., & Hedge, C. P. (with Sahan, E.). *Amul: Doughnut design case study.* https://doughnuteconomics.org/stories/amul-doughnut-design-case-study-9554cada-3890-4247-89e1-ae06c2a7355f

[3] Self Employed Women's Association (SEWA). (n.d.). *SEWA's structure*. Retrieved July 29, 2026, from https://www.sewa.org/about-us/sewas-structure/

functions/mission. However, this type of structuring also poses governance challenges, including conflicts of interest, navigating 'related party transactions', resource allocation, clarity in communication, transparency and accountability to the different stakeholders they engage with, including their donors or clients, the communities they serve, and the organisations' board members and staff.

The Centre for Advancement of Philanthropy **(CAP)**, through this paper, provides an overview of the advantages and disadvantages of 'tandem' or 'dual' structures in India, the governance challenges they present, and identifies which types of organisations are best suited to this model. This study explores the relationship between the two entities, what operations look like in practice, and governance and legal challenges such models encounter. We have drawn on primary data from insights and anecdotes from founders and staff of organisations that operate with these models, as well as secondary data from a broader literature review. Ultimately, the goal is to help social sector leaders make well-informed decisions around different models available and what might work best for the mission at hand.[4]

What are 'Dual Entities'?

The term 'dual' or 'tandem'[5] entity in this paper refers to organisations that deliberately operate through two distinct legal structures: one for-profit and one nonprofit (whether a trust, Section 8 company or society), often under a shared brand, mission, or founding leadership. This is ***not*** a formal legal definition under any Indian law, but rather a descriptive term for a way of operating that is becoming more common across the social sector.

No hierarchy. A dual entity arrangement is distinct from a subsidiary or holding company relationship. In a holding structure, one entity has ownership or control over the other, creating a hierarchical relationship (governed by specific provisions of the Companies Act, 2013 or other applicable regulation), such as the Tata Trusts, the philanthropic arm of the Tata group that hold ~66 per cent of the equity share capital of Tata Sons Private Limited, which in turn has holdings in various other group companies.[6]

Lateral relationship. In a dual arrangement, the relationship between entities is lateral rather than hierarchical. The two are legally independent of each other,

[4] The information contained in this paper is provided for informational purposes only, and should not be construed as, nor is it intended as legal advice or opinion on any subject matter.
[5] Adler & Colvin. (2011, Fall). Mittermaier, I., & Neugart, J. Operating in two worlds: Tandem structures in social enterprise. The Practical Tax Lawyer, 5–13. https://www.adlercolvin.com/wp-content/uploads/2017/12/Operating-in-Two-Worlds-Tandem-Structures-in-Social-Enterprise-00403192xA3536.pdf
[6] Tata Group. (n.d.). Tata Sons. Retrieved July 29, 2026, from https://www.tata.com/business/tata-sons

with no ownership or controlling link between them. Instead, what connects them is typically a shared mission, founder, and/or brand, rather than a formal corporate relationship. In this paper, we focus on models that operate this way.[7]

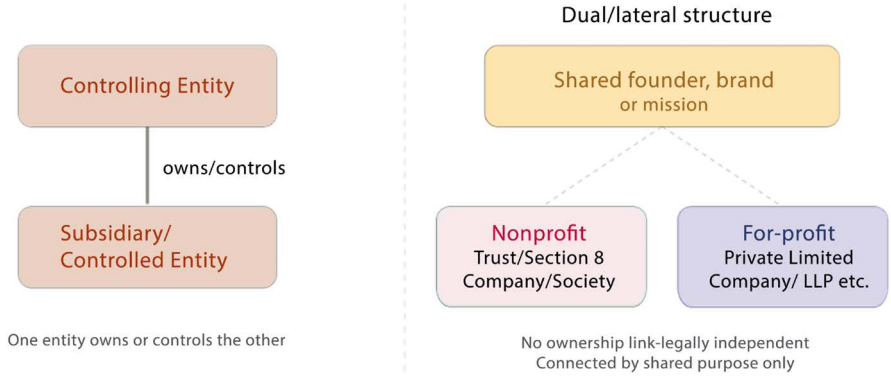


Figure 1: Subsidiary / Hierarchical versus Dual Entities

Lighthouse is a good illustration of what this looks like in practice. Lighthouse Academy, registered as a trust, trains underserved youth in audiovisual communication using mobile phones, operating across centres in Goa, Mumbai, and Pune, in collaboration with other nonprofits, and is funded entirely through donations. It recently launched a new program called the Lighthouse Academy of Storytelling - a residential 9-month-long training program for underprivileged youth to enable them to pursue careers in the media and storytelling space. All enrolled in the program are given a full scholarship.

