COMPANIES ACT, 2013

[18 OF 2013]

An Act to consolidate and amend the law relating to companies

BE it enacted by Parliament in the Sixty-fourth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

Short title, extent, commencement and application.

1. (1) This Act may be called the Companies Act, 2013.

(2) It extends to the whole of India.

(3) This section shall come into force at once and the remaining provisions of this Act shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint and different dates may be appointed for different provisions of this Act and any reference in any provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

(4) The provisions of this Act shall apply to—

(*a*) companies incorporated under this Act or under any previous company law;

(*b*) insurance companies, except in so far as the said provisions are inconsistent with the provisions of the Insurance Act, 1938 (4 of 1938) or the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);

(*c*) banking companies, except in so far as the said provisions are inconsistent with the provisions of the Banking Regulation Act, 1949 (10 of 1949);

(*d*) companies engaged in the generation or supply of electricity, except in so far as the said provisions are inconsistent with the provisions of the Electricity Act, 2003 (36 of 2003);

(*e*) any other company governed by any special Act for the time being in force, except in so far as the said provisions are inconsistent with the provisions of such special Act; and

(*f*) such body corporate, incorporated by any Act for the time being in force, as the Central Government may, by notification, specify in this behalf, subject to such exceptions, modifications or adaptation, as may be specified in the notification.

---

*Assented by the President of India on 29th August, 2013.

1. Corresponds to sections 1, 616, 620B and 620C of the 1956 Act.

2. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.

3. For notifications and clarifications enforcing provisions of the Companies Act, 2013, *see* **Division Three**.

4. 12-9-2013 and 1-4-2014.

Definitions.

2. In this Act, unless the context otherwise requires,—

(*1*) "abridged prospectus" means a memorandum containing such salient features of a prospectus as may be specified by the Securities and Exchange Board by making regulations in this behalf;

(*2*) "accounting standards" means the standards of accounting or any addendum thereto for companies or class of companies referred to in Section 133;

(*3*) "alter" or "alteration" includes the making of additions, omissions and substitutions;

(*4*) "Appellate Tribunal" means the National Company Law Appellate Tribunal constituted under section 410;

(*5*) "articles" means the articles of association of a company as originally framed or as altered from time to time or applied in pursuance of any previous company law or of this Act;

(*6*) "associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

[*Explanation.*—For the purpose of this clause,—

(*a*) the expression "significant influence" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement;

(*b*) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;]

(*7*) "auditing standards" means the standards of auditing or any addendum thereto for companies or class of companies referred to in sub-section (10) of section 143;

(*8*) "authorised capital" or "nominal capital" means such capital as is authorised by the memorandum of a company to be the maximum amount of share capital of the company;

(*9*) "banking company" means a banking company as defined in clause (*c*) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(*10*) "Board of Directors" or "Board", in relation to a company, means the collective body of the directors of the company;

(*11*) "body corporate" or "corporation" includes a company incorporated outside India, but does not include—

(*i*) a co-operative society registered under any law relating to co-operative societies; and

(*ii*) any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf;

(*12*) "book and paper" and "book or paper" include books of account, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form;

(*13*) "books of account" includes records maintained in respect of—

(*i*) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;

(*ii*) all sales and purchases of goods and services by the company;

(*iii*) the assets and liabilities of the company; and

(*iv*) the items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section;

(*14*) "branch office", in relation to a company, means any establishment described as such by the company;

(*15*) "called-up capital" means such part of the capital, which has been called for payment;

(*16*) "charge" means an interest or lien created on the property or assets of a company or any of its undertakings or both as security and includes a mortgage;

(*17*) "chartered accountant" means a chartered accountant as defined in clause (*b*) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) who holds a valid certificate of practice under sub-section (1) of section 6 of that Act;

(*18*) "Chief Executive Officer" means an officer of a company, who has been designated as such by it;

(*19*) "Chief Financial Officer" means a person appointed as the Chief Financial Officer of a company;

(*20*) "company" means a company incorporated under this Act or under any previous company law;

(*21*) "company limited by guarantee" means a company having the liability of its members limited by the memorandum to such amount as the members may respectively undertake to contribute to the assets of the company in the event of its being wound up;

(*22*) "company limited by shares" means a company having the liability of its members limited by the memorandum to the amount, if any, unpaid on the shares respectively held by them;

[(*23*) "Company Liquidator" means a person appointed by the Tribunal as the Company Liquidator in accordance with the provisions of section 275 for the winding up of a company under this Act;]

(*24*) "company secretary" or "secretary" means a company secretary as defined in clause (*c*) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 (56 of 1980) who is appointed by a company to perform the functions of a company secretary under this Act;

(*25*) "company secretary in practice" means a company secretary who is deemed to be in practice under sub-section (2) of section 2 of the Company Secretaries Act, 1980 (56 of 1980);

(*26*) "contributory" means a person liable to contribute towards the assets of the company in the event of its being wound up.

Explanation.—For the purposes of this clause, it is hereby clarified that a person holding fully paid-up shares in a company shall be considered as a contributory but shall have no liabilities of a contributory under the Act whilst retaining rights of such a contributory;

(*27*) "control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner;

[(*28*) "Cost Accountant" means a cost accountant as defined in clause (*b*) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959) and who holds a valid certificate of practice under sub-section (1) of section 6 of that Act;]

(*29*) "court" means—

(*i*) the High Court having jurisdiction in relation to the place at which the registered office of the company concerned is situate, except to the extent to which jurisdiction has been conferred on any district court or district courts subordinate to that High Court under sub-clause (*ii*);

(*ii*) the district court, in cases where the Central Government has, by notification, empowered any district court to exercise all or any of the jurisdictions conferred upon the High Court, within the scope of its jurisdiction in respect of a company whose registered office is situate in the district;

(*iii*) the Court of Session having jurisdiction to try any offence under this Act or under any previous company law;

(*iv*) the Special Court established under section 435;

(*v*) any Metropolitan Magistrate or a Judicial Magistrate of the First Class having jurisdiction to try any offence under this Act or under any previous company law;

(*30*) "debenture" includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not:

[**Provided** that—

(*a*) the instruments referred to in Chapter III-D of the Reserve Bank of India Act, 1934 (2 of 1934); and

(*b*) such other instrument, as may be prescribed by the Central Government in consultation with the Reserve Bank of India, issued by a company,

shall not be treated as debenture;]

(*31*) "deposit" includes any receipt of money by way of deposit or loan or in any other form by a company, but does not include such categories of amount as may be prescribed in consultation with the Reserve Bank of India;

(*32*) "depository" means a depository as defined in clause (*e*) of sub-section (1) of section 2 of the Depositories Act, 1996 (22 of 1996);

(*33*) "derivative" means the derivative as defined in clause (*ac*) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(*34*) "director" means a director appointed to the Board of a company;

(*35*) "dividend" includes any interim dividend;

(*36*) "document" includes summons, notice, requisition, order, declaration, form and register, whether issued, sent or kept in pursuance of this Act or under any other law for the time being in force or otherwise, maintained on paper or in electronic form;

(*37*) "employees' stock option" means the option given to the directors, officers or employees of a company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a pre-determined price;

(*38*) "expert" includes an engineer, a valuer, a chartered accountant, a company secretary, a cost accountant and any other person who has the power or authority to issue a certificate in pursuance of any law for the time being in force;

(*39*) "financial institution" includes a scheduled bank, and any other financial institution defined or notified under the Reserve Bank of India Act, 1934 (2 of 1934);

(*40*) "financial statement" in relation to a company, includes—

(*i*) a balance sheet as at the end of the financial year;

(*ii*) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;

(*iii*) cash flow statement for the financial year;

(*iv*) a statement of changes in equity, if applicable; and

(*v*) any explanatory note annexed to, or forming part of, any document referred to in sub-clause (*i*) to sub-clause (*iv*):

Provided that the financial statement, with respect to One Person Company, small company and dormant company, may not include the cash flow statement;

(*41*) "financial year", in relation to any company or body corporate, means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company or body corporate is made up:

[**Provided** that where a company or body corporate, which is a holding company or a subsidiary or associate company of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the Central Government may, on an application made by that company or body corporate in such form and manner as may be prescribed, allow any period as its financial year, whether or not that period is a year:

Provided further that any application pending before the Tribunal as on the date of commencement of the Companies (Amendment) Act, 2019, shall be disposed of by the Tribunal in accordance with the provisions applicable to it before such commencement:]

[**Provided also** that] a company or body corporate, existing on the commencement of this Act, shall, within a period of two years from such commencement, align its financial year as per the provisions of this clause;

(*42*) "foreign company" means any company or body corporate incorporated outside India which—

(*a*) has a place of business in India whether by itself or through an agent, physically or through electronic mode; and

(*b*) conducts any business activity in India in any other manner;

(*43*) "free reserves" means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend:

Provided that—

(*i*) any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or

(*ii*) any change in carrying amount of an asset or of a liability recognized in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value,

shall not be treated as free reserves;

(*44*) "Global Depository Receipt" means any instrument in the form of a depository receipt, by whatever name called, created by a foreign depository outside India and authorised by a company making an issue of such depository receipts;

(*45*) "Government company" means any company in which not less than fifty-one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company;

(*46*) "holding company", in relation to one or more other companies, means a company of which such companies are subsidiary companies.

[*Explanation.*—For the purposes of this clause, the expression "company" includes any body corporate;]

(*47*) "independent director" means an independent director referred to in sub-section (5) of section 149;

(*48*) "Indian Depository Receipt" means any instrument in the form of a depository receipt created by a domestic depository in India and authorised by a company incorporated outside India making an issue of such depository receipts;

(*49*) [***]

(*50*) "issued capital" means such capital as the company issues from time to time for subscription;

(*51*) "key managerial personnel", in relation to a company, means—

(*i*) the Chief Executive Officer or the managing director or the manager;

(*ii*) the company secretary;
(*iii*) the whole-time director;
(*iv*) the Chief Financial Officer; [***]
[(*v*) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
(*vi*) such other officer as may be prescribed;]

(*52*) "listed company" means a company which has any of its securities listed on any recognised stock exchange:

[Provided *that such class of companies, which have listed or intend to list such class of securities, as may be prescribed in consultation with the Securities and Exchange Board, shall not be considered as listed companies;***]**

(*53*) "manager" means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not;

(*54*) "managing director" means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

Explanation.—For the purposes of this clause, the power to do administrative acts of a routine nature when so authorised by the Board such as the power to affix the common seal of the company to any document or to draw and endorse any cheque on the account of the company in any bank or to draw and endorse any negotiable instrument or to sign any certificate of share or to direct registration of transfer of any share, shall not be deemed to be included within the substantial powers of management;

(*55*) "member", in relation to a company, means—

(*i*) the subscriber to the memorandum of the company who shall be deemed to have agreed to become member of the company, and on its registration, shall be entered as member in its register of members;
(*ii*) every other person who agrees in writing to become a member of the company and whose name is entered in the register of members of the company;
(*iii*) every person holding shares of the company and whose name is entered as a beneficial owner in the records of a depository;

(*56*) "memorandum" means the memorandum of association of a company as originally framed or as altered from time to time in pursuance of any previous company law or of this Act;

(*57*) "net worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits [, securities premium account and debit or credit balance of profit and loss account], after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation;

(*58*) "notification" means a notification published in the Official Gazette and the expression "notify" shall be construed accordingly;

(*59*) "officer" includes any director, manager or key managerial personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the directors is or are accustomed to act;

(*60*) "officer who is in default", for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely:—

(*i*) whole-time director;
(*ii*) key managerial personnel;
(*iii*) where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;
(*iv*) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorises, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;
(*v*) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity;
(*vi*) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;
(*vii*) in respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer;

(*61*) "Official Liquidator" means an Official Liquidator appointed under sub-section (1) of section 359;

(*62*) "One Person Company" means a company which has only one person as a member;

(*63*) "ordinary or special resolution" means an ordinary resolution, or as the case may be, special resolution referred to in section 114;

(*64*) "paid-up share capital" or "share capital paid-up" means such aggregate amount of money credited as paid-up as is equivalent to the amount received as paid-up in respect of shares issued and also includes any amount credited as paid-up in respect of shares of the company, but does not include any other amount received in respect of such shares, by whatever name called;

(*65*) "postal ballot" means voting by post or through any electronic mode;

(*66*) "prescribed" means prescribed by rules made under this Act;

(*67*) "previous company law" means any of the laws specified below:—

(*i*) Acts relating to companies in force before the Indian Companies Act, 1866 (10 of 1866);
(*ii*) the Indian Companies Act, 1866 (10 of 1866);
(*iii*) the Indian Companies Act, 1882 (6 of 1882);
(*iv*) the Indian Companies Act, 1913 (7 of 1913);
(*v*) the Registration of Transferred Companies Ordinance, 1942 (Ord. 54 of 1942);
(*vi*) the Companies Act, 1956 (1 of 1956); and
(*vii*) any law corresponding to any of the aforesaid Acts or the Ordinances and in force—
(*A*) in the merged territories or in a Part B State (other than the State of Jammu and Kashmir), or any part thereof, before the extension thereto of the Indian Companies Act, 1913 (7 of 1913); or
(*B*) in the State of Jammu and Kashmir, or any part thereof, before the commencement of the Jammu and Kashmir (Extension of Laws) Act, 1956 (62 of 1956), in so far as banking, insurance and financial corporations are concerned, and before the commencement of the Central Laws (Extension to Jammu and Kashmir) Act, 1968 (25 of 1968), in so far as other corporations are concerned;

(*viii*) the Portuguese Commercial Code, in so far as it relates to *sociedades anonimas*; and

(*ix*) the Registration of Companies (Sikkim) Act, 1961 (Sikkim Act 8 of 1961);

(*68*) "private company" means a company having a minimum paid-up share capital [***] as may be prescribed, and which by its articles,—

(*i*) restricts the right to transfer its shares;

(*ii*) except in case of One Person Company, limits the number of its members to two hundred:

Provided that where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this clause, be treated as a single member:

Provided further that—

(*A*) persons who are in the employment of the company; and

(*B*) persons who, having been formerly in the employment of the company, were members of the company while in that employment and have continued to be members after the employment ceased,

shall not be included in the number of members; and

(*iii*) prohibits any invitation to the public to subscribe for any securities of the company;

(*69*) "promoter" means a person—

(*a*) who has been named as such in a prospectus or is identified by the company in the annual return referred to in section 92; or

(*b*) who has control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or

(*c*) in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act:

Provided that nothing in sub-clause (*c*) shall apply to a person who is acting merely in a professional capacity;

(*70*) "prospectus" means any document described or issued as a prospectus and includes a red herring prospectus referred to in section 32 or shelf prospectus referred to in section 31 or any notice, circular, advertisement or other document inviting offers from the public for the subscription or purchase of any securities of a body corporate;

(*71*) "public company" means a company which—

(*a*) is not a private company; [and]

(*b*) has a minimum paid-up share capital [***] as may be prescribed:

Provided that a company which is a subsidiary of a company, not being a private company, shall be deemed to be public company for the purposes of this Act even where such subsidiary company continues to be a private company in its articles ;

(*72*) "public financial institution" means—

(*i*) the Life Insurance Corporation of India, established under section 3 of the Life Insurance Corporation Act, 1956 (31 of 1956);

(*ii*) the Infrastructure Development Finance Company Limited, referred to in clause (*vi*) of sub-section (1) of section 4A of the Companies Act, 1956 (1 of 1956) so repealed under section 465 of this Act;

(*iii*) specified company referred to in the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002);

(*iv*) institutions notified by the Central Government under sub-section (2) of section 4A of the Companies Act, 1956 (1 of 1956) so repealed under section 465 of this Act;

(*v*) such other institution as may be notified by the Central Government in consultation with the Reserve Bank of India:

Provided that no institution shall be so notified unless—

(*A*) it has been established or constituted by or under any Central or State Act [other than this Act or the previous company law]; or

(*B*) not less than fifty-one per cent of the paid-up share capital is held or controlled by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments;

(*73*) "recognised stock exchange" means a recognised stock exchange as defined in clause (*f*) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(*74*) "register of companies" means the register of companies maintained by the Registrar on paper or in any electronic mode under this Act;

(*75*) "Registrar" means a Registrar, an Additional Registrar, a Joint Registrar, a Deputy Registrar or an Assistant Registrar, having the duty of registering companies and discharging various functions under this Act;

(*76*) "related party", with reference to a company, means—

(*i*) a director or his relative;

(*ii*) a key managerial personnel or his relative;

(*iii*) a firm, in which a director, manager or his relative is a partner;

(*iv*) a private company in which a director or manager [or his relative] is a member or director;

(*v*) a public company in which a director or manager is a director [and] holds along with his relatives, more than two per cent of its paid-up share capital;

(*vi*) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

(*vii*) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (*vi*) and (*vii*) shall apply to the advice, directions or instructions given in a professional capacity;

[(*viii*) any body corporate which is—

(*A*) a holding, subsidiary or an associate company of such company;

(*B*) a subsidiary of a holding company to which it is also a subsidiary; or

(*C*) an investing company or the venturer of the company.

Explanation.—For the purpose of this clause, "the investing company or the venturer of a company" means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

(*ix*) such other person as may be prescribed;

(*77*) "relative", with reference to any person, means anyone who is related to another, if—

(*i*) they are members of a Hindu undivided family;

(*ii*) they are husband and wife; or

(*iii*) one person is related to the other in such manner as may be prescribed;

(*78*) "remuneration" means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961 (43 of 1961);

(*79*) "Schedule" means a Schedule annexed to this Act;

(*80*) "scheduled bank" means the scheduled bank as defined in clause (*e*) of section 2 of the Reserve Bank of India Act, 1934 (2 of 1934);

(*81*) "securities" means the securities as defined in clause (*h*) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(*82*) "Securities and Exchange Board" means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(*83*) "Serious Fraud Investigation Office" means the office referred to in section 211;

(*84*) "share" means a share in the share capital of a company and includes stock;

(*85*) "small company" means a company, other than a public company,—

(*i*) paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than [ten crore rupees]; [and]

(*ii*) turnover of which [as per profit and loss account for the immediately preceding financial year] does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than [one hundred crore rupees]:

Provided that nothing in this clause shall apply to—

(*A*) a holding company or a subsidiary company;

(*B*) a company registered under section 8; or

(*C*) a company or body corporate governed by any special Act;

(*86*) "subscribed capital" means such part of the capital which is for the time being subscribed by the members of a company;

(*87*) "subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company—

(*i*) controls the composition of the Board of Directors; or

(*ii*) exercises or controls more than one-half of the [total voting power] either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation.—For the purposes of this clause,—

(*a*) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (*i*) or sub-clause (*ii*) is of another subsidiary company of the holding company;

(*b*) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;

(*c*) the expression "company" includes any body corporate;

(*d*) "layer" in relation to a holding company means its subsidiary or subsidiaries;

(*88*) "sweat equity shares" means such equity shares as are issued by a company to its directors or employees at a discount or for consideration, other than cash, for providing their know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called;

(*89*) "total voting power", in relation to any matter, means the total number of votes which may be cast in regard to that matter on a poll at a meeting of a company if all the members thereof or their proxies having a right to vote on that matter are present at the meeting and cast their votes;

(*90*) "Tribunal" means the National Company Law Tribunal constituted under section 408;

[(*91*) "turnover" means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year;]

(*92*) "unlimited company" means a company not having any limit on the liability of its members;

(*93*) "voting right" means the right of a member of a company to vote in any meeting of the company or by means of postal ballot;

(*94*) "whole-time director" includes a director in the whole-time employment of the company;

[(*94A*) "winding up" means winding up under this Act or liquidation under the Insolvency and Bankruptcy Code, 2016, as applicable;]

(*95*) words and expressions used and not defined in this Act but defined in the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or the Securities and Exchange Board of India Act, 1992 (15 of 1992) or the Depositories Act, 1996 (22 of 1996) shall have the meanings respectively assigned to them in those Acts.

---

3. Corresponds to section 2 of the 1956 Act.
4. Corresponds to section 2(*1*) of the 1956 Act.
5. Enforced with effect from 12-9-2013.
6. Corresponds to section 211(3C) of the 1956 Act.
7. Enforced with effect from 1-4-2014.
8. Corresponds to section 2(*1A*) of the 1956 Act.
9. Enforced with effect from 12-9-2013.
10. Corresponds to section 2(*1B*) of the 1956 Act.
11. Enforced with effect from 12-9-2013.
12. Corresponds to section 2(*2*) of the 1956 Act.
13. Enforced with effect from 12-9-2013.
14. *See* Circular No. 24/2014, dated 25-6-2014 (Holding of shares in a Fiduciary Capacity). For details, *see* **Division Three**. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

***There is no reference to any 'companies or class of companies' in Section 133.**

15. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018. Prior to its substitution, *Explanation* read as under :

'*Explanation*.—For the purposes of this clause, "significant influence" means control of at least twenty per cent of total share capital, or of business decisions under an agreement;'

16. Enforced with effect from 1-4-2014.
17. Enforced with effect from 12-9-2013.
18. Corresponds to section 2(*5*) of the 1956 Act.
19. Enforced with effect from 12-9-2013.
20. For definition of "banking company" under section 5(*c*) of the Banking Regulation Act, 1949, *see* **Appendix I**.
21. Corresponds to sections 2(*6*) and 252(3) of the 1956 Act.
22. Enforced with effect from 12-9-2013.
23. Corresponds to section 2(*7*) of the 1956 Act.
24. Enforced with effect from 12-9-2013.
25. For meaning of expression "body corporate", *see* **Appendix II**.
26. For notified body corporate, *see* **Division Three**.
27. Corresponds to section 2(*8*) of the 1956 Act.
28. Enforced with effect from 12-9-2013.
29. Corresponds to section 209(1) of the 1956 Act.
30. Enforced with effect from 1-4-2014.
31. Corresponds to sections 2(*9*) and 8 of the 1956 Act.
32. Enforced with effect from 12-9-2013.
33. Enforced with effect from 12-9-2013.
34. Corresponds to section 124 of the 1956 Act.
35. Enforced with effect from 12-9-2013.
36. Corresponds to section 33(2), *Explanation* of the 1956 Act.
37. Enforced with effect from 12-9-2013.
38. For definition of "chartered accountant" under sections 2(1)(*b*) and 6(1) of the Chartered Accountants Act, 1949, *see* **Appendix I**.
39. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
40. Enforced with effect from 12-9-2013.
41. Corresponds to sections 2(*10*) and 3 of the 1956 Act.
42. Enforced with effect from 12-9-2013.
43. Corresponds to sections 2(*23*) and 12(2)(*b*) of the 1956 Act.
44. Enforced with effect from 12-9-2013.
45. Corresponds to sections 2(*23*) and 12(2)(*a*) of the 1956 Act.
46. Enforced with effect from 12-9-2013.
47. Enforced with effect from 15-12-2016. Substituted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016. Prior to its substitution, clause (*23*) read as under :

'(*23*) "Company Liquidator", in so far as it relates to the winding up of a company, means a person appointed by—
(*a*) the Tribunal in case of winding up by the Tribunal; or
(*b*) the company or creditors in case of voluntary winding up,
as a Company Liquidator from a panel of professionals maintained by the Central Government under sub-section (2) of section 275;'

48. Corresponds to section 2(*45*) of the 1956 Act.
49. Enforced with effect from 12-9-2013. Provisions of clause (*24*) of section 2 shall not apply to Section 8 Companies - *Notification No. GSR 466(E), dated 5-6-2015.*
50. For definition of "company secretary" under section 2(1)(*c*) of the Company Secretaries Act, 1980, *see* **Appendix I**.
51. Corresponds to section 2(*45A*) of the 1956 Act.
52. Enforced with effect from 12-9-2013.
53. For definition of "Company secretary in practice" under section 2(*2*) of the Company Secretaries Act, 1980, *see* **Appendix I**.
54. Corresponds to section 428 of the 1956 Act.
55. Enforced with effect from 12-9-2013.
56. For meaning of the term "contributory", *see* **Appendix II**.
57. Enforced with effect from 12-9-2013.
58. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018. Prior to its substitution, clause (*28*) read as under :

'(*28*) "cost accountant" means a cost accountant as defined in clause (*b*) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959);'

Earlier section 2(*28*) was enforced with effect from 12-9-2013.

59. For definition of "cost accountant" under section 2(1)(*b*) of the Cost and Works Accountants Act, 1959, *see* **Appendix I**.
60. Corresponds to sections 2(*11*), 2(*14*), 10 and 622 of the 1956 Act.
61. Except sub-clause (*iv*), clause (*29*) is enforced with effect from 12-9-2013.
62. Enforced with effect from 18-5-2016.
63. Corresponds to section 2(*12*) of the 1956 Act.

64. Enforced with effect from 12-9-2013.
65. For meaning of the term "debenture", *see* **Appendix II**.
66. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.
67. Corresponds to section 58A, *Explanation* of the 1956 Act.
68. Enforced with effect from 1-4-2014.
69. *See* rule 2(1)(*c*) of the Companies (Acceptance of Deposits) Rules, 2014 (**Division Two**).
70. Corresponds to section 2(*12A*) of the 1956 Act.
71. Enforced with effect from 12-9-2013.
72. For definition of "depository" under section 2(1)(*e*) of the Depositories Act, 1996, *see* **Appendix I**.
73. Corresponds to section 2(*12B*) of the 1956 Act.
74. Enforced with effect from 12-9-2013.
75. For definition of "derivative" under section 2(*ac*) of the Securities Contracts (Regulation) Act, 1956, *see* **Appendix I**.
76. Corresponds to section 2(*13*) of the 1956 Act.
77. Enforced with effect from 12-9-2013.
78. Corresponds to section 2(*14A*) of the 1956 Act.
79. Enforced with effect from 12-9-2013.
80. *See* also SS-3 : Secretarial Standard on Dividend (*See* **Division Three**).
81. Corresponds to section 2(*15*) of the 1956 Act.
82. Enforced with effect from 12-9-2013.
83. Corresponds to section 2(*15A*) of the 1956 Act.
84. Enforced with effect from 12-9-2013.
85. Corresponds to section 59(2) of the 1956 Act.
86. Enforced with effect from 12-9-2013.
87. In case of private companies, in section 2(*40*) for the proviso, following proviso shall be substituted—

    '**Provided** that the financial statement, with respect to one person company, small company, dormant company and private company (if such private company is a start-up) may not include the cash flow statement.

    Explanation.—For the purposes of this Act, the term "start-up" or "start-up company" means a private company incorporated under the Companies Act, 2013 (18 of 2013) or the Companies Act, 1956 (1 of 1956) and recognised as start-up in accordance with the notification issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry'. - *Notification No. GSR 464(E), dated 5-6-2015, as amended by, Notification No. GSR 583(E), dated 13-6-2017.*
88. Corresponds to section 2(*17*) of the 1956 Act. Enforced with effect from 1-4-2014. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
89. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in clause (*41*) of section 2, after the second proviso, the following proviso shall be inserted, namely :—

    "**Provided also** that in case of a Specified IFSC public company, which is a subsidiary of a foreign company, the financial year of the subsidiary may be same as the financial year of its holding company and approval of the Tribunal shall not be required.".—*Notification No. GSR 8(E), dated 4-1-2017.*

    In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in clause (*41*) of section 2, after the second proviso, the following proviso shall be inserted, namely:—

    "**Provided also** that in case of a Specified IFSC private company, which is a subsidiary of a foreign company, the financial year of the subsidiary may be same as the financial year of its holding company and approval of the Tribunal shall not be required.".—*Notification No. GSR 9(E), dated 4-1-2017.*
90. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018. Prior to its substitution, first proviso, as amended by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018, read as under :

    "**Provided** that on an application made by a company or body corporate, which is a holding company or a subsidiary or associate company of a company incorporated outside India and is required to follow a different financial year for consolidation of its accounts outside India, the Tribunal may, if it is satisfied, allow any period as its financial year, whether or not that period is a year:"
91. Powers are delegated to Regional Directors (*see* **Division Three**).
92. *See* rules 67 and 88 and Form No. NCLT 1 and Annexure B of the NCLT Rules, 2016. *See* also rule 40, Form No. INC 28, e-Form No. RD-1 and e-Form RD-GNL 5 of the Companies (Incorporation) Rules, 2014 (**Division Two**). Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 5,000 (Application for change in financial year). *See* Circular No. 3/2019, dated 11-3-2019 **(Division Three)** for clarification on filing of e-Form RD-1.
93. Substituted for "Provided further that" by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018.
94. Corresponds to section 591(1) of the 1956 Act.
95. Enforced with effect from 1-4-2014.
96. *See* rule 2(1)(*h*) of the Companies (Specification of Definitions Details) Rules, 2014. Rule 2(1)(*h*) read as under :

    "'electronic mode' means carrying out electronically based, whether main server is installed in India or not, including, but not limited to—

    (*i*) business to business and business to consumer transactions, data interchange and other digital supply transactions;

    (*ii*) offering to accept deposits or inviting deposits or accepting deposits or subscriptions in securities, in India or from citizens of India;

    (*iii*) financial settlements, web based marketing, advisory and transactional services, database services and products, supply chain management;

(*iv*) online services such as telemarketing, telecommuting, telemedicine, education and information research; and

(*v*) all related data communication services,

whether conducted by e-mail, mobile devices, social media, cloud computing, document management, voice or data transmission or otherwise."

97. *See* rule 3 of the Companies (Registration Offices & Fees) Rules, 2014. Rule 3 read as under :

"3. *Business activity.*—Every company including foreign company which carries out its business through electronic mode, whether its main server is installed in India or outside India, which—

(*i*) undertakes business to business and business to consumer transactions, data interchange or other digital supply transactions;

(*ii*) offers to accept deposits or invites deposits or accepts deposits or subscriptions in securities, in India or from citizens of India;

(*iii*) undertakes financial settlements, web based marketing, advisory and transactional services, database services or products, supply chain management;

(*iv*) offers online services such as telemarketing, telecommuting, telemedicine, education and information research; or

(*v*) undertakes any other related data communication services,

whether conducted by e-mail, mobile devices, social media, cloud computing, document management, voice or data transmission or otherwise, shall be deemed to have carried out business in India."

98. Corresponds to section 372A, *Explanation* (*b*) and section 2(*29A*), *Explanation* of the 1956 Act.

99. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. *See* also SS-3 : Secretarial Standard on Dividend (*See* **Division Three**).

*Should be read as '(6)'.

1. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. Corresponds to sections 2(*18*) and 617 of the 1956 Act. For exemptions granted to Government companies, *see Notification No. GSR 463(E), dated 5-6-2015.* For notified debt to capital and free reserves ratio, *see Notification No. SO 702(E), dated 10-3-2016.* (*see* **Division Three**).

3. Enforced with effect from 12-9-2013.

3a. In case of Government Companies, in section 2(*45*), the following *Explanation* shall be inserted, namely:—

Explanation.—For the purposes of this clause, the "paid-up share capital" shall be construed as "total voting power", where shares with differential voting rights have been issued. - *Notification No. GSR 463(E), dated 5-6-2015.*

4. Corresponds to sections 2(*19*), 2(*47*) and 4 of the 1956 Act.

5. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

6. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.

7. Enforced with effect from 1-4-2014. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

8. Omitted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018. Prior to its omission, clause (*49*) read as under :

'(*49*) "interested director" means a director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals in which

he or any of his relatives is a partner, director or a member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of a company;'

Earlier section 2(*49*), which corresponded to section 300(1) of the 1956 Act, was enforced with effect from 12-9-2013.

9. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

10. Word "and" omitted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.

11. Sub-clauses (*v*) and (*vi*) substituted for sub-clause (*v*) by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018. Prior to its substitution, clause (*v*) read as under :

"(*v*) such other officer as may be prescribed;"

12. Corresponds to section 2(*23A*) of the 1956 Act.

13. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

13a. Inserted by the Companies (Amendment) Act, 2020, w.e.f. **22-1-2021.**

14. Corresponds to section 2(*24*) of the 1956 Act.

15. Enforced with effect from 12-9-2013.

16. Corresponds to section 2(*26*) of the 1956 Act.

17. Enforced with effect from 12-9-2013.

18. For meaning of the expression "substantial powers of management", *see* **Appendix II**.

19. Corresponds to sections 2(*27*) and 41 of the 1956 Act. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

20. Enforced with effect from 12-9-2013.

21. For meaning of the expression "shall be deemed to have agreed to become member of the company", *see* **Appendix II**.

22. Corresponds to section 2(*28*) of the 1956 Act.

23. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

24. Corresponds to section 2(*29A*) of the 1956 Act.

25. Substituted for "and securities premium account" by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.

26. Enforced with effect from 12-9-2013.

27. Corresponds to section 2(*30*) of the 1956 Act.

28. Enforced with effect from 12-9-2013.

29. Corresponds to sections 2(*31*), 5 and 7 of the 1956 Act.

30. Enforced with effect from 12-9-2013.

31. For meaning of the expression "officer who is in default", *see* **Appendix II**.

32. Enforced with effect from 12-9-2013.
33. Enforced with effect from 1-4-2014.
34. *See* rules 3, 4, 6, 7 & 7A of the Companies (Incorporation) Rules, 2014 (**Division Two**).
35. Enforced with effect from 12-9-2013.
36. Corresponds to section 2(*32*) of the 1956 Act.
37. Enforced with effect from 12-9-2013.
38. Corresponds to section 192A, *Explanation* of the 1956 Act.
39. Enforced with effect from 12-9-2013.
40. Corresponds to section 2(*33*) of the 1956 Act.
41. Enforced with effect from 12-9-2013.
42. Corresponds to sections 2(*34*) and 3(1)(*ii*) of the 1956 Act.
43. Except sub-clause (*ix*), clause (*67*) is enforced with effect from 12-9-2013.
44. Not yet enforced.
45. Corresponds to sections 2(*35*) and 3 of the 1956 Act. For exemptions granted to private companies, *see Notification No. GSR 464(E), dated 5-6-2015* (*see* **Division Three**).
46. Enforced with effect from 12-9-2013. In section 2(*68*) requirement of having minimum paid-up share capital shall not apply to Section 8 Companies - *Notification No. GSR 466(E), dated 5-6-2015* (*see* **Division Three**). It may be noted that now there does not exist any requirement as to minimum paid up share capital.
47. Words "of one lakh rupees or such higher paid-up share capital" omitted by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015.

***Be read as 'sub-clause'.**

48. Corresponds to section 62(6)(*a*) of the 1956 Act.
49. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
50. For meaning of the term "promoter", *see* **Appendix II**.
51. Corresponds to section 2(*36*) of the 1956 Act.
52. Enforced with effect from 12-9-2013. *See* also SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2006 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
53. Corresponds to sections 2(*37*) and 3 of the 1956 Act.
54. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.
55. Words "of five lakh rupees or such higher paid-up capital," omitted by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015.
56. Enforced with effect from 12-9-2013. In section 2(*71*) requirement of having minimum paid-up share capital shall not apply to Section 8 Companies - *Notification No. GSR 466(E), dated 5-6-2015.* It may be noted that now there does not exist any requirement of minimum of paid up share capital.
57. Corresponds to section 4A of the 1956 Act.
58. Enforced with effect from 12-9-2013.
59. For text of section 3 of the Life Insurance Corporation Act, 1956, *see* **Appendix I**.
60. For Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002, *see* **Appendix I.**
61. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.
62. Corresponds to section 2(*39*) of the 1956 Act.
63. Enforced with effect from 12-9-2013.
64. For definition of "recognised stock exchange" under section 2(*f*) of the Securities Contracts (Regulation) Act, 1956, *see* **Appendix I**.
65. Enforced with effect from 12-9-2013.
66. Corresponds to section 2(*40*) of the 1956 Act.
67. Enforced with effect from 12-9-2013.
68. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
69. Inserted by the Companies (Removal of Difficulties) Sixth Order, 2014, w.e.f. 24-7-2014.
70. Substituted for "or" by the Companies (Removal of Difficulties) Fifth Order, 2014, w.e.f. 9-7-2014.
71. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018. Prior to its substitution, sub-clause (*viii*) read as under :

"(*viii*) any company which is—
(*A*) a holding, subsidiary or an associate company of such company; or
(*B*) a subsidiary of a holding company to which it is also a subsidiary;"

72. In case of private companies section 2(*76*)(*viii*) shall not apply with respect to section 188 - *Notification No. GSR 464(E), dated 5-6-2015.*

In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-clause (*viii*) of clause (*76*) of section 2, shall not apply with respect to section 188. —*Notification No. GSR 8(E), dated 4-1-2017*.