Lighthouse Studio, a private limited company, operates alongside the Academy, as a service studio for impact organisations, producing original content and long-format documentary work on a fee-for-service model. The two entities share a founder and a brand, but not a corporate relationship. The model enables cross-subsidisation, with the Studio bearing shared office and operational costs, as well as access to a diversified pool of funding by being able to receive both grant funding and commercial revenues through its two different vehicles. As Safdar Rahman, Founder & CEO of Lighthouse Studio said, "The relationship between the two is not merely parallel but shares a purpose: the Academy develops a pipeline of trained young people who may go on to work in the Studio or elsewhere in the creative economy. This way, we build a virtuous cycle: the nonprofit, i.e., the Academy, trains and provides us with access to talent, and the Studio provides meaningful work and opportunities in social impact storytelling. We set it up this way because we recognised the need to build the ecosystem actively, rather

[7] The scope of this study is limited to models where the same brand name and/or the same founder sits across both entities. Blended finance models, cooperative societies, and similar structures fall outside this scope.

than expecting it to simply exist."

Another example is that of Under The Mango Tree Society **(UTMT Society)**, and Under The Mango Tree Naturals and Organics Private Limited **(UTMT Pvt Ltd)**. While the two entities were established simultaneously and there are synergies between them, today they operate as complementary and parts of a larger ecosystem. Developing a sustainable, community-led beekeeping ecosystem is central to their mission: honey and beeswax value chains are one component, alongside training beekeepers, developing rural enterprises that manufacture bee boxes and beekeeping accessories, establishing bee-flora nurseries, strengthening Farmer Producer Organisations, and creating sustainable market linkages across the value chain. The two organisations share a name, founder and founding history, but were set up with separate legal identities, brands, logos, governance and financial structures.

Vijaya Pastala, Founder of both UTMT Society and UTMT Pvt Ltd told us, "From the outset, we established both a nonprofit society and a for-profit company because they served different but complementary purposes. The Society focuses on strengthening rural livelihoods through community-based beekeeping and pollination. The Company provides market access for honey and other bee-based products, helping create sustainable economic opportunities for farming communities. Early on, the expectation was that there would be something akin to an 'umbilical cord' between them—the Society developing the ecosystem on the livelihoods and production side, and the Company providing market access. However, over the last 16 years, both organisations have evolved independently." UTMT Pvt Ltd works with other honey-producing communities, other than UTMT Society as well, and there are no financial transactions or transfers between the two.

Looking at the broader picture, there is no precise data on how many organisations in India operate this way, given that these structures are not mandated to be publicly disclosed, and there is no common or overlapping regulatory register across the nonprofit and for-profit sectors. However, GuideStar India, which conducts in-depth due diligence on Indian nonprofits, indicated that such structures are growing more common, and estimates that about 7 per cent of the 253 nonprofits it last reviewed (as of September 2026) operate with some form of dual structure.

'Social Enterprises' in India

The term 'social enterprise' is frequently used by practitioners to describe organisations that pursue social goals through market-based means. Any entity that calls itself a social enterprise must still be registered as either a for-profit or a nonprofit under the applicable law — there is no intermediate legal category. The Social Stock Exchange (SSE), established under Securities & Exchange Board of India's framework, has offered a working definition of "social enterprise" for the purposes of listing and fundraising on that platform.[8] However, that definition was developed for a specific regulatory context and its applicability beyond the SSE framework remains unclear. Notably, the SSE also makes a distinction between 'for-profit social enterprises' and 'non-profit social enterprises, and the fundraising models on the SSE differ accordingly.

[8] In the context of the Social Stock Exchange, a "social enterprise" is defined as a Non Profit Organization (NPO) or a For Profit Entity (FPE) that meets the eligibility criteria specified by the SEBI's Issue of Capital and Disclosure Requirements Regulations (ICDR Regulations) Regulations. An entity, whether an NPO or an FPE, is required to establish the primacy of its social intent in order to be eligible for identification as a "social enterprise".

2. Motivations for Setting Up a Tandem structure

For many of the organisations we interviewed in this study, the dual structure model evolved as a response to programmatic, operational necessities and/or financial needs that made a single-entity model impractical or inadequate. Founders and senior leaders described arriving at a dual structure in due course as their organisations and the target base they serve, grew.