[Above notifications are issued u/s 2(*76*)(*viii*) prior to amendment made by Companies (Amendment) Act, 2017]

73. *See* rule 3 of the Companies (Specification of Definitions Details) Rules, 2014. Rule 3, as amended by the Companies (Specification of Definitions Details) Amendment Rules, 2014, w.e.f. 17-7-2014, read as under :

"3. *Related party.*—For the purposes of sub-clause (*ix*) of clause (*76*) of section 2 of the Act, a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party."

74. Corresponds to sections 2(*41*), 6 and Schedule IA of the 1956 Act.

75. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

76. *See* rule 4 of the Companies (Specification of Definitions Details) Rules, 2014. Rule 4 reads as under :

'4. *List of relatives in terms of clause (77) of section 2*.—A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:—

(1) Father :
Provided that the term "Father" includes step-father.

(2) Mother :
Provided that the term "Mother" includes the step-mother.

(3) Son :
Provided that the term "Son" includes the step-son.

(4) Son's wife.

(5) Daughter.

(6) Daughter's husband.

(7) Brother :
Provided that the term "Brother" includes the step-brother;

(8) Sister :
Provided that the term "Sister" includes the step-sister.'

77. Corresponds to *Explanation* to section 198 of the 1956 Act.

78. Enforced with effect from 12-9-2013.

79. Corresponds to section 2(*42*) of the 1956 Act.

80. Enforced with effect from 12-9-2013.

81. Corresponds to section 2(*43*) of the 1956 Act.

82. Enforced with effect from 12-9-2013.

83. For definition of "scheduled bank" under section 2(*e*) of the Reserve Bank of India Act, 1934, *see* **Appendix I**.

84. Corresponds to section 2(*45AA*) of the 1956 Act.

85. Enforced with effect from 12-9-2013. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

86-87. For definition of "securities" under section 2(*h*) of the Securities Contracts (Regulation) Act, 1956, *see* **Appendix I**.

88. Corresponds to section 2(*45B*) of the 1956 Act.

89. Enforced with effect from 12-9-2013.

90. For text of section 3 of the Securities and Exchange Board of India Act, 1992, *see* **Appendix I**.

91. Enforced with effect from 1-4-2014.

92. Corresponds to section 2(*46*) of the 1956 Act.

93. Enforced with effect from 12-9-2013.

94. Enforced with effect from 1-4-2014.

95. Substituted for "five crore rupees" by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.

96. Substituted for "or" by the Companies (Removal of Difficulties) Order, 2015, w.e.f. 13-2-2015.

97. Substituted for "as per its last profit and loss account" by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.

98. Substituted for "twenty crore rupees" by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.

99. Enforced with effect from 12-9-2013.

1. Section 2(*87*), except the proviso and *Explanation* (*d*) enforced with effect from 12-9-2013. *Explanation* (*d*) enforced with effect from 1-4-2014. Proviso enforced with effect from 20-9-2017.

2. Corresponds to sections 2(*19*), 2(*47*) and 4 of the 1956 Act. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. *See* also Circular No. 20/2013, dated 27-12-2013 [Holding of Shares or Exercising Power in a Fiduciary Capacity] and Circular No. 23/2014, dated 25-6-2014 [No bar for a company incorporated outside India to incorporate a subsidiary either as a public company or a private company]. For details, *see* **Division Three.**

4. Substituted for "total share capital" by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.

5. Enforced with effect from 20-9-2017.

6. *See* Companies (Restriction on Number of Layers) Rules, 2017 (**Division Two**).

7. Enforced with effect from 1-4-2014.

8. Corresponds to section 79A(1), *Explanation II* of the 1956 Act.

9. Enforced with effect from 12-9-2013.

10. Corresponds to section 2(*48*) of the 1956 Act.

11. Enforced with effect from 12-9-2013.

12. Corresponds to section 2(*49A*) of the 1956 Act.

13. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018. Prior to its substitution, clause (*91*) read as under :

'(*91*) "turnover" means the aggregate value of the realisation of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year;'
Earlier section 2(*91*) was enforced with effect from 12-9-2013.

14. Corresponds to section 12(2)(*c*) of the 1956 Act.

15. Enforced with effect from 12-9-2013.

16. Corresponds to *Explanation* to section 269 of the 1956 Act.

17. Enforced with effect from 12-9-2013.
18. Inserted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016.
19. Corresponds to sections 2A and 2(*31A*) of the 1956 Act.
20. Enforced with effect from 12-9-2013.

CHAPTER II

INCORPORATION OF COMPANY AND MATTERS INCIDENTAL THERETO

Formation of company .

3. (1) A company may be formed for any lawful purpose by—

(*a*) seven or more persons, where the company to be formed is to be a public company;

(*b*) two or more persons, where the company to be formed is to be a private company; or

(*c*) one person, where the company to be formed is to be One Person Company that is to say, a private company,

by subscribing their names or his name to a memorandum and complying with the requirements of this Act in respect of registration:

Provided that the memorandum of One Person Company shall indicate the name of the other person, with his prior written consent in the prescribed form, who shall, in the event of the subscriber's death or his incapacity to contract become the member of the company and the written consent of such person shall also be filed with the Registrar at the time of incorporation of the One Person Company along with its memorandum and articles:

Provided further that such other person may withdraw his consent in such manner as may be prescribed:

Provided also that the member of One Person Company may at any time change the name of such other person by giving notice in such manner as may be prescribed:

Provided also that it shall be the duty of the member of One Person Company to intimate the company the change, if any, in the name of the other person nominated by him by indicating in the memorandum or otherwise within such time and in such manner as may be prescribed, and the company shall intimate the Registrar any such change within such time and in such manner as may be prescribed:

Provided also that any such change in the name of the person shall not be deemed to be an alteration of the memorandum.

(2) A company formed under sub-section (1) may be either—

(*a*) a company limited by shares; or

(*b*) a company limited by guarantee; or

(*c*) an unlimited company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Members severally liable in certain cases.

3A.*If at any time the number of members of a company is reduced, in the case of a public company, below seven, in the case of a private company, below two, and the company carries on business for more than six months while the number of members is so reduced, every person who is a member of the company during the time that it so carries on business after those six months and is cognisant of the fact that it is carrying on business with less than seven members or two members, as the case may be, shall be severally liable for the payment of the whole debts of the company contracted during that time, and may be severally sued therefor.***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Memorandum.

4. (1) The memorandum of a company shall state—

(*a*) the name of the company with the last word "Limited" in the case of a public limited company, or the last words "Private Limited" in the case of a private limited company:
Provided that nothing in this clause shall apply to a company registered under section 8;

(*b*) the State in which the registered office of the company is to be situated;

(*c*) the objects for which the company is proposed to be incorporated and any matter considered necessary in furtherance thereof;

(*d*) the liability of members of the company, whether limited or unlimited, and also state,—

(*i*) in the case of a company limited by shares, that liability of its members is limited to the amount unpaid, if any, on the shares held by them; and

(*ii*) in the case of a company limited by guarantee, the amount up to which each member undertakes to contribute—

(*A*) to the assets of the company in the event of its being wound-up while he is a member or within one year after he ceases to be a member, for payment of the debts and liabilities of the company or of such debts and liabilities as may have been contracted before he ceases to be a member, as the case may be; and

(*B*) to the costs, charges and expenses of winding-up and for adjustment of the rights of the contributories among themselves;

(*e*) in the case of a company having a share capital,—

(*i*) the amount of share capital with which the company is to be registered and the division thereof into shares of a fixed amount and the number of shares which the subscribers to the memorandum agree to subscribe which shall not be less than one share; and

(*ii*) the number of shares each subscriber to the memorandum intends to take, indicated opposite his name;

(*f*) in the case of One Person Company, the name of the person who, in the event of death of the subscriber, shall become the member of the company.

(2) The name stated in the memorandum shall not—

(*a*) be identical with or resemble too nearly to the name of an existing company registered under this Act or any previous company law; or

(*b*) be such that its use by the company—

(*i*) will constitute an offence under any law for the time being in force; or

(*ii*) is undesirable in the opinion of the Central Government.

(3) Without prejudice to the provisions of sub-section (2), a company shall not be registered with a name which contains—

(*a*) any word or expression which is likely to give the impression that the company is in any way connected with, or having the patronage of, the Central Government, any State Government, or any local authority, corporation or body constituted by the Central Government or any State Government under any law for the time being in force; or

(*b*) such word or expression, as may be prescribed,

unless the previous approval of the Central Government has been obtained for the use of any such word or expression.

(4) A person may make an application, in such form and manner and accompanied by such fee, as may be prescribed, to the Registrar for the reservation of a name set out in the application as—

(*a*) the name of the proposed company; or

(*b*) the name to which the company proposes to change its name.

(5)**[**(i) *Upon receipt of an application under sub-section (4), the Registrar may, on the basis of information and documents furnished along with the application, reserve the name for a period of twenty days from the date of approval or such other period as may be prescribed:*

Provided*that in case of an application for reservation of name or for change of its name by an existing company, the Registrar may reserve the name for a period of sixty days from the date of approval.***]**

(*ii*) Where after reservation of name under clause (*i*), it is found that name was applied by furnishing wrong or incorrect information, then,—

(*a*) if the company has not been incorporated, the reserved name shall be cancelled and the person making application under sub-section (4) shall be liable to a penalty which may extend to one lakh rupees;

(*b*) if the company has been incorporated, the Registrar may, after giving the company an opportunity of being heard—

(*i*) either direct the company to change its name within a period of three months, after passing an ordinary resolution;

(*ii*) take action for striking off the name of the company from the register of companies; or

(*iii*) make a petition for winding up of the company.

(6) The memorandum of a company shall be in respective forms specified in Tables A, B, C, D and E in Schedule I as may be applicable to such company.

(7) Any provision in the memorandum or articles, in the case of a company limited by guarantee and not having a share capital, purporting to give any person a right to participate in the divisible profits of the company otherwise than as a member, shall be void.

Articles .

5. (1) The articles of a company shall contain the regulations for manage- ment of the company.

(2) The articles shall also contain such matters, as may be prescribed:

Provided that nothing prescribed in this sub-section shall be deemed to prevent a company from including such additional matters in its articles as may be considered necessary for its management.

(3) The articles may contain provisions for entrenchment to the effect that specified provisions of the articles may be altered only if conditions or procedures as that are more restrictive than those applicable in the case of a special resolution, are met or complied with.

(4) The provisions for entrenchment referred to in sub-section (3) shall only be made either on formation of a company, or by an amendment in the articles agreed to by all the members of the company in the case of a private company and by a special resolution in the case of a public company.

(5) Where the articles contain provisions for entrenchment, whether made on formation or by amendment, the company shall give notice to the Registrar of such provisions in such form and manner as may be prescribed.

(6) The articles of a company shall be in respective forms specified in Tables F, G, H, I and J in Schedule I as may be applicable to such company.

(7) A company may adopt all or any of the regulations contained in the model articles applicable to such company.

(8) In case of any company, which is registered after the commencement of this Act, in so far as the registered articles of such company do not exclude or modify the regulations contained in the model articles applicable to such company, those regulations shall, so far as applicable, be the regulations of that company in the same manner and to the extent as if they were contained in the duly registered articles of the company.

(9) Nothing in this section shall apply to the articles of a company registered under any previous company law unless amended under this Act.

Act to override memorandum, articles, etc.

6. Save as otherwise expressly provided in this Act—

(*a*) the provisions of this Act shall have effect notwithstanding anything to the contrary contained in the memorandum or articles of a company, or in any agreement executed by it, or in any resolution passed by the company in general meeting or by its Board of Directors, whether the same be registered, executed or passed, as the case may be, before or after the commencement of this Act; and

(*b*) any provision contained in the memorandum, articles, agreement or resolution shall, to the extent to which it is repugnant to the provisions of this Act, become or be void, as the case may be.

Incorporation of company.

7. (1) There shall be filed with the Registrar within whose jurisdiction the registered office of a company is proposed to be situated, the following documents and information for registration, namely:—

(*a*) the memorandum and articles of the company duly signed by all the subscribers to the memorandum in such manner as may be prescribed;

(*b*) a declaration in the prescribed form by an advocate, a chartered accountant, cost accountant or company secretary in practice, who is engaged in the formation of the company, and by a person named in the articles as a director, manager or secretary of the company, that all the requirements of this Act and the rules made thereunder in respect of registration and matters precedent or incidental thereto have been complied with;

(*c*) **[***a declaration***]** from each of the subscribers to the memorandum and from persons named as the first directors, if any, in the articles that he is not convicted of any offence in connection with the promotion, formation or management of any company, or that he has not been found guilty of any fraud or misfeasance or of any breach of duty to any company under this Act or any previous company law during the preceding five years and that all the documents filed with the Registrar for registration of the company contain information that is correct and complete and true to the best of his knowledge and belief;

(*d*) the address for correspondence till its registered office is established;

(*e*) the particulars of name, including surname or family name, residential address, nationality and such other particulars of every subscriber to the memorandum along with proof of identity, as may be prescribed, and in the case of a subscriber being a body corporate, such particulars as may be prescribed;

(*f*) the particulars of the persons mentioned in the articles as the first directors of the company, their names, including surnames or family names, the Director Identification Number, residential address, nationality and such other particulars including proof of identity as may be prescribed; and

(*g*) the particulars of the interests of the persons mentioned in the articles as the first directors of the company in other firms or bodies corporate along with their consent to act as directors of the company in such form and manner as may be prescribed.

(2) The Registrar on the basis of documents and information filed under sub-section (1) shall register all the documents and information referred to in that sub-section in the register and issue a certificate of incorporation in the prescribed form to the effect that the proposed company is incorporated under this Act.

(3) On and from the date mentioned in the certificate of incorporation issued under sub-section (2), the Registrar shall allot to the company a corporate identity number, which shall be a distinct identity for the company and which shall also be included in the certificate.

(4) The company shall maintain and preserve at its registered office copies of all documents and information as originally filed under sub-section (1) till its dissolution under this Act.

(5) If any person furnishes any false or incorrect particulars of any information or suppresses any material information, of which he is aware in any of the documents filed with the Registrar in relation to the registration of a company, he shall be liable for action under section 447.

(6) Without prejudice to the provisions of sub-section (5) where, at any time after the incorporation of a company, it is proved that the company has been got incorporated by furnishing any false or incorrect information or representation or by suppressing any material fact or information in any of the documents or declaration filed or made for incorporating such company, or by any fraudulent action, the promoters, the persons named as the first directors of the company and the persons making declaration under clause (*b*) of sub-section (1) shall each be liable for action under section 447.

(7) Without prejudice to the provisions of sub-section (6), where a company has been got incorporated by furnishing any false or incorrect information or representation or by suppressing any material fact or information in any of the documents or declaration filed or made for incorporating such company or by any fraudulent action, the Tribunal may, on an application made to it, on being satisfied that the situation so warrants,—

(*a*) pass such orders, as it may think fit, for regulation of the management of the company including changes, if any, in its memorandum and articles, in public interest or in the interest of the company and its members and creditors; or

(*b*) direct that liability of the members shall be unlimited; or

(*c*) direct removal of the name of the company from the register of companies; or

(*d*) pass an order for the winding up of the company; or

(*e*) pass such other orders as it may deem fit:

Provided that before making any order under this sub-section,—

(*i*) the company shall be given a reasonable opportunity of being heard in the matter; and

(*ii*) the Tribunal shall take into consideration the transactions entered into by the company, including the obligations, if any, contracted or payment of any liability.

Formation of companies with charitable objects, etc.

8. (1) Where it is proved to the satisfaction of the Central Government that a person or an association of persons proposed to be registered under this Act as a limited company—

(*a*) has in its objects the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object;

(*b*) intends to apply its profits, if any, or other income in promoting its objects; and

(*c*) intends to prohibit the payment of any dividend to its members,

the Central Government may, by licence issued in such manner as may be prescribed, and on such conditions as it deems fit, allow that person or association of persons to be registered as a limited company under this section without the addition to its name of the word "Limited", or as the case may be, the words "Private Limited" , and thereupon the Registrar shall, on application, in the prescribed form, register such person or association of persons as a company under this section.

(2) The company registered under this section shall enjoy all the privileges and be subject to all the obligations of limited companies.

(3) A firm may be a member of the company registered under this section.

(4) (*i*) A company registered under this section shall not alter the provisions of its memorandum or articles except with the previous approval of the Central Government.

(*ii*) A company registered under this section may convert itself into company of any other kind only after complying with such conditions as may be prescribed.

(5) Where it is proved to the satisfaction of the Central Government that a limited company registered under this Act or under any previous company law has been formed with any of the objects specified in clause (*a*) of sub-section (1) and with the restrictions and prohibitions as mentioned respectively in clauses (*b*) and (*c*) of that sub-section, it may, by licence, allow the company to be registered under this section subject to such conditions as the Central Government deems fit and to change its name by omitting the word "Limited", or as the case may be, the words "Private Limited" from its name and thereupon the Registrar shall, on application, in the prescribed form, register such company under this section and all the provisions of this section shall apply to that company.