2.1. Programmatic reasons and the need for operational flexibility

Some organisations have created a dual structure for programmatic reasons: the legal form of a single entity was proving inadequate to accommodate all functions and operations that the mission required. This could range from handling commercial transactions, to expanding the mission to include paid services, or enabling the kind of cross-sector collaboration that a for-profit structure makes difficult.

A key example is toolbox INDIA (toolbox), which began operations in 2011 as a Section 8 nonprofit company. Initially, the entity helped facilitate volunteer work and pro bono services from corporates, to the nonprofit sector. For instance, toolbox's volunteers included investment bankers, private equity analysts, and corporate professionals who brought day-job skills contextualised for nonprofits. Subsequently, more programmatic flexibility was needed. "Over time, as the entity grew and the demand for paid services such as detailed impact assessment reports, and large-scale corporate volunteer management grew, we realised we needed flexibility in structure", said Vijaya Balaji, Managing Director, Toolbox and Founding CEO, Social Lens. "Thus, Social Lens was set up as a for-profit company in 2016 to cater to this market."

Today, toolbox retains its volunteer-first model, working with small and grassroots organisations that cannot pay for services, strengthening nonprofits through pro bono support. Social Lens, meanwhile, operates as a fee-driven professional services firm with a broader canvas serving enterprises, incubators, foundations, impact investors, and nonprofits with the capacity to pay. Its work spans organisational development consulting, capacity building, impact design, and corporate employee engagement strategy, funded through direct fees or funder-underwritten arrangements for portfolio organisations.

Conversely, Samhita Social Ventures **(Samhita)** recognized the programmatic necessity of an affiliated nonprofit to further its mission. Samhita was established around sixteen years ago as a technology-enabled platform connecting funders with nonprofits, set up as a social enterprise and structured as a private

limited company. When the Companies Act, 2013 mandated corporate social responsibility (CSR) giving for companies above a certain revenue threshold, it expanded its activities to include CSR consulting.

Over time, Samhita realised that a for-profit structure had its limitations. Priya Naik, Founder and CEO said, "We realised that there was a need for us to build large-scale collaboratives between corporates and government to influence change at scale. Also, we were rapidly creating public goods for the larger ecosystem. To do this, we needed a non-profit structure so that there were no conflicts of interest or incentives in any manner."

Samhita operationalised the Collective Good Foundation **(CGF)** to work in parallel to drive Samhita's mission. CGF operates as a public charitable trust, and today, anchors the mission of driving 'continuous, irreversible increase in incomes for India's 10 million youth, job seekers, entrepreneurs, and farmers.' [9] CGF's work includes the development of India's livelihood stack—digital public goods that aggregate economic opportunities (jobs, skills, capital, government benefits and market linkages) to enable the economic progress of workers, farmers, and entrepreneurs, conceived in the spirit of Aadhaar and UPI. As described earlier, it has leveraged its nonprofit structure as a fiscal host for large multi-funder collaboratives, pooling contributions from multiple funders around anchor grants and acting as the accountable entity for the collaborative's overall programme.

What these cases illustrate is that programmatic necessity often dictates the need for a dual structure. While some organisations arrived at a dual structure through deliberate design, others came to it because a single entity was not enough to contain or operationalise all that the broader mission required.

2.2. Revenue Caps and Diversified Pools of Funding

Financial sustainability and diversification are also important reasons for establishing dual structures.

2.2.1. Nonprofits are prohibited from commercial income.

Organisations registered for tax-exempt status under Section 12A of the Income Tax Act and falling under the category "any other object of general public utility"

[9] Collective Good Foundation (CGF). (n.d.). *CGF | CSR, philanthropy & govt partnerships to enable Indian citizens' income growth.* Retrieved July 29, 2026, from https://collectivegood.in

can only earn commercial income up to twenty per cent of their total income (which would typically include grants and donations). When an organisation's earned income approaches or exceeds this threshold, continuing to route it through the nonprofit risks its tax-exempt status, necessitating a separate for-profit entity.

For organisations whose work involves direct market transactions, for instance, selling products made by farmers, artisans, or producer groups, having a for-profit entity can be central to the model. The for-profit entity, in these cases, is not just a financial vehicle but a programmatic one, and the instrument through which the social mission takes its market-facing form. Having a for-profit entity also makes activities such as commercial invoicing, GST registration and compliance, and formal market-facing contracts easier.

Moreover, grant funding alone can be insufficient for organisations seeking to operate at scale or to invest in long-term infrastructure. A for-profit entity can generate earned revenue, access commercial debt, and attract equity investment: pools of capital that are not available to a nonprofit.