(6) The Central Government may, by order, revoke the licence granted to a company registered under this section if the company contravenes any of the requirements of this section or any of the conditions subject to which a licence is issued or the affairs of the company are conducted fraudulently or in a manner violative of the objects of the company or prejudicial to public interest, and without prejudice to any other action against the company under this Act, direct the company to convert its status and change its name to add the word "Limited" or the words "Private Limited", as the case may be, to its name and thereupon the Registrar shall, without prejudice to any action that may be taken under sub-section (7), on application, in the prescribed form, register the company accordingly:

Provided that no such order shall be made unless the company is given a reasonable opportunity of being heard:

Provided further that a copy of every such order shall be given to the Registrar.

(7) Where a licence is revoked under sub-section (6), the Central Government may, by order, if it is satisfied that it is essential in the public interest, direct that the company be wound up under this Act or amalgamated with another company registered under this section:

Provided that no such order shall be made unless the company is given a reasonable opportunity of being heard.

(8) Where a licence is revoked under sub-section (6) and where the Central Government is satisfied that it is essential in the public interest that the company registered under this section should be amalgamated with another company registered under this section and having similar objects, then, notwithstanding anything to the contrary contained in this Act, the Central Government may, by order, provide for such amalgamation to form a single company with such constitution, properties, powers, rights, interest, authorities and privileges and with such liabilities, duties and obligations as may be specified in the order.

(9) If on the winding up or dissolution of a company registered under this section, there remains, after the satisfaction of its debts and liabilities, any asset, they may be transferred to another company registered under this section and having similar objects, subject to such conditions as the Tribunal may impose, or may be sold and proceeds thereof credited to [Insolvency and Bankruptcy Fund formed under section 224 of the Insolvency and Bankruptcy Code, 2016].

(10) A company registered under this section shall amalgamate only with another company registered under this section and having similar objects.

(11) If a company makes any default in complying with any of the requirements laid down in this section, the company shall, without prejudice to any other action under the provisions of this section, be punishable with fine which shall not be less than ten lakh rupees but which may extend to one crore rupees and the directors and every officer of the company who is in default shall be punishable **[*******]** with fine which shall not be less than twenty-five thousand rupees but which may extend to **[***twenty-five lakh rupees***]**:

Provided that when it is proved that the affairs of the company were conducted fraudulently, every officer in default shall be liable for action under section 447.

---

62. Corresponds to section 25 of the 1956 Act.

63. For exemptions granted to charitable companies, *see* Notification No. GSR 466(E), dated 5-6-2015. *See* also Notification No. SO 3396(E), dated 7-11-2013 (Electoral Trust - Exemption from operation of section 182) (*see* **Division Three**).
64. Except sub-section (9), section 8 enforced with effect from 1-4-2014. Sub-section (9) of section 8 enforced with effect from 15-12-2016.
65. Powers are delegated to Registrar of Companies.
66. *See* rule 19 and Form Nos. INC 11, 13 to 15 and SPICe + (Simplified Proforma for Incorporating Company Electronically Plus : INC-32) of the Companies (Incorporation) Rules, 2014 (**Division Two**).
67. Powers are delegated to Registrar of Companies, except for alteration of memorandum in case of conversion into another kind of company. For alteration of memorandum in case of conversion into another kind of company, powers are delegated to Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Shillong.
68. *See* rules 21 & 22 and Form Nos. INC 18 to 20 of the Companies (Incorporation) Rules, 2014. *See* also Form No. MGT 14 of Companies (Management & Administration) Rules, 2014 (**Division Two**).
69. Powers are delegated to Registrar of Companies.
70. *See* rule 20 and Form Nos. INC 12, 14, 15 to 17 & 26 of the Companies (Incorporation) Rules, 2014 (**Division Two**).
71. Powers are delegated to Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Shillong.
72. *See* rule 23 and Form No. INC 20 of the Companies (Incorporation) Rules, 2014 (**Division Two**).
73. Enforced with effect from 15-12-2016.
74. Substituted for "the Rehabilitation and Insolvency Fund formed under section 269" by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016.
74a. Words "with imprisonment for a term which may extend to three years or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
74b. Substituted for "twenty-five lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Effect of registration .

9. From the date of incorporation mentioned in the certificate of incorpora- tion, such subscribers to the memorandum and all other persons, as may, from time to time, become members of the company, shall be a body corporate by the name contained in the memorandum, capable of exercising all the functions of an incorporated company under this Act and having perpetual succession [***] with power to acquire, hold and dispose of property, both movable and immovable, tangible and intangible, to contract and to sue and be sued, by the said name.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Effect of memorandum and articles .

10. (1) Subject to the provisions of this Act, the memorandum and articles shall, when registered, bind the company and the members thereof to the same extent as if they respectively had been signed by the company and by each member, and contained covenants on its and his part to observe all the provisions of the memorandum and of the articles.

(2) All monies payable by any member to the company under the memorandum or articles shall be a debt due from him to the company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Commencement of business, etc.

10A. *(1) A company incorporated after the commencement of the Companies (Amendment) Act, 2019 and having a share capital shall not commence any business or exercise any borrowing powers unless—*

(a) *a declaration is filed by a director within a period of one hundred and eighty days of the date of incorporation of the company in such form and verified in such manner as may be prescribed, with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him on the date of making of such declaration; and*

(b) *the company has filed with the Registrar a verification of its registered office as provided in sub-section (2) of section 12.*

(2) If any default is made in complying with the requirements of this section, the company shall be liable to a penalty of fifty thousand rupees and every officer who is in default shall be liable to a penalty of one thousand rupees for each day during which such default continues but not exceeding an amount of one lakh rupees.

(3) Where no declaration has been filed with the Registrar under clause (a) *of sub-section (1) within a period of one hundred and eighty days of the date of incorporation of the company and the Registrar has reasonable cause to believe that the company is not carrying on any business or operations, he may, without prejudice to the provisions of sub-section (2), initiate action for the removal of the name of the company from the register of companies under Chapter XVIII.***]**

76a. Inserted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Commencement of business, etc.

11. [***]

Registered office of company.

12. (1) A company shall, **[***within thirty days of its incorporation***]** and at all times thereafter, have a registered office capable of receiving and acknowledging all communications and notices as may be addressed to it.

(2) The company shall furnish to the Registrar verification of its registered office within a period of thirty days of its incorporation in such manner as may be prescribed.

(3) Every company shall—

(*a*) paint or affix its name, and the address of its registered office, and keep the same painted or affixed, on the outside of every office or place in which its business is carried on, in a conspicuous position, in legible letters, and if the characters employed therefor are not those of the language or of one of the languages in general use in that locality, also in the characters of that language or of one of those languages;

[(*b*) have its name engraved in legible characters on its seal, if any;]

(*c*) get its name, address of its registered office and the Corporate Identity Number along with telephone number, fax number, if any, e-mail and website addresses, if any, printed in all its business letters, billheads, letter papers and in all its notices and other official publications; and

(*d*) have its name printed on hundies, promissory notes, bills of exchange and such other documents as may be prescribed:

Provided that where a company has changed its name or names during the last two years, it shall paint or affix or print, as the case may be, along with its name, the former name or names so changed during the last two years as required under clauses (*a*) and (*c*):

Provided further that the words "One Person Company" shall be mentioned in brackets below the name of such company, wherever its name is printed, affixed or engraved.

(4) Notice of every change of the situation of the registered office, verified in the manner prescribed, after the date of incorporation of the company, shall be given to the Registrar **[***within thirty days***]** of the change, who shall record the same.

(5) Except on the authority of a special resolution passed by a company, the registered office of the company shall not be changed,—

(*a*) in the case of an existing company, outside the local limits of any city, town or village where such office is situated at the commencement of this Act or where it may be situated later by virtue of a special resolution passed by the company; and

(*b*) in the case of any other company, outside the local limits of any city, town or village where such office is first situated or where it may be situated later by virtue of a special resolution passed by the company:

Provided that no company shall change the place of its registered office from the jurisdiction of one Registrar to the jurisdiction of another Registrar within the same State unless such change is confirmed by the Regional Director on an application made in this behalf by the company in the prescribed manner.

(6) The confirmation referred to in sub-section (5) shall be communicated within a period of thirty days from the date of receipt of application by the Regional Director to the company and the company shall file the confirmation with the Registrar within a period of sixty days of the date of confirmation who shall register the same and certify the registration within a period of thirty days from the date of filing of such confirmation.

(7) The certificate referred to in sub-section (6) shall be conclusive evidence that all the requirements of this Act with respect to change of registered office in pursuance of sub-section (5) have been complied with and the change shall take effect from the date of the certificate.

(8) If any default is made in complying with the requirements of this section, the company and every officer who is in default shall be liable to a penalty of one thousand rupees for every day during which the default continues but not exceeding one lakh rupees.

[*(9) If the Registrar has reasonable cause to believe that the company is not carrying on any business or operations, he may cause a physical verification of the registered office of the company in such manner as may be prescribed and if any default is found to be made in complying with the requirements of sub-section (1), he may without prejudice to the provisions of sub-section (8), initiate action for the removal of the name of the company from the register of companies under Chapter XVIII.***]**

---

78. Corresponds to sections 17A, 146 and 147 of the 1956 Act.

79. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.

80. Enforced with effect from 1-4-2014. *See* also Table F of Schedule I.

80a. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (1) of section 12, the following proviso shall be inserted, namely:—

"**Provided** that a Specified IFSC public company shall have its registered office at the International Financial Services Centre located in the approved multi services Special Economic Zone set-up under the Special Economic Zones Act, 2005 read with the Special Economic Zones Rules, 2006, where it is licensed to operate, at all times.". —*Notification No. GSR 8(E), dated 4-1-2017*.

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (1) of section 12, the following proviso shall be inserted, namely:—

"**Provided** that a Specified IFSC private company shall have its registered office at the International Financial Services Centre located in the approved multi services Special Economic Zone set-up under the Special Economic Zones Act, 2005 read with the Special Economic Zones Rules, 2006, where it is licensed to operate, at all times.".—*Notification No. GSR 9(E), dated 4-1-2017*.

80b. Substituted for "on and from the fifteenth day of its incorporation" by the Companies (Amendment) Act, 2017, with effect from **27-7-2018**.

80c. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (2) of section 12, for the words "thirty days" read as "sixty days".—*Notification No. GSR 8(E), dated 4-1-2017*.

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (2) of section 12, for the words "thirty days" read as "sixty days".—*Notification No. GSR 9(E), dated 4-1-2017*.

81. *See* rule 25 and Form No. INC 22 of the Companies (Incorporation) Rules, 2014 (**Division Two**).

82. For meaning of the expressions "outside of every office" and "languages in general use", *see* **Appendix II**.

83. Substituted by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015. Prior to its substitution, clause (*b*) read as under :

"(*b*) have its name engraved in legible characters on its seal;"

84. For meaning of the term "notices", *see* **Appendix II**.

85. *See* rule 26 of the Companies (Incorporation) Rules, 2014 (**Division Two**).

85a. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (4) of section 12, for the words "fifteen days" read as "sixty days".—*Notification No. GSR 8(E), dated 4-1-2017*.

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (4) of section 12, for the words "fifteen days" read as "sixty days".—*Notification No. GSR 9(E), dated 4-1-2017*.

86. *See* rule 27 and Form No. INC 22 of the Companies (Incorporation) Rules, 2014 (**Division Two**).

86a. Substituted for "within fifteen days" by the Companies (Amendment) Act, 2017, with effect from **27-7-2018**.

86b. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, for sub-section (5) of section 12, the following sub-section shall be substituted, namely:—

"(5) Except on the authority of a resolution passed by the Board of Directors, the registered office of the Specified IFSC public company shall not be changed from one place to another within the International Financial Services Centre:

Provided that the Specified IFSC public company shall not change the place of its registered office to any other place outside the said International Financial Services Centre.".—*Notification No. GSR 8(E), dated 4-1-2017*.

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, for sub-section (5) of section 12, the following sub-section shall be substituted, namely:—

"(5) Except on the authority of a resolution passed by the Board of Directors, the registered office of the Specified IFSC private company shall not be changed from one place to another within the International Financial Services Centre:

Provided that a Specified IFSC private company shall not change the place of its registered office to any other place outside the International Financial Services Centre.".—*Notification No. GSR 9(E), dated 4-1-2017*.

87. For meaning of the expression "local limits", *see* **Appendix II**.

88. *See* rule 28 and Form No. INC 23 of the Companies (Incorporation) Rules, 2014 (**Division Two**).

88a. Inserted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

Alteration of memorandum .

13. (1) Save as provided in , a company may, by a special resolution and after complying with the procedure specified in this section, alter the provisions of its memorandum.

(2) Any change in the name of a company shall be subject to the provisions of sub-sections (2) and (3) of and shall not have effect except with the approval of the Central Government in writing:

Provided that no such approval shall be necessary where the only change in the name of the company is the deletion therefrom, or addition thereto, of the word "Private", consequent on the conversion of any one class of companies to another class in accordance with the provisions of this Act.

(3) When any change in the name of a company is made under sub-section (2), the Registrar shall enter the new name in the register of companies in place of the old name and issue a fresh certificate of incorporation with the new name and the change in the name shall be complete and effective only on the issue of such a certificate.

(4) The alteration of the memorandum relating to the place of the registered office from one State to another shall not have any effect unless it is approved by the Central Government on an application in such form and manner as may be prescribed.

(5) The Central Government shall dispose of the application under sub-section (4) within a period of sixty days and before passing its order may satisfy itself that the alteration has the consent of the creditors, debenture-holders and other persons concerned with the company or that the sufficient provision has been made by the company either for the due discharge of all its debts and obligations or that adequate security has been provided for such discharge.

(6) Save as provided in , a company shall, in relation to any alteration of its memorandum, file with the Registrar—

(*a*) the special resolution passed by the company under sub-section (1);

(*b*) the approval of the Central Government under sub-section (2), if the alteration involves any change in the name of the company.

(7) Where an alteration of the memorandum results in the transfer of the registered office of a company from one State to another, a certified copy of the order of the Central Government approving the alteration shall be filed by the company with the Registrar of each of the States within such time and in such manner as may be prescribed, who shall register the same, and the Registrar of the State where the registered office is being shifted to, shall issue a fresh certificate of incorporation indicating the alteration.

(8) A company, which has raised money from public through prospectus and still has any unutilised amount out of the money so raised, shall not change its objects for which it raised the money through prospectus unless a special resolution is passed by the company and—

(*i*) the details, as may be prescribed, in respect of such resolution shall also be published in the newspapers (one in English and one in vernacular language) which is in circulation at the place where the registered office of the company is situated and shall also be placed on the website of the company, if any, indicating therein the justification for such change;

(*ii*) the dissenting shareholders shall be given an opportunity to exit by the promoters and shareholders having control in accordance with regulations to be specified by the Securities and Exchange Board.

(9) The Registrar shall register any alteration of the memorandum with respect to the objects of the company and certify the registration within a period of thirty days from the date of filing of the special resolution in accordance with clause (*a*) of sub-section (6) of this section.

(10) No alteration made under this section shall have any effect until it has been registered in accordance with the provisions of this section.

(11) Any alteration of the memorandum, in the case of a company limited by guarantee and not having a share capital, purporting to give any person a right to participate in the divisible profits of the company otherwise than as a member, shall be void.

Alteration of articles.

14. (1) Subject to the provisions of this Act and the conditions contained in its memorandum, if any, a company may, by a special resolution, alter its articles including alterations having the effect of conversion of—

(*a*) a private company into a public company; or

(*b*) a public company into a private company:

Provided that where a company being a private company alters its articles in such a manner that they no longer include the restrictions and limitations which are required to be included in the articles of a private company under this Act, the company shall, as from the date of such alteration, cease to be a private company:

[Provided further *that any alteration having the effect of conversion of a public company into a private company shall not be valid unless it is approved by an order of the Central Government on an application made in such form and manner as may be prescribed:*

Provided also *that any application pending before the Tribunal, as on the date of commencement of the Companies (Amendment) Act, 2019, shall be disposed of by the Tribunal in accordance with the provisions applicable to it before such commencement.***]**

(2) Every alteration of the articles under this section and a copy of the order of the **[***Central Government***]** approving the alteration as per sub-section (1) shall be filed with the Registrar, together with a printed copy of the altered articles, within a period of fifteen days in such manner as may be prescribed, who shall register the same.

(3) Any alteration of the articles registered under sub-section (2) shall, subject to the provisions of this Act, be valid as if it were originally in the articles.

---

99. Corresponds to sections 31 and 43 of the 1956 Act.

1. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act. *See* also SEBI (Delisting of Equity Shares) Regulations, 2009.

2. Except second proviso to sub-section (1) and sub-section (2), section 14 enforced with effect from 1-4-2014. Second proviso to sub-section (1) and sub-section (2) enforced with effect from 1-6-2016.

3. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, second proviso was enforced with effect from 1-6-2016, read as under :

"**Provided further** that any alteration having the effect of conversion of a public company into a private company shall not take effect except with the approval of the Tribunal which shall make such order as it may deem fit."

3a. Enforced with effect from 1-6-2016.

3b. Substituted for "Tribunal" by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

4.*See* rule 33 and Form No. INC 27 of the Companies (Incorporation) Rules, 2014. *See* also Circular No. 18/2014, dated 11-6-2014 [Clarification for filing of Form No. INC-27 for conversion of company from public to private] for details, *see* **Division Three**.

Alteration of memorandum or articles to be noted in every copy.

15. (1) Every alteration made in the memorandum or articles of a company shall be noted in every copy of the memorandum or articles, as the case may be.

(2) If a company makes any default in complying with the provisions of sub-section (1), the company and every officer who is in default shall be liable to a penalty of one thousand rupees for every copy of the memorandum or articles issued without such alteration.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Rectification of name of company..

16. (1) If, through inadvertence or otherwise, a company on its first registration or on its registration by a new name, is registered by a name which,—

(*a*) in the opinion of the Central Government, is identical with or too nearly resembles the name by which a company in existence had been previously registered, whether under this Act or any previous company law, it may direct the company to change its name and the company shall change its name or new name, as the case may be, within a period of three months from the issue of such direction, after adopting an ordinary resolution for the purpose;

(*b*) on an application by a registered proprietor of a trade mark that the name is identical with or too nearly resembles to a registered trade mark of such proprietor under the Trade Marks Act, 1999, made to the Central Government within three years of incorporation or registration or change of name of the company, whether under this Act or any previous company law, in the opinion of the Central Government, is identical with or too nearly resembles to an existing trade mark, it may direct the company to change its name and the company shall change its name or new name, as the case may be, within a **[***period of three months***]** from the issue of such direction, after adopting an ordinary resolution for the purpose.

(2) Where a company changes its name or obtains a new name under sub-section (1), it shall within a period of fifteen days from the date of such change, give notice of the change to the Registrar along with the order of the Central Government, who shall carry out necessary changes in the certificate of incorporation and the memorandum.

[*(3) If a company is in default in complying with any direction given under sub-section (1), the Central Government shall allot a new name to the company in such manner as may be prescribed and the Registrar shall enter the new name in the register of companies in place of the old name and issue a fresh certificate of incorporation with the new name, which the company shall use thereafter:*

Provided *that nothing in this sub-section shall prevent a company from subsequently changing its name in accordance with the provisions of section 13.***]**

---

24. Corresponds to section 22 of the 1956 Act.
25. For Circular No. 4/2017, dated 16-5-2017 [Applicability of section 16(1)(*a*) with reference to cases under corresponding provisions of the 1956 Act]. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
26. Enforced with effect from 1-4-2014.
27. For meaning of the term "or otherwise", *see* **Appendix II**.
28. Powers are delegated to Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Shillong.

28a. Substituted for "period of six months" by the Companies (Amendment) Act, 2020, w.e.f. **1-9-2021**

28b. Substituted by the Companies (Amendment) Act, 2020, w.e.f. **1-9-2021**. Prior to its substitution, sub-section (3) read as under :

"(3) If a company makes default in complying with any direction given under sub-section (1), the company shall be punishable with fine of one thousand rupees for every day during which the default continues and every officer who is in default shall be punishable with fine which shall not be less than five thousand rupees but which may extend to one lakh rupees."

Copies of memorandum, articles, etc., to be given to members.

17. (1) A company shall, on being so requested by a member, send to him within seven days of the request and subject to the payment of such fees as may be prescribed, a copy of each of the following documents, namely:—

(*a*) the memorandum;

(*b*) the articles; and

(*c*) every agreement and every resolution referred to in sub-section (1) of , if and in so far as they have not been embodied in the memorandum or articles.

(2) If a company makes any default in complying with the provisions of this section, the company and every officer of the company who is in default shall be liable for each default, to a penalty of one thousand rupees for each day during which such default continues or one lakh rupees, whichever is less.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Conversion of companies already registered .

18. (1) A company of any class registered under this Act may convert itself as a company of other class under this Act by alteration of memorandum and articles of the company in accordance with the provisions of this Chapter.

(2) Where the conversion is required to be done under this section, the Registrar shall on an application made by the company, after satisfying himself that the provisions of this Chapter applicable for registration of companies have been complied with, close the former registration of the company and after registering the documents referred to in sub-section (1), issue a certificate of incorporation in the same manner as its first registration.

(3) The registration of a company under this section shall not affect any debts, liabilities, obligations or contracts incurred or entered into, by or on behalf of the company before conversion and such debts, liabilities, obligations and contracts may be enforced in the manner as if such registration had not been done.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Subsidiary company not to hold shares in its holding company.

19. (1) No company shall, either by itself or through its nominees, hold any shares in its holding company and no holding company shall allot or transfer its shares to any of its subsidiary companies and any such allotment or transfer of shares of a company to its subsidiary company shall be void:

Provided that nothing in this sub-section shall apply to a case—

(*a*) where the subsidiary company holds such shares as the legal representative of a deceased member of the holding company; or

(*b*) where the subsidiary company holds such shares as a trustee; or

(*c*) where the subsidiary company is a shareholder even before it became a subsidiary company of the holding company:

Provided further that the subsidiary company referred to in the preceding proviso shall have a right to vote at a meeting of the holding company only in respect of the shares held by it as a legal representative or as a trustee, as referred to in clause (*a*) or clause (*b*) of the said proviso.

(2) The reference in this section to the shares of a holding company which is a company limited by guarantee or an unlimited company, not having a share capital, shall be construed as a reference to the interest of its members, whatever be the form of interest.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Service of documents .

20. (1) A document may be served on a company or an officer thereof by sending it to the company or the officer at the registered office of the company by registered post or by speed post or by courier service or by leaving it at its registered office or by means of such electronic or other mode as may be prescribed:

Provided that where securities are held with a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic or other mode.

(2) Save as provided in this Act or the rules made thereunder for filing of documents with the Registrar in electronic mode, a document may be served on Registrar or any member by sending it to him by post or by registered post or by speed post or by courier or by delivering at his office or address, or by such electronic or other mode as may be prescribed:

Provided that a member may request for delivery of any document through a particular mode, for which he shall pay such fees as may be determined by the company in its annual general meeting.

Explanation.—For the purposes of this section, the term "courier" means a person or agency which delivers the document and provides proof of its delivery.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Authentication of documents, proceedings and contracts.

21. Save as otherwise provided in this Act,—

(*a*) a document or proceeding requiring authentication by a company; or

(*b*) contracts made by or on behalf of a company, may be signed by any key managerial personnel or **[***an officer or employee of the company***]** duly authorised by the Board in this behalf

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Execution of bills of exchange, etc.

22. (1) A bill of exchange, hundi or promissory note shall be deemed to have been made, accepted, drawn or endorsed on behalf of a company if made, accepted, drawn, or endorsed in the name of, or on behalf of or on account of, the company by any person acting under its authority, express or implied.

(2) A company may, by writing under its common seal [, if any,] authorise any person, either generally or in respect of any specified matters, as its attorney to execute other deeds on its behalf in any place either in or outside India:

[**Provided** that in case a company does not have a common seal, the authorisation under this sub-section shall be made by two directors or by a director and the Company Secretary, wherever the company has appointed a Company Secretary.]

(3) A deed signed by such an attorney on behalf of the company and under his seal shall bind the company [***].

CHAPTER III

PROSPECTUS AND ALLOTMENT OF SECURITIES

PART I

PUBLIC OFFER

Public offer and private placement.

23. (1) A public company may issue securities—

(*a*) to public through prospectus (herein referred to as "public offer") by complying with the provisions of this Part; or

(*b*) through private placement by complying with the provisions of Part II of this Chapter; or

(*c*) through a rights issue or a bonus issue in accordance with the provisions of this Act and in case of a listed company or a company which intends to get its securities listed also with the provisions of the Securities and Exchange Board of India Act, 1992 (15 of 1992) and the rules and regulations made thereunder.

(2) A private company may issue securities—

(*a*) by way of rights issue or bonus issue in accordance with the provisions of this Act; or

(*b*) through private placement by complying with the provisions of Part II of this Chapter.

[*(3) Such class of public companies may issue such class of securities for the purposes of listing on permitted stock exchanges in permissible foreign jurisdictions or such other jurisdictions, as may be prescribed.*

*(4) The Central Government may, by notification, exempt any class or classes of public companies referred to in sub-section (3) from any of the provisions of this Chapter, Chapter IV, section 89, section 90 or section 127 and a copy of every such notification shall, as soon as may be after it is issued, be laid before both Houses of Parliament.***]**

Explanation.—For the purposes of this Chapter, "public offer" includes initial public offer or further public offer of securities to the public by a company, or an offer for sale of securities to the public by an existing shareholder, through issue of a prospectus.

---

51. *See* also SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
52. Section 23, except sub-section (1)(*b*) and sub-section (2) enforced with effect from 12-9-2013. Sub-section (1)(*b*) and sub-section (2) enforced with effect from 1-4-2014.
53. *See* also SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008.
54. Enforced with effect from 1-4-2014.

54a. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Power of Securities and Exchange Board to regulate issue and transfer of securities, etc.

24. (1) The provisions contained in this Chapter, Chapter IV and in shall,—

(*a*) in so far as they relate to—

(*i*) issue and transfer of securities; and

(*ii*) non-payment of dividend,

by listed companies or those companies which intend to get their securities listed on any recognised stock exchange in India, except as provided under this Act, be administered by the Securities and Exchange Board by making regulations in this behalf;

(*b*) in any other case, be administered by the Central Government.

Explanation.—For the removal of doubts, it is hereby declared that all powers relating to all other matters relating to prospectus, return of allotment, redemption of preference shares and any other matter specifically provided in this Act, shall be exercised by the Central Government, the Tribunal or the Registrar, as the case may be.

(2) The Securities and Exchange Board shall, in respect of matters specified in sub-section (1) and the matters delegated to it under proviso to sub-section (1) of section 458, exercise the powers conferred upon it under sub-sections (1), (2A), (3) and (4) of section 11, sections 11A, 11B and 11D of the Securities and Exchange Board of India Act, 1992 (15 of 1992).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Document containing offer of securities for sale to be deemed prospectus.

25. (1) Where a company allots or agrees to allot any securities of the company with a view to all or any of those securities being offered for sale to the public, any document by which the offer for sale to the public is made shall, for all purposes, be deemed to be a prospectus issued by the company; and all enactments and rules of law as to the contents of prospectus and as to liability in respect of mis-statements, in and omissions from, prospectus, or otherwise relating to prospectus, shall apply with the modifications specified in sub-sections (3) and (4) and shall have effect accordingly, as if the securities had been offered to the public for subscription and as if persons accepting the offer in respect of any securities were subscribers for those securities, but without prejudice to the liability, if any, of the persons by whom the offer is made in respect of mis-statements contained in the document or otherwise in respect thereof.

(2) For the purposes of this Act, it shall, unless the contrary is proved, be evidence that an allotment of, or an agreement to allot, securities was made with a view to the securities being offered for sale to the public if it is shown—

(*a*) that an offer of the securities or of any of them for sale to the public was made within six months after the allotment or agreement to allot; or

(*b*) that at the date when the offer was made, the whole consideration to be received by the company in respect of the securities had not been received by it.

(3) as applied by this section shall have effect as if —

(*i*) it required a prospectus to state in addition to the matters required by that section to be stated in a prospectus—

(*a*) the net amount of the consideration received or to be received by the company in respect of the securities to which the offer relates; and

(*b*) the time and place at which the contract where under the said securities have been or are to be allotted may be inspected;

(*ii*) the persons making the offer were persons named in a prospectus as directors of a company.

(4) Where a person making an offer to which this section relates is a company or a firm, it shall be sufficient if the document referred to in sub-section (1) is signed on behalf of the company or firm by two directors of the company or by not less than one-half of the partners in the firm, as the case may be.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Matters to be stated in prospectus.

26. (1) Every prospectus issued by or on behalf of a public company either with reference to its formation or subsequently, or by or on behalf of any person who is or has been engaged or interested in the formation of a public company, shall be dated and signed and shall [state such information and set out such reports on financial information as may be specified by the Securities and Exchange Board in consultation with the Central Government:

Provided that until the Securities and Exchange Board specifies the information and reports on financial information under this sub-section, the regulations made by the Securities and Exchange Board under the Securities and Exchange Board of India Act, 1992 (15 of 1992), in respect of such financial information or reports on financial information shall apply.]

(*a*) [***]

(*b*) [***]

(*c*) make a declaration about the compliance of the provisions of this Act and a statement to the effect that nothing in the prospectus is contrary to the provisions of this Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and the Securities and Exchange Board of India Act, 1992 (15 of 1992) and the rules and regulations made thereunder; and

(*d*) [***]

(2) Nothing in sub-section (1) shall apply—

(*a*) to the issue to existing members or debenture-holders of a company, of a prospectus or form of application relating to shares in or debentures of the company, whether an applicant has a right to renounce the shares or not under sub-clause (*ii*) of clause (*a*) of sub-section (1) of section 62 in favour of any other person; or

(*b*) to the issue of a prospectus or form of application relating to shares or debentures which are, or are to be, in all respects uniform with shares or debentures previously issued and for the time being dealt in or quoted on a recognised stock exchange.

(3) Subject to sub-section (2), the provisions of sub-section (1) shall apply to a prospectus or a form of application, whether issued on or with reference to the formation of a company or subsequently.

Explanation.—The date indicated in the prospectus shall be deemed to be the date of its publication.

(4) No prospectus shall be issued by or on behalf of a company or in relation to an intended company unless on or before the date of its publication, there has been delivered to the Registrar for [filing], a copy thereof signed by every person who is named therein as a director or proposed director of the company or by his duly authorised attorney.

(5) A prospectus issued under sub-section (1) shall not include a statement purporting to be made by an expert unless the expert is a person who is not, and has not been, engaged or interested in the formation or promotion or management, of the company and has given his written consent to the issue of the prospectus and has not withdrawn such consent before the delivery of a copy of the prospectus to the Registrar for [filing] and a statement to that effect shall be included in the prospectus.

(6) Every prospectus issued under sub-section (1) shall, on the face of it,—

(*a*) state that a copy has been delivered for [filing] to the Registrar as required under sub-section (4); and

(*b*) specify any documents required by this section to be attached to the copy so delivered or refer to statements included in the prospectus which specify these documents.

(7) [***]

(8) No prospectus shall be valid if it is issued more than ninety days after the date on which a copy thereof is delivered to the Registrar under sub-section (4).

(9) If a prospectus is issued in contravention of the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees and every person who is knowingly a party to the issue of such prospectus shall be punishable **[*******]** with fine which shall not be less than fifty thousand rupees but which may extend to **[***three lakh rupees***]**.

---

61. Corresponds to sections 55, 56, 57, 58, 60 and Schedule II of the 1956 Act.

62. Enforced with effect from 1-4-2014.

63. *See* also SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. *See* also SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2006.

64. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.

65. Omitted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018. Prior to its omission, clause (*a*) read as under :

'(*a*) state the following information, namely:—

(*i*) names and addresses of the registered office of the company, company secretary, Chief Financial Officer, auditors, legal advisers, bankers, trustees, if any, underwriters and such other persons as may be prescribed;

(*ii*) dates of the opening and closing of the issue, and declaration about the issue of allotment letters and refunds within the prescribed time;

(*iii*) a statement by the Board of Directors about the separate bank account where all monies received out of the issue are to be transferred and disclosure of details of all monies including utilised and unutilised monies out of the previous issue in the prescribed manner;

(*iv*) details about underwriting of the issue;

(*v*) consent of the directors, auditors, bankers to the issue, expert's opinion, if any, and of such other persons, as may be prescribed;

(*vi*) the authority for the issue and the details of the resolution passed therefor;

(*vii*) procedure and time schedule for allotment and issue of securities;

(*viii*) capital structure of the company in the prescribed manner;

(*ix*) main objects of public offer, terms of the present issue and such other particulars as may be prescribed;

(*x*) main objects and present business of the company and its location, schedule of implementation of the project;

(*xi*) particulars relating to—

(*A*) management perception of risk factors specific to the project;

(*B*) gestation period of the project;

(*C*) extent of progress made in the project;

(*D*) deadlines for completion of the project; and

(*E*) any litigation or legal action pending or taken by a Government Department or a statutory body during the last five years immediately preceding the year of the issue of prospectus against the promoter of the company;

(*xii*) minimum subscription, amount payable by way of premium, issue of shares otherwise than on cash;

(*xiii*) details of directors including their appointments and remuneration, and such particulars of the nature and extent of their interests in the company as may be prescribed; and

(*xiv*) disclosures in such manner as may be prescribed* about sources of promoter's contribution;"

66. Omitted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018. Prior to its omission, clause (*b*) read as under :

"(*b*) set out the following reports for the purposes of the financial information, namely:—

(*i*) reports by the auditors of the company with respect to its profits and losses and assets and liabilities and such other matters as may be prescribed;

(*ii*) reports relating to profits and losses for each of the five financial years immediately preceding the financial year of the issue of prospectus including such reports of its subsidiaries and in such manner as may be prescribed:

Provided that in case of a company with respect to which a period of five years has not elapsed from the date of incorporation, the prospectus shall set out in such manner as may be prescribed, the reports relating to profits and losses for each of the financial years immediately preceding the financial year of the issue of prospectus including such reports of its subsidiaries;

(*iii*) reports made in the prescribed manner by the auditors upon the profits and losses of the business of the company for each of the five financial years immediately preceding issue and assets and liabilities of its business on the last

date to which the accounts of the business were made up, being a date not more than one hundred and eighty days before the issue of the prospectus:

Provided that in case of a company with respect to which a period of five years has not elapsed from the date of incorporation, the prospectus shall set out in the prescribed manner, the reports made by the auditors upon the profits and losses of the business of the company for all financial years from the date of its incorporation, and assets and liabilities of its business on the last date before the issue of prospectus; and

(*iv*) reports about the business or transaction to which the proceeds of the securities are to be applied directly or indirectly;"

67. Omitted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018. Prior to its omission, clause (*d*) read as under :

"(*d*) state such other matters and set out such other reports, as may be prescribed."

68. Substituted for "registration" by the Companies (Amendment) Act, 2019, w.e.f. 15-8-2019.

69. Substituted for "registration" by the Companies (Amendment) Act, 2019, w.e.f. 15-8-2019.

70. Omitted by the Companies (Amendment) Act, 2019, w.e.f. 15-8-2019. Prior to its omission, sub-section (7) read as under :

"(7) The Registrar shall not register a prospectus unless the requirements of this section with respect to its registration are complied with and the prospectus is accompanied by the consent in writing of all the persons named in the prospectus."

70a. Words "with imprisonment for a term which may extend to three years or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

70b. Substituted for "three lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Variation in terms of contract or objects in prospectus.