2.2.2. For-profits need grant funding for diversification.

Organisations on both sides of the for-profit/nonprofit divide have found themselves in need of a second entity to access capital that their existing structure cannot legally or functionally receive.

As Ingrid Srinath, Founder Director of the Centre for Social Impact and Philanthropy, Ashoka University; and Board Chair, The Resource Alliance observed, "Access to grant funding can be equally important for some entities, meaning that a nonprofit entity is essential for accessing grants, CSR funding, and several institutional donors, which carry their own restrictions on the type of recipient entity they can fund."

Elderra.io, a company bridging the digital gap for India's senior population through WhatsApp-based services, showcases this. Its for-profit model worked well for users who could afford to pay, but it had to solve for those who could not. "We realised over time that a share of our target population — senior citizens — could not afford our services," says Bilal Zaidi, Founder and CEO, Elderra. "To cater to them, we have recently set up a nonprofit, as a Section 8 company. Our donors give us grants which enable us to subsidise or provide our services free of cost to

a wider set of people."

Similarly, as described previously, Samhita operationalised CGF to work in parallel. During COVID-19, CGF worked with companies and international donors to support gig workers and potential entrepreneurs who had lost livelihoods. Priya Naik, founder of Samhita, said, "All contributions needed to come in as corporate social responsibility contributions or domestic/foreign grants, requiring the non-profit structure, i.e., CGF. Once we worked with the anchor donors to set up a backbone funding architecture, other funders joined in to provide support for their specific communities or themes."

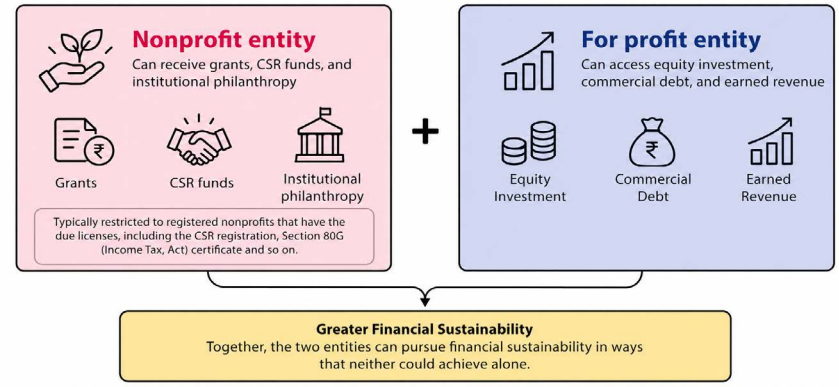


Figure 2: Potential Sources of Funding

International Approaches

Other jurisdictions have developed legal structures that explicitly accommodate the kind of hybrid operation that Indian organisations are navigating through workarounds. In the United States, the Low-Profit Limited Liability Company (L3C) is designed to bridge the gap between for-profit ventures and philanthropic effort—a hybrid structure that blends the profit-seeking objectives of a conventional LLC with a primary social mission, and which is specifically intended to attract investment from foundations and socially-conscious investors.[10]

In the United Kingdom, the Community Interest Company (CIC) serves a similar function: a limited company whose primary purpose is community benefit rather than private profit, with an "asset lock" mechanism that prevents assets from being distributed to private shareholders.

[10] Feldman, S. (2021, August 15). *What is an L3C (low-profit limited liability company): An entity for entrepreneurs who value purpose and profits.* Wolters Kluwer. https://www.wolterskluwer.com/en/expert-insights/what-is-l3c-low-profit-limited-liability-company

2. Motivations for Setting Up a Tandem structure

Aside from statutory recognition, which is lacking in most jurisdictions, voluntary accreditation is one way that for-profits use to signal their socio-environmental goals. In the United States (and globally), a B-Corp certification from B Lab is layered on top of any existing entity type (LLC, corporation, benefit corporation). It requires firms to embed stakeholder accountability into their governing documents and commit to ongoing transparency about impact and operations.[11] In Singapore, recognition comes through the 'raiSE' membership offered through the Singapore Centre for Social Enterprise which evaluates applicants against its own principles of intention, additionality, and proportionality.[12] A membership grants access to grants and networks rather than any change in legal status.

These accreditations function as a market signal for consumers, procurers, and impact investors rather than a legal designation, and are administered by private or quasi-governmental bodies rather than by statute.