27. (1) A company shall not, at any time, vary the terms of a contract referred to in the prospectus or objects for which the prospectus was issued, except subject to the approval of, or except subject to an authority given by the company in general meeting by way of special resolution:

Provided that the details, as may be prescribed, of the notice in respect of such resolution to shareholders, shall also be published in the newspapers (one in English and one in vernacular language) in the city where the registered office of the company is situated indicating clearly the justification for such variation:

Provided further that such company shall not use any amount raised by it through prospectus for buying, trading or otherwise dealing in equity shares of any other listed company.

(2) The dissenting shareholders being those shareholders who have not agreed to the proposal to vary the terms of contracts or objects referred to in the prospectus, shall be given an exit offer by promoters or controlling shareholders at such exit price, and in such manner and conditions as may be specified by the Securities and Exchange Board by making regulations in this behalf.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Offer of sale of shares by certain members of company.

28. (1) Where certain members of a company propose, in consultation with the Board of Directors to offer, in accordance with the provisions of any law for the time being in force, whole or part of their holding of shares to the public, they may do so in accordance with such procedure as may be prescribed.

(2) Any document by which the offer of sale to the public is made shall, for all purposes, be deemed to be a prospectus issued by the company and all laws and rules made thereunder as to the contents of the prospectus and as to liability in respect of mis-statements in and omission from prospectus or otherwise relating to prospectus shall apply as if this is a prospectus issued by the company.

(3) The members, whether individuals or bodies corporate or both, whose shares are proposed to be offered to the public, shall collectively authorise the company, whose shares are offered for sale to the public, to take all actions in respect of offer of sale for and on their behalf and they shall reimburse the company all expenses incurred by it on this matter.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Public offer of securities to be in dematerialised form.

29. (1) Notwithstanding anything contained in any other provisions of this Act,—

(*a*) every company making public offer; and

(*b*) such other class or classes of **[*******]** companies as may be prescribed,

shall issue the securities only in dematerialised form by complying with the provisions of the Depositories Act, 1996 (22 of 1996) and the regulations made thereunder.

[*(1A) In case of such class or classes of unlisted companies as may be prescribed, the securities shall be held or transferred only in dematerialised form in the manner laid down in the Depositories Act, 1996 and the regulations made thereunder*.**]**

(2) Any company, other than a company mentioned in sub-section (1), may convert its securities into dematerialised form or issue its securities in physical form in accordance with the provisions of this Act or in dematerialised form in accordance with the provisions of the Depositories Act, 1996 (22 of 1996) and the regulations made thereunder.

---

56. Corresponds to section 68B of the 1956 Act.
57. Enforced with effect from 12-9-2013.
58. *See* rule 9 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 (**Division Two**).
58a. Word "public" omitted by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.
58ab. Inserted by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

Advertisement of prospectus.

30. Where an advertisement of any prospectus of a company is published in any manner, it shall be necessary to specify therein the contents of its memorandum as regards the objects, the liability of members and the amount of share capital of the company, and the names of the signatories to the memorandum and the number of shares subscribed for by them, and its capital structure.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Shelf prospectus.

31. (1) Any class or classes of companies, as the Securities and Exchange Board may provide by regulations in this behalf, may file a shelf prospectus with the Registrar at the stage of the first offer of securities included therein which shall indicate a period not exceeding one year as the period of validity of such prospectus which shall commence from the date of opening of the first offer of securities under that prospectus, and in respect of a second or subsequent offer of such securities issued during the period of validity of that prospectus, no further prospectus is required.

(2) A company filing a shelf prospectus shall be required to file an information memorandum containing all material facts relating to new charges created, changes in the financial position of the company as have occurred between the first offer of securities or the previous offer of securities and the succeeding offer of securities and such other changes as may be prescribed, with the Registrar within the prescribed time, prior to the issue of a second or subsequent offer of securities under the shelf prospectus:

Provided that where a company or any other person has received applications for the allotment of securities along with advance payments of subscription before the making of any such change, the company or other person shall intimate the changes to such applicants and if they express a desire to withdraw their application, the company or other person shall refund all the monies received as subscription within fifteen days thereof.

(3) Where an information memorandum is filed, every time an offer of securities is made under sub-section (2), such memorandum together with the shelf prospectus shall be deemed to be a prospectus.

Explanation.—For the purposes of this section, the expression "shelf prospectus" means a prospectus in respect of which the securities or class of securities included therein are issued for subscription in one or more issues over a certain period without the issue of a further prospectus.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Red herring prospectus.

32. (1) A company proposing to make an offer of securities may issue a red herring prospectus prior to the issue of a prospectus.

(2) A company proposing to issue a red herring prospectus under sub-section (1) shall file it with the Registrar at least three days prior to the opening of the subscription list and the offer.

(3) A red herring prospectus shall carry the same obligations as are applicable to a prospectus and any variation between the red herring prospectus and a prospectus shall be highlighted as variations in the prospectus.

(4) Upon the closing of the offer of securities under this section, the prospectus stating therein the total capital raised, whether by way of debt or share capital, and the closing price of the securities and any other details as are not included in the red herring prospectus shall be filed with the Registrar and the Securities and Exchange Board.

Explanation.—For the purposes of this section, the expression "red herring prospectus" means a prospectus which does not include complete particulars of the quantum or price of the securities included therein.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Issue of application forms for securities.

33. (1) No form of application for the purchase of any of the securities of a company shall be issued unless such form is accompanied by an abridged prospectus:

Provided that nothing in this sub-section shall apply if it is shown that the form of application was issued—

(*a*) in connection with a *bona fide* invitation to a person to enter into an underwriting agreement with respect to such securities; or

(*b*) in relation to securities which were not offered to the public.

(2) A copy of the prospectus shall, on a request being made by any person before the closing of the subscription list and the offer, be furnished to him.

(3) If a company makes any default in complying with the provisions of this section, it shall be liable to a penalty of fifty thousand rupees for each default.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Criminal liability for mis-statements in prospectus .

34. Where a prospectus, issued, circulated or distributed under this Chapter, includes any statement which is untrue or misleading in form or context in which it is included or where any inclusion or omission of any matter is likely to mislead, every person who authorizes the issue of such prospectus shall be liable under :

Provided that nothing in this section shall apply to a person if he proves that such statement or omission was immaterial or that he had reasonable grounds to believe, and did up to the time of issue of the prospectus believe, that the statement was true or the inclusion or omission was necessary.

Civil liability for mis-statements in prospectus.

35. (1) Where a person has subscribed for securities of a company acting on any statement included, or the inclusion or omission of any matter, in the prospectus which is misleading and has sustained any loss or damage as a consequence thereof, the company and every person who—

(*a*) is a director of the company at the time of the issue of the prospectus;

(*b*) has authorised himself to be named and is named in the prospectus as a director of the company, or has agreed to become such director, either immediately or after an interval of time;

(*c*) is a promoter of the company;

(*d*) has authorised the issue of the prospectus; and

(*e*) is an expert referred to in sub-section (5) of section 26,

shall, without prejudice to any punishment to which any person may be liable under section 36, be liable to pay compensation to every person who has sustained such loss or damage.

(2) No person shall be liable under sub-section (1), if he proves—

(*a*) that, having consented to become a director of the company, he withdrew his consent before the issue of the prospectus, and that it was issued without his authority or consent; or

(*b*) that the prospectus was issued without his knowledge or consent, and that on becoming aware of its issue, he forthwith gave a reasonable public notice that it was issued without his knowledge or consent;

[(*c*) *that, as regards every misleading statement purported to be made by an expert or contained in what purports to be a copy of or an extract from a report or valuation of an expert, it was a correct and fair representation of the statement, or a correct copy of, or a correct and fair extract from, the report or valuation ; and he had reasonable ground to believe and did up to the time of the issue of the prospectus believe, that the person making the statement was competent to make it and that the said person had given the consent required by sub-section (5) of section 26 to the issue of the prospectus and had not withdrawn that consent before* **[***filing of a copy of the prospectus with the Registrar***]** *or, to the defendant's knowledge, before allotment thereunder.***]**

(3) Notwithstanding anything contained in this section, where it is proved that a prospectus has been issued with intent to defraud the applicants for the securities of a company or any other person or for any fraudulent purpose, every person referred to in sub-section (1) shall be personally responsible, without any limitation of liability, for all or any of the losses or damages that may have been incurred by any person who subscribed to the securities on the basis of such prospectus.

---

75. Corresponds to section 62 of the 1956 Act.

76. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.

77. Section 35, except sub-section (1)(*e*) enforced with effect from 12-9-2013. Sub-section (1)(*e*) enforced with effect from 1-4-2014.

78. Enforced with effect from 1-4-2014.

79. Inserted by the Companies (Amendment) Act, 2017, with effect from **9-2-2018**.

79a. Substituted for "delivery of a copy of the prospectus for registration" by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

Punishment for fraudulently inducing persons to invest money .

36. Any person who, either knowingly or recklessly makes any statement, promise or forecast which is false, deceptive or misleading, or deliberately conceals any material facts, to induce another person to enter into, or to offer to enter into,—

(*a*) any agreement for, or with a view to, acquiring, disposing of, subscribing for, or underwriting securities; or

(*b*) any agreement, the purpose or the pretended purpose of which is to secure a profit to any of the parties from the yield of securities or by reference to fluctuations in the value of securities; or

(*c*) any agreement for, or with a view to obtaining credit facilities from any bank or financial institution;

shall be liable for action under .

Action by affected persons.

37. A suit may be filed or any other action may be taken under or or by any person, group of persons or any association of persons affected by any misleading statement or the inclusion or omission of any matter in the prospectus.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Punishment for personation for acquisition, etc., of securities.

38. (1) Any person who—

(*a*) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or

(*b*) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or

(*c*) otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,

shall be liable for action under .

(2) The provisions of sub-section (1) shall be prominently reproduced in every prospectus issued by a company and in every form of application for securities.

(3) Where a person has been convicted under this section, the Court may also order disgorgement of gain, if any, made by, and seizure and disposal of the securities in possession of, such person.

(4) The amount received through disgorgement or disposal of securities under sub-section (3) shall be credited to the Investor Education and Protection Fund.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Allotment of securities by company .

39. (1) No allotment of any securities of a company offered to the public for subscription shall be made unless the amount stated in the prospectus as the minimum amount has been subscribed and the sums payable on application for the amount so stated have been paid to and received by the company by cheque or other instrument.

(2) The amount payable on application on every security shall not be less than five per cent of the nominal amount of the security or such other percentage or amount, as may be specified by the Securities and Exchange Board by making regulations in this behalf.

(3) If the stated minimum amount has not been subscribed and the sum payable on application is not received within a period of thirty days from the date of issue of the prospectus, or such other period as may be specified by the Securities and Exchange Board, the amount received under sub-section (1) shall be returned within such time and manner as may be prescribed.

(4) Whenever a company having a share capital makes any allotment of securities**,** it shall file with the Registrar a return of allotment in such manner as may be prescribed.

(5) In case of any default under sub-section (3) or sub-section (4), the company and its officer who is in default shall be liable to a penalty, for each default, of one thousand rupees for each day during which such default continues or one lakh rupees, whichever is less.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Securities to be dealt with in stock exchanges.

40. (1) Every company making public offer shall, before making such offer, make an application to one or more recognised stock exchange or exchanges and obtain permission for the securities to be dealt with in such stock exchange or exchanges.

(2) Where a prospectus states that an application under sub-section (1) has been made, such prospectus shall also state the name or names of the stock exchange in which the securities shall be dealt with.

(3) All monies received on application from the public for subscription to the securities shall be kept in a separate bank account in a scheduled bank and shall not be utilised for any purpose other than—

(*a*) for adjustment against allotment of securities where the securities have been permitted to be dealt with in the stock exchange or stock exchanges specified in the prospectus; or

(*b*) for the repayment of monies within the time specified by the Securities and Exchange Board, received from applicants in pursuance of the prospectus, where the company is for any other reason unable to allot securities.

(4) Any condition purporting to require or bind any applicant for securities to waive compliance with any of the requirements of this section shall be void.

(5) If a default is made in complying with the provisions of this section, the company shall be punishable with a fine which shall not be less than five lakh rupees but which may extend to fifty lakh rupees and every officer of the company who is in default shall be punishable **[*******]** with fine which shall not be less than fifty thousand rupees but which may extend to **[***three lakh rupees***]**.

(6) A company may pay commission to any person in connection with the subscription to its securities subject to such conditions as may be prescribed.

---

14. Section 40, except sub-section (6) enforced with effect from 12-9-2013. Sub-section (6) enforced with effect from 1-4-2014.
15. Corresponds to sections 73 and 76 of the 1956 Act.
16. *See* also SEBI (Delisting of Equity Shares) Regulations, 2009; SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; Table F of Schedule I; *see* also SEBI [KYC (Know Your Client) Registration Agency] Regulations, 2011; *see* also SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008; *see* also Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognised Stock Exchanges) Regulations, 2006 and *see* also Securities Contracts (Regulation) Rules, 1957.
17. For meaning of the expression "recognised stock exchange", *see* **Appendix II**.

17a. Words "with imprisonment for a term which may extend to one year or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

17b. Substituted for "three lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

18. Enforced with effect from 1-4-2014.
19. For meaning of the term "commission", *see* **Appendix II**.
20. *See* rule 13 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 (**Division Two**).

Global depository receipt.

41. A company may, after passing a special resolution in its general meeting, issue depository receipts in any foreign country in such manner, and subject to such conditions, as may be prescribed.

PART II

PRIVATE PLACEMENT

[Issue of shares on private placement basis.

42. *(1) A company may, subject to the provisions of this section, make a private placement of securities.*

*(2) A private placement shall be made only to a select group of persons who have been identified by the Board (herein referred to as "identified persons"), whose number shall not exceed fifty or such higher number as may be prescribed [excluding the qualified institutional buyers and employees of the company being offered securities under a scheme of employees stock option in terms of provisions of clause (*b*) of sub-section (1) of section 62], in a financial year subject to such conditions as may be prescribed.*

(3) A company making private placement shall issue private placement offer and application in such form and manner as may be prescribed to identified persons, whose names and addresses are recorded by the company in such manner as may be prescribed:

Provided *that the private placement offer and application shall not carry any right of renunciation.*

Explanation I.—*"Private placement" means any offer or invitation to subscribe or issue of securities to a select group of persons by a company (other than by way of public offer) through private placement offer-cum-application, which satisfies the conditions specified in this section.*

Explanation II.—*"Qualified institutional buyer" means the qualified institutional buyer as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time, made under the Securities and Exchange Board of India Act, 1992 (15 of 1992).*

Explanation III.—*If a company, listed or unlisted, makes an offer to allot or invites subscription, or allots, or enters into an agreement to allot, securities to more than the prescribed number of persons, whether the payment for the securities has been received or not or whether the company intends to list its securities or not on any recognised stock exchange in or outside India, the same shall be deemed to be an offer to the public and shall accordingly be governed by the provisions of Part I of this Chapter.*

(4) Every identified person willing to subscribe to the private placement issue shall apply in the private placement and application issued to such person alongwith subscription money paid either by cheque or demand draft or other banking channel and not by cash:

Provided *that a company shall not utilise monies raised through private placement unless allotment is made and the return of allotment is filed with the Registrar in accordance with sub-section (8).*

(5) No fresh offer or invitation under this section shall be made unless the allotments with respect to any offer or invitation made earlier have been completed or that offer or invitation has been withdrawn or abandoned by the company:

Provided *that, subject to the maximum number of identified persons under sub-section (2), a company may, at any time, make more than one issue of securities to such class of identified persons as may be prescribed.*

(6) A company making an offer or invitation under this section shall allot its securities within sixty days from the date of receipt of the application money for such securities and if the company is not able to allot the securities within that period, it shall repay the application money to the subscribers within fifteen days from the expiry of sixty days and if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve per cent per annum from the expiry of the sixtieth day:

Provided *that monies received on application under this section shall be kept in a separate bank account in a scheduled bank and shall not be utilised for any purpose other than—*

(a) *for adjustment against allotment of securities; or*

(b) *for the repayment of monies where the company is unable to allot securities.*

(7) No company issuing securities under this section shall release any public advertisements or utilise any media, marketing or distribution channels or agents to inform the public at large about such an issue.

(8) A company making any allotment of securities under this section, shall file with the Registrar a return of allotment within fifteen days from the date of the allotment in such manner as may be prescribed, including a complete list of all allottees, with their full names, addresses, number of securities allotted and such other relevant information as may be prescribed.

(9) If a company defaults in filing the return of allotment within the period prescribed under sub-section (8), the company, its promoters and directors shall be liable to a penalty for each default of one thousand rupees for each day during which such default continues but not exceeding twenty-five lakh rupees.

(10) Subject to sub-section (11), if a company makes an offer or accepts monies in contravention of this section, the company, its promoters and directors shall be liable for a penalty which may extend to the amount raised through the private placement or two crore rupees, whichever is lower, and the company shall also refund all monies with interest as specified in sub-section (6) to subscribers within a period of thirty days of the order imposing the penalty.

*(11) Notwithstanding anything contained in sub-section (9) and sub-section (10), any private placement issue not made in compliance of the provisions of sub-section (2) shall be deemed to be a public offer and all the provisions of this Act and the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and the Securities and Exchange Board of India Act, 1992 (15 of 1992) shall be applicable.***]**

3. Substituted by the Companies (Amendment) Act, 2017, with effect from **7-8-2018**. Prior to its substitution, section 42 read as under :

'42. *Offer or invitation for subscription of securities on private placement.*—(1) Without prejudice to the provisions of section 26, a company may, subject to the provisions of this section, make private placement through issue of a private placement offer letter.

(2) Subject to sub-section (1), the offer of securities or invitation to subscribe securities, shall be made to such number of persons not exceeding fifty or such higher number as may be prescribed, (excluding qualified institutional buyers, and employees of the company being offered securities under a scheme of employees stock option as per provisions of clause (*b*) of sub-section (1) of section 62), in a financial year and on such conditions (including the form and manner of private placement) as may be prescribed.

Explanation I.—If a company, listed or unlisted, makes an offer to allot or invites subscription, or allots, or enters into an agreement to allot, securities to more than the prescribed number of persons, whether the payment for the securities has been received or not or whether the company intends to list its securities or not on any recognised stock exchange in or outside India, the same shall be deemed to be an offer to the public and shall accordingly be governed by the provisions of Part I of this Chapter.

Explanation II.—For the purposes of this section, the expression—

(*i*) "qualified institutional buyer" means the "qualified institutional buyer" as defined in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time.
(*ii*) "private placement" means any offer of securities or invitation to subscribe securities to a select group of persons by a company (other than by way of public offer) through issue of a private placement offer letter and which satisfies the conditions specified in this section.

(3) No fresh offer or invitation under this section shall be made unless the allotments with respect to any offer or invitation made earlier have been completed or that offer or invitation has been withdrawn or abandoned by the company.

(4) Any offer or invitation not in compliance with the provisions of this section shall be treated as a public offer and all provisions of this Act, and the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and the Securities and Exchange Board of India Act, 1992 (15 of 1992) shall be required to be complied with.

(5) All monies payable towards subscription of securities under this section shall be paid through cheque or demand draft or other banking channels but not by cash.

(6) A company making an offer or invitation under this section shall allot its securities within sixty days from the date of receipt of the application money for such securities and if the company is not able to allot the securities within that period, it shall repay the application money to the subscribers within fifteen days from the date of completion of sixty days and if the company fails to repay the application money within the aforesaid period, it shall be liable to repay that money with interest at the rate of twelve per cent per annum from the expiry of the sixtieth day:

Provided that monies received on application under this section shall be kept in a separate bank account in a scheduled bank and shall not be utilised for any purpose other than—

(*a*) for adjustment against allotment of securities; or
(*b*) for the repayment of monies where the company is unable to allot securities.

*(7) All offers covered under this section shall be made only to such persons whose names are recorded by the company prior to the invitation to subscribe, and that such persons shall receive the offer by name, and that a complete record of such offers shall be kept by the company in such manner as may be prescribed and complete information about such offer shall be filed with the Registrar within a period of thirty days of circulation of relevant private placement offer letter.

(8) No company offering securities under this section shall release any public advertisements or utilise any media, marketing or distribution channels or agents to inform the public at large about such an offer.

(9) Whenever a company makes any allotment of securities under this section, it shall file with the Registrar a return of allotment in such manner as may be prescribed, including the complete list of all security-holders, with their full names, addresses, number of securities allotted and such other relevant information as may be prescribed.

(10) If a company makes an offer or accepts monies in contravention of this section, the company, its promoters and directors shall be liable for a penalty which may extend to the amount involved in the offer or invitation or two crore rupees, whichever is higher, and the company shall also refund all monies to subscribers within a period of thirty days of the order imposing the penalty.'

Earlier section 42, which corresponded to section 67 of the 1956 Act, was enforced with effect from 1-4-2014.

*In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (7) of section 42 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (7) of section 42 shall not apply. —*Notification No. GSR 9(E), dated 4-1-2017*.

4. In case of *Nidhis*, section 42 except sub-section (1), *Explanation* (*II*) to sub-section (2), sub-sections (4), (6), (8), (9) and (10) shall not apply. - *Notification No. GSR 465(E), dated 5-6-2015*. [Notification was issued prior to substitution of section 42 by the Companies (Amendment) Act, 2017].

5. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

6. 200 persons in the aggregate in a financial year. *See* rule 14 and Form Nos. PAS 3 to PAS 5 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 (**Division Two**).

7. For meaning of "Qualified institutional buyer", *see* **Appendix I**.

7a. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, *sub-section (3) of section 42 shall not apply —*Notification No. GSR 8(E), dated 4-1-2017*.

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, *sub-section (3) of section 42 shall not apply. —*Notification No. GSR 9(E), dated 4-1-2017*. [Notifications were issued prior to substitution of section 42 by the Companies (Amendment) Act, 2017].

*Now sub-section (5).

7b. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (6) of section 42, for the words "sixty days" read as "ninety days".— *Notification No. GSR 8(E), dated 4-1-2017*.

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (6) of section 42, for the words "sixty days" read as "ninety days". —*Notification No. GSR 9(E), dated 4-1-2017*. [Notifications were issued prior to substitution of section 42 by the Companies (Amendment) Act, 2017].

8. *See* rule 14 and Form Nos. PAS 3 to PAS 5 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 (**Division Two**).

9. *See* also rule 3 of the Companies (Share Capital & Debentures) Rules, 2014 (**Division Two**).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER IV

SHARE CAPITAL AND DEBENTURES

Kinds of share capital .

43. The share capital of a company limited by shares shall be of two kinds, namely:—

(*a*) equity share capital—

(*i*) with voting rights; or

(*ii*) with differential rights as to dividend, voting or otherwise in accordance with such rules as may be prescribed; and

(*b*) preference share capital:

Provided that nothing contained in this Act shall affect the rights of the preference shareholders who are entitled to participate in the proceeds of winding up before the commencement of this Act.

Explanation.—For the purposes of this section,—

(*i*) "equity share capital", with reference to any company limited by shares, means all share capital which is not preference share capital;

(*ii*) "preference share capital", with reference to any company limited by shares, means that part of the issued share capital of the company which carries or would carry a preferential right with respect to—

(*a*) payment of dividend, either as a fixed amount or an amount calculated at a fixed rate, which may either be free of or subject to income-tax; and

(*b*) repayment, in the case of a winding up or repayment of capital, of the amount of the share capital paid-up or deemed to have been paid-up, whether or not, there is a preferential right to the payment of any fixed premium or premium on any fixed scale, specified in the memorandum or articles of the company;

(*iii*) capital shall be deemed to be preference capital, notwithstanding that it is entitled to either or both of the following rights, namely:—

(*a*) that in respect of dividends, in addition to the preferential rights to the amounts specified in sub-clause (*a*) of clause (*ii*), it has a right to participate, whether fully or to a limited extent, with capital not entitled to the preferential right aforesaid;

(*b*) that in respect of capital, in addition to the preferential right to the repayment, on a winding up, of the amounts specified in sub-clause (*b*) of clause (*ii*), it has a right to participate, whether fully or to a limited extent, with capital not entitled to that preferential right in any surplus which may remain after the entire capital has been repaid.

Nature of shares or debentures .

44. The shares or debentures or other interest of any member in a company shall be movable property transferable in the manner provided by the articles of the company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Numbering of shares.

45. Every share in a company having a share capital shall be distinguished by its distinctive number:

Provided that nothing in this section shall apply to a share held by a person whose name is entered as holder of beneficial interest in such share in the records of a depository.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Certificate of shares .

46. (1) A certificate, [issued under the common seal, if any, of the company or signed by two directors or by a director and the Company Secretary, wherever the company has appointed a Company Secretary], specifying the shares held by any person, shall be *prima facie* evidence of the title of the person to such shares.

(2) A duplicate certificate of shares may be issued, if such certificate —

(*a*) is proved to have been lost or destroyed; or

(*b*) has been defaced, mutilated or torn and is surrendered to the company.

(3) Notwithstanding anything contained in the articles of a company, the manner of issue of a certificate of shares or the duplicate thereof, the form of such certificate, the particulars to be entered in the register of members and other matters shall be such as may be prescribed.

(4) Where a share is held in depository form, the record of the depository is the *prima facie* evidence of the interest of the beneficial owner.

(5) If a company with intent to defraud issues a duplicate certificate of shares, the company shall be punishable with fine which shall not be less than five times the face value of the shares involved in the issue of the duplicate certificate but which may extend to ten times the face value of such shares or rupees ten crores whichever is higher and every officer of the company who is in default shall be liable for action under .

Voting rights.

47. (1) Subject to the **[***provisions of section 43, sub-section (2) of section 50 and sub-section (1) of section 188***]**,—

(*a*) every member of a company limited by shares and holding equity share capital therein, shall have a right to vote on every resolution placed before the company; and

(*b*) his voting right on a poll shall be in proportion to his share in the paid-up equity share capital of the company.

(2) Every member of a company limited by shares and holding any preference share capital therein shall, in respect of such capital, have a right to vote only on resolutions placed before the company which directly affect the rights attached to his preference shares and, any resolution for the winding up of the company or for the repayment or reduction of its equity or preference share capital and his voting right on a poll shall be in proportion to his share in the paid-up preference share capital of the company:

Provided that the proportion of the voting rights of equity shareholders to the voting rights of the preference shareholders shall be in the same proportion as the paid-up capital in respect of the equity shares bears to the paid-up capital in respect of the preference shares:

Provided further that where the dividend in respect of a class of preference shares has not been paid for a period of two years or more, such class of preference shareholders shall have a right to vote on all the resolutions placed before the company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Variation of shareholders' rights.

48. (1) Where a share capital of the company is divided into different classes of shares, the rights attached to the shares of any class may be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or by means of a special resolution passed at a separate meeting of the holders of the issued shares of that class,—

(*a*) if provision with respect to such variation is contained in the memorandum or articles of the company; or

(*b*) in the absence of any such provision in the memorandum or articles, if such variation is not prohibited by the terms of issue of the shares of that class:

Provided that if variation by one class of shareholders affects the rights of any other class of shareholders, the consent of three-fourths of such other class of shareholders shall also be obtained and the provisions of this section shall apply to such variation.

(2) Where the holders of not less than ten per cent of the issued shares of a class did not consent to such variation or vote in favour of the special resolution for the variation, they may apply to the Tribunal to have the variation cancelled, and where any such application is made, the variation shall not have effect unless and until it is confirmed by the Tribunal:

Provided that an application under this section shall be made within twenty-one days after the date on which the consent was given or the resolution was passed, as the case may be, and may be made on behalf of the shareholders entitled to make the application by such one or more of their number as they may appoint in writing for the purpose.

(3) The decision of the Tribunal on any application under sub-section (2) shall be binding on the shareholders.

(4) The company shall, within thirty days of the date of the order of the Tribunal, file a copy thereof with the Registrar.

(5) **[***]**

---

52. Corresponds to sections 106 and 107 of the 1956 Act.
53. Enforced with effect from 15-12-2016.
54. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Table F of Schedule I.
55. *See* rule 68A and Form No. NCLT-1 of the NCLT Rules, 2016 (**Division Two**).
55a. Omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its omission, sub-section (5) read as under :

"(5) Where any default is made in complying with the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both."

Calls on shares of same class to be made on uniform basis .

49. Where any calls for further share capital are made on the shares of a class, such calls shall be made on a uniform basis on all shares falling under that class.

Explanation.—For the purposes of this section, shares of the same nominal value on which different amounts have been paid-up shall not be deemed to fall under the same class.

Company to accept unpaid share capital, although not called up.

50. (1) A company may, if so authorised by its articles, accept from any member, the whole or a part of the amount remaining unpaid on any shares held by him, even if no part of that amount has been called up.

(2) A member of the company limited by shares shall not be entitled to any voting rights in respect of the amount paid by him under sub-section (1) until that amount has been called up.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Payment of dividend in proportion to amount paid-up.

51. A company may, if so authorised by its articles, pay dividends in proportion to the amount paid-up on each share.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Application of premiums received on issue of shares.

52. (1) Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to a "securities premium account" and the provisions of this Act relating to reduction of share capital of a company shall, except as provided in this section, apply as if the securities premium account were the paid-up share capital of the company.

(2) Notwithstanding anything contained in sub-section (1), the securities premium account may be applied by the company—

(*a*) towards the issue of unissued shares of the company to the members of the company as fully paid bonus shares;

(*b*) in writing off the preliminary expenses of the company;

(*c*) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company;

(*d*) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company; or

(*e*) for the purchase of its own shares or other securities under .

(3) The securities premium account may, notwithstanding anything contained in sub-sections (1) and (2), be applied by such class of companies, as may be prescribed and whose financial statement comply with the accounting standards prescribed for such class of companies under ,—

(*a*) in paying up unissued equity shares of the company to be issued to members of the company as fully paid bonus shares; or

(*b*) in writing off the expenses of or the commission paid or discount allowed on any issue of equity shares of the company; or

(*c*) for the purchase of its own shares or other securities under .

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Prohibition on issue of shares at discount.

53. (1) Except as provided in section 54, a company shall not issue shares at a discount.

(2) Any share issued by a company at a **[***discount***]** shall be void.

[*(2A) Notwithstanding anything contained in sub-sections (1) and (2), a company may issue shares at a discount to its creditors when its debt is converted into shares in pursuance of any statutory resolution plan or debt restructuring scheme in accordance with any guidelines or directions or regulations specified by the Reserve Bank of India under the Reserve Bank of India Act, 1934 (2 of 1934) or the Banking (Regulation) Act, 1949 (10 of 1949).***]**

[*(3) Where any company fails to comply with the provisions of this section, such company and every officer who is in default shall be liable to a penalty which may extend to an amount equal to the amount raised through the issue of shares at a discount or five lakh rupees, whichever is less, and the company shall also be liable to refund all monies received with interest at the rate of twelve per cent per annum from the date of issue of such shares to the persons to whom such shares have been issued.***]**

---

46. Corresponds to section 79 of the 1956 Act.
47. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
48. Enforced with effect from 1-4-2014.
48a. Substituted for "discounted price" by the Companies (Amendment) Act, 2017, with effect from **9-2-2018**.
48b. Inserted by the Companies (Amendment) Act, 2017, with effect from **9-2-2018**.
48c. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, sub-section (3) read as under :

"(3) Where a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both."

Issue of sweat equity shares.

54. (1) Notwithstanding anything contained in section 53, a company may issue sweat equity shares of a class of shares already issued, if the following conditions are fulfilled, namely:—

(*a*) the issue is authorised by a special resolution passed by the company;

(*b*) the resolution specifies the number of shares, the current market price, consideration, if any, and the class or classes of directors or employees to whom such equity shares are to be issued;

(*c*) **[*******]**

(*d*) where the equity shares of the company are listed on a recognised stock exchange, the sweat equity shares are issued in accordance with the regulations made by the Securities and Exchange Board in this behalf and if they are not so listed, the sweat equity shares are issued in accordance with such rules as may be prescribed.

(2) The rights, limitations, restrictions and provisions as are for the time being applicable to equity shares shall be applicable to the sweat equity shares issued under this section and the holders of such shares shall rank *pari passu* with other equity shareholders.

---

49. Corresponds to section 79A of the 1956 Act.

50. Enforced with effect from 1-4-2014.

51. *See* also SEBI (Issue of Sweat Equity) Regulations, 2002.

51a. Omitted by the Companies (Amendment) Act, 2017, with effect from **7-5-2018**. Prior to its omission, clause (*c*) read as under :

"(*c*) not less than one year has, at the date of such issue, elapsed since the date on which the company had commenced business; and"

52. *See* rule 8 and Form No. SH 3 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**). *See* also SEBI (Issue of Sweat Equity) Regulations, 2002.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Issue and redemption of preference shares .

55. (1) No company limited by shares shall, after the commencement of this Act, issue any preference shares which are irredeemable.

(2) A company limited by shares may, if so authorised by its articles, issue preference shares which are liable to be redeemed within a period not exceeding twenty years from the date of their issue subject to such conditions as may be prescribed:

Provided that a company may issue preference shares for a period exceeding twenty years for infrastructure projects, subject to the redemption of such percentage of shares as may be prescribed on an annual basis at the option of such preferential shareholders:

Provided further that—

(*a*) no such shares shall be redeemed except out of the profits of the company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of such redemption;

(*b*) no such shares shall be redeemed unless they are fully paid;

(*c*) where such shares are proposed to be redeemed out of the profits of the company, there shall, out of such profits, be transferred, a sum equal to the nominal amount of the shares to be redeemed, to a reserve, to be called the Capital Redemption Reserve Account, and the provisions of this Act relating to reduction of share capital of a company shall, except as provided in this section, apply as if the Capital Redemption Reserve Account were paid-up share capital of the company; and

(*d*) (*i*) in case of such class of companies, as may be prescribed and whose financial statement comply with the accounting standards prescribed for such class of companies under , the premium, if any, payable on redemption shall be provided for out of the profits of the company, before the shares are redeemed:

Provided alsothat premium, if any, payable on redemption of any preference shares issued on or before the commencement of this Act by any such company shall be provided for out of the profits of the company or out of the company's securities premium account, before such shares are redeemed.

(*ii*) in a case not falling under sub-clause (*i*) above, the premium, if any, payable on redemption shall be provided for out of the profits of the company or out of the company's securities premium account, before such shares are redeemed.

(3) Where a company is not in a position to redeem any preference shares or to pay dividend, if any, on such shares in accordance with the terms of issue (such shares hereinafter referred to as unredeemed preference shares), it may, with the consent of the holders of three-fourths in value of such preference shares and with the approval of the Tribunal on a petition made by it in this behalf, issue further redeemable preference shares equal to the amount due, including the dividend thereon, in respect of the unredeemed preference shares, and on the issue of such further redeemable preference shares, the unredeemed preference shares shall be deemed to have been redeemed:

Provided that the Tribunal shall, while giving approval under this sub-section, order the redemption forthwith of preference shares held by such persons who have not consented to the issue of further redeemable preference shares.

Explanation.—For the removal of doubts, it is hereby declared that the issue of further redeemable preference shares or the redemption of preference shares under this section shall not be deemed to be an increase or, as the case may be, a reduction, in the share capital of the company.

(4) The capital redemption reserve account may, notwithstanding anything in this section, be applied by the company, in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

Explanation.—For the purposes of sub-section (2), the term "infrastructure projects" means the infrastructure projects specified in Schedule VI.

Transfer and transmission of securities.

56. (1) A company shall not register a transfer of securities of the company, or the interest of a member in the company in the case of a company having no share capital, other than the transfer between persons both of whose names are entered as holders of beneficial interest in the records of a depository, unless a proper instrument of transfer, in such form as may be prescribed, duly stamped, dated and executed by or on behalf of the transferor and the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the company by the transferor or the transferee within a period of sixty days from the date of execution, along with the certificate relating to the securities, or if no such certificate is in existence, along with the letter of allotment of securities:

Provided that where the instrument of transfer has been lost or the instrument of transfer has not been delivered within the prescribed period, the company may register the transfer on such terms as to indemnity as the Board may think fit.