[11] B Lab. (n.d.). *B Lab legal requirement.* Retrieved July 29, 2026, from https://www.bcorporation.net/en-us/about-b-corps/legal-requirements/

[12] Singapore Centre for Social Enterprise (raiSE). (n.d.). *For social enterprises.* Retrieved July 29, 2026, from https://www.raise.sg/for-social-enterprises/

3. Structure and Operations of Dual Entities

There is no standard template for a dual structure, and the organisations studied vary considerably in their form, and day-to-day operations. This is partly a reflection of differing missions and contexts, but it is also a consequence of the regulatory landscape itself: organisations are navigating at the intersection of the Companies Act, Income Tax law, GST, FCRA, and the specific legislation applicable to their nonprofit form. Here, we describe the most common patterns observed across legal structure, board composition, staffing, and shared resources.

3.1. Legal Forms and Sequencing

Interviews suggest that the order in which the two entities are established is variable. In some cases, such as Samhita, Lighthouse and Elderra, the for-profit was set up first, and the nonprofit was created subsequently to enable grant access, collaboration with other sectors, or driving the mission forward differently. In others, such as toolbox, the for-profit was established later as commercial activity grew beyond what the nonprofit's legal form could accommodate.

The for-profit entity is commonly incorporated as a private limited company under the Companies Act, 2013. The nonprofit entity may take one of three forms: a Section 8 company (also governed by the Companies Act), a public charitable trust, or a society registered under the relevant state laws governing societies.

3.2. Board Composition and Founder

In almost all of the organisations studied, the boards of the two entities are independent of each other, with one—usually the founder, or occasionally two overlapping members. This pattern reflects both legal necessity and practical reality: legal requirements for operational separation make significant board overlap problematic, while the founder is typically the individual with the clearest view across both entities and the deepest personal investment in ensuring they function in alignment with the overall mission. Several founders in this study told us that they draw no remuneration from the nonprofit entity, serving in an honorary capacity while receiving income through the for-profit.

3.3. Operational Separation and the Consultant Model

Across income tax, FCRA, and company law frameworks, the cumulative compliance requirement for dual structures is that of strict operational separation: separate staff, separate payroll, separate accounting, and separate regulatory filings for each entity. Many organisations do adhere to these requirements in formal terms. However, we observed that in practice, the line between the two

entities can be blurrier than the legal framework demands. This is particularly true with respect to the founder, who frequently carries responsibilities across both structures.

One notable approach to navigating this challenge is the model adopted by Samhita and its associated nonprofit, CGF. Rather than employing staff directly within either entity, Samhita structures all personnel as consultants who bill their time separately to each entity as appropriate. This reduces the risk of informal resource-sharing that creates compliance exposure. Whether this model is replicable for organisations without Samhita's scale and operational sophistication is a separate question, but it represents one response to a challenge that most dual organisations face.

3.4. Physical Co-Location and Shared Resources

Physical co-location of the two entities appears to be common in practice. This is not inherently problematic, but it requires clear documentation. A typical arrangement involves the for-profit bearing facility costs such as rent and utilities, while the nonprofit covers its own consumables and direct programme costs. The for-profit may also share technology platforms, knowledge assets, and operational expertise with the nonprofit. Lighthouse, for instance, has the studio team provide post-production services for the Academy's student films, and the for-profit Studio bears shared office costs. The rule of thumb being that in a dual-structure, the for-profit may provide benefits to the non-profit but not vice versa.

4. Challenges

Despite their appeal and the options it offers for fundraising and functionality, dual structures are not a neutral or low-cost choice. Interviews for this report surfaced a consistent picture: organisations operating a nonprofit and for-profit pair face several legal, financial, and reputational risks and challenges. These challenges are cumulative: any one of them is manageable, but organisations rarely face just one at a time.

4.1. Public Funds and Private Benefit

Essentially and critically, Indian income tax law and authorities view and treat the funds held and deployed by registered nonprofits as public money. As Noshir Dadrawala, CEO of CAP, said, "Funds held in trust are to be used for a public purpose, rather than for the benefit of any private individual or entity. Any perception that a nonprofit's resources or funds are being used in ways that benefit the associated for-profit entity, directly or indirectly, can attract serious regulatory scrutiny and place the nonprofit's tax exemptions at risk."

Increased Risks for Foreign Entities

Because dual structures occupy a legal grey area—not prohibited, but not explicitly provided for—they are inherently more exposed to adverse regulatory action than structures that sit squarely within established frameworks. This risk is heightened when organisations work with foreign funding or on issues that attract government attention. With Amnesty India for instance, the Government of India took the position that funds received by Amnesty's commercial entity were in violation of both the Foreign Exchange Management Act (FEMA) and the Foreign Contribution and Regulation Act.[13] Amnesty contested this but ultimately, had its accounts frozen and license to operate effectively cancelled.[14]

What follows is that the for-profit may, to a degree, support the nonprofit (by absorbing shared costs, for instance). Conversely, the nonprofit is barred from supporting the for-profit through financial means or subsidising the for-profit's activities in any way. Any deviation from this could attract adverse action by the income tax and other authorities, potentially resulting in the nonprofit forfeiting

[13] The Wire. (2022, July 9). After FEMA penalty, ED files money laundering chargesheet against Amnesty India. https://thewire.in/government/enforcement-directorate-amnesty-india-money-laundering
[14] Press Trust of India. (2022, July 8). ED slaps ₹51.72 crore penalty on Amnesty International India, ₹10 crore on Aakar Patel. *The Indian Express*. https://indianexpress.com/article/india/aakar-patel-ed-penalties-amnesty-international-8017564/

its tax-exempt status, or worse. Ingrid Srinath summed it as, "The damage of regulatory action—reputational, operational, and financial—accumulates long before any legal resolution through the courts."

4.2. Governance

A key governance challenge concerns board overlap and accountability. In practice, most commonly it is the founder alone who sits on both the nonprofit and the for-profit board, serving as the connection between the two entities. This is frequently a practical necessity early on, when the founder's vision needs a thread of continuity across both structures. But as the organisation matures, even this narrow overlap could work against the entities: boards that are meant to conduct independent scrutiny of transactions between the two entities could be compromised if the one person present on both sides is also the one making or approving those transactions. Again, this becomes a blind spot born not from bad faith, but rather, a structural issue, because no one else has the same visibility into both entities at once.

The consequence is that genuine independent governance has to be built in deliberately. Organisations that navigate this well bring in independent directors with no stake in either entity, and formalise decision rights so that cross-entity transactions require sign-off from directors outside of the founder alone. This is easier said than done: independent directors willing to take on the complexity of a dual structure might be hard to recruit, and in practice, governance reform tends to lag organisational growth—boards might catch up to the structure's complexity only after a crisis, a donor's due diligence, or a regulatory inquiry forces the issue.

4.3. Maintaining Arm's Length

Connected to the problem of governance in any dual structure is maintaining a genuine arm's-length relationship between two entities that are by design or otherwise connected, or considered to be 'related parties'.[15] The Companies Act, 2013 prohibits various transactions between 'related parties' without the consent of the Board of Directors through a formal resolution passed at a Board meeting.

Related Party Transactions (**RPT**s) are not illegal under the Companies Act, 2013. The law recognises that companies, including Section 8 companies, may legitimately transact with persons or entities connected to their directors, promoters or key managerial personnel. The objective of the law is therefore

[15] A 'related party' includes any person or an entity that is related to the company and where one party can exercise significant influence or control over the other party. See Section 2(76) of the Companies Act, 2013 for a full definition.

not to prohibit such a transaction, but to ensure transparency, disclosure, proper approvals, and management of conflicts of interest.

For entities operating a dual structure, while the mission would benefit from integration, regulation requires disclosures and evidence that the for-profit entity does not derive benefits at from the nonprofit, or at cost to the latter. Pushpa Aman Singh, Founder and Director of GuideStar India, expressed concern that "Often, nonprofits do not realise the necessity of policies, decision-making approaches and disclosure practices required to maintain arm's length between the dual entities, to ensure a clear separation of people, premises, processes, products and programmes."

S.No.	Characteristic	Number of Nonprofits*	Percentage
1	Common/overlapping Board member or key management personnel	18	100
2	Common areas of work/programmes/ beneficiaries	15	83.3
3	Shared brand name	12	66.6
4	Shared premises (registered/ correspondence/programme office)	11	61.1
5	Financial transactions between entities (yes)	11	61.1
6	Shared website/website content (no)	9	50
7	Shared staff (yes)	8	44.4
8	Conflict of interest policy (yes)	2	11.1
9	Transactions with conflicts of interest discussed at Board meetings (yes)	6	33.3
10	Disclosures made in audited accounts/ financial statements, or on website	5	27.8
11	Independent committee to review *inter se* arrangements (yes)	0	0

**n = 18 | All data shared by GuideStar India, from a review conducted of 253 nonprofits in September 2026*

Figure 3: Data Snapshot of Separation / Governance of Dual Entities

Arrangements or transactions between dual entities should, ideally, be governed by written inter-entity agreements, but sometimes, they are handled informally: this also varies considerably across organisations. This gap is a recurring compliance risk: arrangements that are genuine and reasonable in intent can appear, to a regulator, to constitute undocumented related-party transactions if they are not formalised.

Crucially, and as Noshir Dadrawala, CEO of CAP observed, "Intent offers little protection here. These risks are structural, rather than a matter of individual bad faith, meaning even well-run, well-meaning entities remain exposed by default rather than by exception."

4.4. Compliance Burden and the Cost of Complexity

Running two separate legal entities means double the regulatory filings, audits, and legal costs. For small and mid-sized organisations without dedicated finance and legal capacity, this is a substantial burden: income tax filings including Section 12A renewal (now required every five years, having previously been permanent), FCRA registration and renewal (every five years), GST registration and monthly or quarterly filings, and annual Companies Act filings for Section 8 companies. Across two entities, the cumulative cost in time, professional fees, and management attention is significant, and donors rarely provide for operational costs in their grants. This compliance burden is not merely an inconvenience: under-resourced or smaller organisations are the ones least able to maintain clean documentation and formal separation (which the previous section identifies as their main defence against regulatory risk)—meaning the organisations most exposed to compliance costs are often also the most exposed to compliance failure.

A related problem we heard is about the scarcity of advisors who understand the full compliance architecture. Chartered accountants and legal practitioners who are familiar with the intersection of nonprofit law, income tax, FCRA, GST, and corporate compliance are rare and expensive. Most practitioners specialise in one or two of these domains, making it challenging to find the right professional guidance.

4.5. Navigating Brand Identity Considerations

Many interviewees flagged brand management as one of the more persistent practical challenges of a dual structure, and the difficulties run in both directions.

Where the two entities share a brand name, donors and beneficiaries may conflate their purposes, creating confusion about how funds are used and which entity a given transaction benefits. Safdar Rahman from Lighthouse Studio said, "We do need to go the extra mile to communicate the distinction and the nuances between the two entities to donors and other stakeholders—but we made a deliberate decision to keep both entities under the same name to share the reputational benefits."

Pushpa Singh of GuideStar India emphasised that "Where a for-profit arm shares branding with a nonprofit, organisations should take additional precautions to ensure that consumers or clients are clear about which entity they are engaging with commercially, and that a purchase is not mistakenly perceived as a contribution to the nonprofit."

On the other hand, where the entities carry different names, neither automatically benefits from the other's public standing, and certain stakeholders may require communications to be conducted under a specific entity's brand, further complicating public presentation. Samhita's experience is illustrative: the associated nonprofit was named Collective Good Foundation **(CGF)**, which meant the name recognition and reputational capital built up around the Samhita brand—owned by the private limited company—didn't automatically carry over. Priya Naik, as the head of both entities, had to go the extra mile to establish for CGF, the credibility and trust that the Samhita name already carried.

4.6. Founder Capacity and Long-Term Transition

Cutting across these challenges is the capacity of the founder or CEO. It appears that the founder is often the key point of connection between the two entities, holding the strategic vision, managing donor relationships, ensuring compliance, and most importantly, navigating the inevitable tensions between them. This is difficult to sustain at scale, and it creates a significant governance risk: the entire architecture depends on a single individual who cannot be easily replaced.

That said, as these organisations mature, we learned that many of the founders

4. Challenges

we interviewed have stepped away or reduced their focus from one entity, and appointed leadership teams/CEOs to lead them. For instance, Sujana Krishnamoorthy, who has led UTMT Society's programmes almost since its inception, has taken over leadership of the organisation as it has entered its next phase of growth. Vijaya Pastala continues to be involved in important strategic and governance decisions of the former, and is increasingly focused on the for profit, UTMT Pvt Ltd. Similarly, Vijaya Balaji, the founding CEO of Social Lens Private Limited has appointed a new managerial team to take over the leadership of toolbox. These changes point to a broader lesson for founders navigating a dual-entity structure: thinking through founder capacity and succession planning, by building a second layer of leadership early, and deliberately distributing the roles the founder once held alone, can help make it more resilient.

Vijaya Pastala raised another critical point: over the long term, if the founder/founding leadership steps away, open questions remain around the institutional mechanisms to sustain the relationship between dual entities over time. Therefore, some consideration needs to be given to processes and methods to bake in the values, intended synergy or complementarity in creating social good of both entities, so that these organisations can survive changes in founders and leadership.

Taken together, these challenges are not five or six discrete problems but one compounding risk profile. Regulatory exposure is heightened by informal governance; informal governance is driven by resource constraints that under-resourced organisations cannot fix easily; and the entire structure often rests on a single founder whose attention is already stretched across both entities. Each challenge makes the others harder to manage, and a compliance shortfall is likely to occur at this point, when the founder's bandwidth is most stretched. Organisations considering a dual structure should weigh not just whether they can manage each of these risks individually, but whether they have the governance maturity, capacity and resources to manage them simultaneously, and in the long term.

5. The Way Forward

The dual model, for all its complications, is a practical response to the structural limitations of the Indian legal framework for organisations whose work does not fit neatly into either a purely commercial or a purely charitable mode. The organisations studied here are not trying to circumvent regulation—they are pursuing social missions within a framework that allows for little flexibility. The way forward requires action at both the organisational and the systemic level.

• **A legal definition of 'social enterprise'.** The most fundamental gap is the absence of a legal definition for organisations that combine social purpose with commercial activity. The Social Stock Exchange's working definition, while useful within its specific context, is not a general legal framework. A formal legal category—with its own governance requirements, tax treatment, and reporting obligations—would provide organisations currently navigating a dual structure with a legitimate, purpose-built alternative.

• **Simplify through targeted exemptions.** A complementary approach would be to introduce targeted or *ad hoc* exemptions within the existing nonprofit framework for defined categories of revenue-generating activity. Organisations working with farmer producers, artisans, or women's collectives might be permitted to route commercial transactions through the nonprofit without triggering the 20 per cent cap or GST complications, provided they meet criteria relating to the nature of the activity being largely for public good. This could reduce complexity for many organisations whose for-profit entity primarily handles market transactions on behalf of producer communities. However, there are questions around how this could be implemented in practice.

• **Compliance as strategy.** For organisations currently operating in this space, the most consistent advice from practitioners and due diligence experts is straightforward: comply strictly, keep separation as a governing principle, document everything with due justifications and resist the temptation to cut corners. The regulatory environment is tightening, and arrangements that have been tolerated informally for years are increasingly attracting scrutiny. Formalising inter-entity arrangements, maintaining clean separation of accounts and staff, and proactively disclosing the dual structure to funders are not just legal requirements — they are the conditions under which a dual structure is sustainable over the long term.

5. The Way Forward

• **Sector-level infrastructure.** The burden of navigating this complexity should not fall entirely on individual organisations. Practitioner networks, legal aid organisations, and intermediaries are well-positioned to develop model governance frameworks, standard inter-entity agreements, and practical compliance guidance—reducing the cost, in time and money, of setting up and running a dual arrangement responsibly.

The dual structure is not going away. As the funding environment grows more complex and the boundaries between social and commercial activity continue to blur, more organisations will arrive at some version of this model. The question is not whether to accommodate it, but how to do so in a way that preserves the integrity of both the nonprofit sector and the broader framework of social regulation.

Annexure I

Name	Organisation	Designation
Noshir Dadrawala	Centre for Advancement of Philanthropy	CEO
Ingrid Srinath	The Resource Alliance	Founder Director, Centre for Social Impact and Philanthropy, Ashoka University; and Board Chair, The Resource Alliance
Dhawal Udani	DanaMojo	Founder & CEO
Nivedita Krishna	Pacta Legal and Policy Consulting Pvt Ltd	Founder
Vijaya Balaji	• Toolbox India	Managing Director, toolbox INDIA Foundation
	• Social Lens Consulting	Founding CEO, Social Lens Consulting
Vijaya Pastala	• Under the Mango Tree Society	Founder, Managing Trustee & President, Under The Mango Tree Society
	• Under the Mango Tree Private Limited	Founder, CEO & Managing Director, UTMT Naturals & Organics Private Limited
Safdar Rahman	• Lighthouse Studio	Founder, Lighthouse Studio
	• Lighthouse Academy	Founder, Lighthouse Academy
Kumar Vikash	Dasra	Chief Financial Officer
Almin Halani	Cipla Foundation	Head of Finance
Bilal Zaidi	Elderra.io	Founder and CEO

Annexure I

Priya Naik	• Samhita Social Ventures (SSV) • Collective Good Foundation (CGF)	Founder and CEO, SSV Founder & CEO, CGF
Dhatri Kotak	• Samhita Social Ventures	Senior Manager
Pushpa Singh	GuideStar India	Founder
Lathika Rajan	GuideStar India	Associate Director of Programmes
Kavita Anand	• Adhyayan Foundation • Adhyayan Quality Education Services	Founder Director

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