(2) Nothing in sub-section (1) shall prejudice the power of the company to register, on receipt of an intimation of transmission of any right to securities by operation of law from any person to whom such right has been transmitted.

(3) Where an application is made by the transferor alone and relates to partly paid shares, the transfer shall not be registered, unless the company gives the notice of the application, in such manner as may be prescribed, to the transferee and the transferee gives no objection to the transfer within two weeks from the receipt of notice.

(4) Every company shall, unless prohibited by any provision of law or any order of Court, Tribunal or other authority, deliver the certificates of all securities allotted, transferred or transmitted—

(*a*) within a period of two months from the date of incorporation, in the case of subscribers to the memorandum;

(*b*) within a period of two months from the date of allotment, in the case of any allotment of any of its shares;

(*c*) within a period of one month from the date of receipt by the company of the instrument of transfer under sub-section (1) or, as the case may be, of the intimation of transmission under sub-section (2), in the case of a transfer or transmission of securities;

(*d*) within a period of six months from the date of allotment in the case of any allotment of debenture:

Provided that where the securities are dealt with in a depository, the company shall intimate the details of allotment of securities to depository immediately on allotment of such securities.

(5) The transfer of any security or other interest of a deceased person in a company made by his legal representative shall, even if the legal representative is not a holder thereof, be valid as if he had been the holder at the time of the execution of the instrument of transfer.

[*(6) Where any default is made in complying with the provisions of sub-sections (1) to (5), the company and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.***]**

(7) Without prejudice to any liability under the Depositories Act, 1996 (22 of 1996), where any depository or depository participant, with an intention to defraud a person, has transferred shares, it shall be liable under section 447.

---

86. Corresponds to sections 108, 109, 110 and 113 of the 1956 Act.
87. Enforced with effect from 1-4-2014.
88. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; Table F of Schedule I and *see* also SEBI (Depositories and Participants) Regulations, 1996.
89. For meaning of the terms "transfer" and "transmission", *see* **Appendix II**.
90. *See* rule 11 and Form Nos. SH 4 & SH 5 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**). *See* also Circular No. 19/2014, dated 12-6-2014 [Clarifications on Rules prescribed under the Companies Act, 2013]. For details, *see* **Division Three.**
91. In case of Government Companies in sub-section (1), after the proviso, the following provisos shall be inserted, namely:—

    Provided further that the provisions of this sub-section, in so far as it requires a proper instrument of transfer, to be duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee, shall not apply with respect to bonds issued by a Government company, provided that an intimation by the transferee specifying his name, address and occupation, if any, has been delivered to the company along with the certificate relating to the bond; and if no such certificate is in existence, along with the letter of allotment of the bond:

    Provided also that the provisions of this sub-section shall not apply to a Government Company in respect of securities held by nominees of the Government - *Notification No. GSR 463(E), dated 5-6-2015.*

92. *See* rule 11 and Form Nos. SH 4 & SH 5 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**).
93. For meaning of the terms "transfer" and "transmission", *see* **Appendix II**.
94. *See* rule 11 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**).
95. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ

    set-up under the SEZ Act, in sub-section (4) of section 56, after the proviso, the following proviso shall be inserted, namely:—

"**Provided further** that a Specified IFSC public company shall deliver the certificates of all securities to subscribers after incorporation, allotment, transfer or transmission within a period of sixty days.".—*Notification No. GSR 8(E), dated 4-1-2017.*

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (4) of section 56, after the proviso, the following proviso shall be inserted, namely:—

"**Provided further** that a Specified IFSC private company shall deliver the certificates of all securities to subscribers after incorporation, allotment, transfer or transmission within a period of sixty days." —*Notification No. GSR 9(E), dated 4-1-2017.*

95a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (6) read as under :

"(6) Where any default is made in complying with the provisions of sub-sections (1) to (5), the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than ten thousand rupees but which may extend to one lakh rupees."

Punishment for personation of shareholder .

57. If any person deceitfully personates as an owner of any security or interest in a company, or of any share warrant or coupon issued in pursuance of this Act, and thereby obtains or attempts to obtain any such security or interest or any such share warrant or coupon, or receives or attempts to receive any money due to any such owner, he shall be punishable with imprisonment for a term which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Refusal of registration and appeal against refusal .

58. (1) If a private company limited by shares refuses, whether in pursuance of any power of the company under its articles or otherwise, to register the transfer of, or the transmission by operation of law of the right to, any securities or interest of a member in the company, it shall within a period of thirty days from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the company, send notice of the refusal to the transferor and the transferee or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal.

(2) Without prejudice to sub-section (1), the securities or other interest of any member in a public company shall be freely transferable:

Provided that any contract or arrangement between two or more persons in respect of transfer of securities shall be enforceable as a contract.

(3) The transferee may appeal to the Tribunal against the refusal within a period of thirty days from the date of receipt of the notice or in case no notice has been sent by the company, within a period of sixty days from the date on which the instrument of transfer or the intimation of transmission, as the case may be, was delivered to the company.

(4) If a public company without sufficient cause refuses to register the transfer of securities within a period of thirty days from the date on which the instrument of transfer or the intimation of transmission, as the case may be, is delivered to the company, the transferee may, within a period of sixty days of such refusal or where no intimation has been received from the company, within ninety days of the delivery of the instrument of transfer or intimation of transmission, appeal to the Tribunal.

(5) The Tribunal, while dealing with an appeal made under sub-section (3) or sub-section (4), may, after hearing the parties, either dismiss the appeal, or by order—

(*a*) direct that the transfer or transmission shall be registered by the company and the company shall comply with such order within a period of ten days of the receipt of the order; or

(*b*) direct rectification of the register and also direct the company to pay damages, if any, sustained by any party aggrieved.

(6) If a person contravenes the order of the Tribunal under this section, he shall be punishable with imprisonment for a term which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

Rectification of register of members.

59. (1) If the name of any person is, without sufficient cause, entered in the register of members of a company, or after having been entered in the register, is, without sufficient cause, omitted therefrom, or if a default is made, or unnecessary delay takes place in entering in the register, the fact of any person having become or ceased to be a member, the person aggrieved, or any member of the company, or the company may appeal in such form as may be prescribed, to the Tribunal, or to a competent court outside India, specified by the Central Government by notification, in respect of foreign members or debenture holders residing outside India, for rectification of the register.

(2) The Tribunal may, after hearing the parties to the appeal under sub-section (1) by order, either dismiss the appeal or direct that the transfer or transmission shall be registered by the company within a period of ten days of the receipt of the order or direct rectification of the records of the depository or the register and in the latter case, direct the company to pay damages, if any, sustained by the party aggrieved.

(3) The provisions of this section shall not restrict the right of a holder of securities, to transfer such securities and any person acquiring such securities shall be entitled to voting rights unless the voting rights have been suspended by an order of the Tribunal.

(4) Where the transfer of securities is in contravention of any of the provisions of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Securities and Exchange Board of India Act, 1992 (15 of 1992) or this Act or any other law for the time being in force, the Tribunal may, on an application made by the depository, company, depository participant, the holder of the securities or the Securities and Exchange Board, direct any company or a depository to set right the contravention and rectify its register or records concerned.

(5) **[*****]**

---

3. Corresponds to sections 111 and 111A of the 1956 Act.
4. Enforced with effect from 12-9-2013. SEBI to regulate issue and transfer of securities [Companies (Removal of Difficulties) Order, 2013. For details, *see* **Division Three**].
5. For meaning of the terms "sufficient" and "default", *see* **Appendix II**.
6. For meaning of expression "the fact of any person having become a member", *see* **Appendix II**.
7. *See* rules 70 and 88 and Form No. NCLT-1 and Annexure B of the NCLT Rules, 2016 (**Division Two**). Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 1,000 (Appeal for rectification of register of member).
8. For meaning of expression "rectification of the register", *see* **Appendix II**.

8a. Omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its omission, sub-section (5) read as under :

"(5) If any default is made in complying with the order of the Tribunal under this section, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees, or with both."

Publication of authorised, subscribed and paid-up capital.

60. (1) Where any notice, advertisement or other official publication, or any business letter, billhead or letter paper of a company contains a statement of the amount of the authorised capital of the company, such notice, advertisement or other official publication, or such letter, billhead or letter paper shall also contain a statement, in an equally prominent position and in equally conspicuous characters, of the amount of the capital which has been subscribed and the amount paid-up.

(2) If any default is made in complying with the requirements of sub-section (1), the company shall be liable to pay a penalty of ten thousand rupees and every officer of the company who is in default shall be liable to pay a penalty of five thousand rupees, for each default.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power of limited company to alter its share capital .

61. (1) A limited company having a share capital may, if so authorised by its articles, alter its memorandum in its general meeting to—

(*a*) increase its authorised share capital by such amount as it thinks expedient;

(*b*) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares:

Provided that no consolidation and division which results in changes in the voting percentage of shareholders shall take effect unless it is approved by the Tribunal on an application made in the prescribed manner;

(*c*) convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;

(*d*) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

(*e*) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

(2) The cancellation of shares under sub-section (1) shall not be deemed to be a reduction of share capital.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Further issue of share capital.

62. (1) Where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares shall be offered—

(*a*) to persons who, at the date of the offer, are holders of equity shares of the company in proportion, as nearly as circumstances admit, to the paid-up share capital on those shares by sending a letter of offer subject to the following conditions, namely:—

(*i*) the offer shall be made by notice specifying the number of shares offered and limiting a time not being less than fifteen days **[***or such lesser number of days as may be prescribed***]** and not exceeding thirty days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined;

(*ii*) unless the articles of the company otherwise provide, the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person; and the notice referred to in clause (*i*) shall contain a statement of this right;

(*iii*) after the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner which is not dis-advantageous to the shareholders and the company;

(*b*) to employees under a scheme of employees' stock option, subject to special resolution passed by company and subject to such conditions as may be prescribed; or

(*c*) to any persons, if it is authorised by a special resolution, whether or not those persons include the persons referred to in clause (*a*) or clause (*b*), either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report [of a registered valuer, subject to the compliance with the applicable provisions of Chapter III and any other conditions as may be prescribed].

[(2) The notice referred to in sub-clause (*i*) of clause (*a*) of sub-section (1) shall be dispatched through registered post or speed post or through electronic mode or courier or any other mode having proof of delivery to all the existing shareholders at least three days before the opening of the issue.]

(3) Nothing in this section shall apply to the increase of the subscribed capital of a company caused by the exercise of an option as a term attached to the debentures issued or loan raised by the company to convert such debentures or loans into shares in the company:

Provided that the terms of issue of such debentures or loan containing such an option have been approved before the issue of such debentures or the raising of loan by a special resolution passed by the company in general meeting.

(4) Notwithstanding anything contained in sub-section (3), where any debentures have been issued, or loan has been obtained from any Government by a company, and if that Government considers it necessary in the public interest so to do, it may, by order, direct that such debentures or loans or any part thereof shall be converted into shares in the company on such terms and conditions as appear to the Government to be reasonable in the circumstances of the case even if terms of the issue of such debentures or the raising of such loans do not include a term for providing for an option for such conversion:

Provided that where the terms and conditions of such conversion are not acceptable to the company, it may, within sixty days from the date of communication of such order, appeal to the Tribunal which shall after hearing the company and the Government pass such order as it deems fit.

(5) In determining the terms and conditions of conversion under sub-section (4), the Government shall have due regard to the financial position of the company, the terms of issue of debentures or loans, as the case may be, the rate of interest payable on such debentures or loans and such other matters as it may consider necessary.

(6) Where the Government has, by an order made under sub-section (4), directed that any debenture or loan or any part thereof shall be converted into shares in a company and where no appeal has been preferred to the Tribunal under sub-section (4) or where such appeal has been dismissed, the memorandum of such company shall, where such order has the effect of increasing the authorised share capital of the company, stand altered and the authorised share capital of such company shall stand increased by an amount equal to the amount of the value of shares which such debentures or loans or part thereof has been converted into.

---

17. Corresponds to sections 81 and 94A(1) of the 1956 Act. In case of Nidhis, section 62 shall not apply - *Notification No. GSR 465(E), dated 5-6-2015.*
18. Except sub-sections (4) to (6), section 62 enforced with effect from 1-4-2014. Sub-sections (4) to (6) of section 62 enforced with effect from 1-6-2016.
19. *See* also SEBI (Share Based Employee Benefits) Regulations, 2014; Table F of Schedule I; SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
20. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in clause (*a*) of sub-section (1) of section 62, the following proviso shall be inserted, namely: —

"**Provided** that notwithstanding anything contained in sub-clause (*i*), in case of a Specified IFSC public company, the periods lesser than those specified in the said sub-clause shall apply if ninety per cent of the members have given their consent in writing or in electronic mode. ".—*Notification No. GSR 8(E), dated 4-1-2017*.

21. For meaning of the term/expression "provide" and "holder of shares", *see* **Appendix II**.
22. In case of private companies section 62(1)(*a*)(*i*) & 62(2) shall apply with following modifications :—

In clause (*a*), in sub-clause (*i*), the following proviso shall be inserted, namely :—

Provided that notwithstanding anything contained in this sub-clause and sub-section (2) of this section, in case ninety per cent of the members of a private company have given their consent in writing or in electronic mode, the periods lesser than those specified in the said sub-clause or sub-section shall apply - *Notification No. GSR 464(E), dated 5-6-2015.*

22a. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

23. For meaning of the term/expression "provide" and "holder of shares", *see* **Appendix II**.

24. In case of private companies in clause (*b*) of section 62(1), for the words "special resolution", the words "ordinary resolution" shall be substituted - *Notification No. GSR 464(E), dated 5-6-2015.*

In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in clause (*b*) of sub-section (1) of section 62 for the words "special resolution" read as "ordinary resolution".—*Notification No. GSR 8(E), dated 4-1-2017*.

25. *See* rule 12 and Form No. SH 6 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**). *See* also SEBI (Share Based Employee Benefits) Regulations, 2014.

26. Substituted for "of a registered valuer subject to such conditions as may be prescribed" by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.

27. *See* rule 13 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**). *See* also SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

28. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018. Prior to its substitution, sub-section (2) read as under :

"(2) The notice referred to in sub-clause (*i*) of clause (*a*) of sub-section (1) shall be despatched through registered post or speed post or through electronic mode to all the existing shareholders at least three days before the opening of the issue."

29. In case of private companies section 62(1)(*a*)(*i*) & 62(2) shall apply with following modifications :—

In clause (*a*), in sub-clause (*i*), the following proviso shall be inserted, namely :—

"**Provided** that notwithstanding anything contained in this sub-clause and sub-section (2) of this section, in case ninety per cent of the members of a private company have given their consent in writing or in electronic mode, the periods lesser than those specified in the said sub-clause or sub-section shall apply - *Notification No. GSR 464(E), dated 5-6-2015.*"

30. Enforced with effect from 1-6-2016.

31. *See* rule 72 and Form No. NCLT-9 of the NCLT Rules, 2016 (**Division Two**). Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 5,000 (Appeal against order of Govt, fixing terms and conditions for conversion of debentures and shares).

32. Enforced with effect from 1-6-2016.

Issue of bonus shares.

63. (1) A company may issue fully paid-up bonus shares to its members, in any manner whatsoever, out of—

(*i*) its free reserves;

(*ii*) the securities premium account; or

(*iii*) the capital redemption reserve account:

Provided that no issue of bonus shares shall be made by capitalising reserves created by the revaluation of assets.

(2) No company shall capitalise its profits or reserves for the purpose of issuing fully paid-up bonus shares under sub-section (1), unless—

(*a*) it is authorised by its articles;

(*b*) it has, on the recommendation of the Board, been authorised in the general meeting of the company;

(*c*) it has not defaulted in payment of interest or principal in respect of fixed deposits or debt securities issued by it;

(*d*) it has not defaulted in respect of the payment of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus;

(*e*) the partly paid-up shares, if any outstanding on the date of allotment, are made fully paid-up;

(*f*) it complies with such conditions as may be prescribed.

(3) The bonus shares shall not be issued in lieu of dividend.

Notice to be given to Registrar for alteration of share capital.

64. (1) Where—

(*a*) a company alters its share capital in any manner specified in sub-section (1) of section 61;

(*b*) an order made by the Government under sub-section (4) read with sub-section (6) of section 62 has the effect of increasing authorised capital of a company; or

(*c*) a company redeems any redeemable preference shares,

the company shall file a notice in the prescribed form with the Registrar within a period of thirty days of such alteration or increase or redemption, as the case may be, along with an altered memorandum.

[(2) Where any company fails to comply with the provisions of sub-section (1), such company and every officer who is in default shall be liable to a penalty of **[***five hundred rupees***]** for each day during which such default continues, **[***subject to a maximum of five lakh rupees in case of a company and one lakh rupees in case of an officer who is in default***]**.]

---

36. Corresponds to sections 94A(3), 95 and 97 of the 1956 Act.

37. Enforced with effect from 1-4-2014.

38. *See* rule 15 and Form No. SH 7 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**).

39. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018. Prior to its substitution, sub-section (2) read as under :

"(2) If a company and any officer of the company who is in default contravenes the provisions of sub-section (1), it or he shall be punishable with fine which may extend to one thousand rupees for each day during which such default continues, or five lakh rupees, whichever is less."

39a. Substituted for "one thousand rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

39b. Substituted for "or five lakh rupees whichever is less" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Unlimited company to provide for reserve share capital on conversion into limited company.

65. An unlimited company having a share capital may, by a resolution for registration as a limited company under this Act, do either or both of the following things, namely—

(*a*) increase the nominal amount of its share capital by increasing the nominal amount of each of its shares, subject to the condition that no part of the increased capital shall be capable of being called up except in the event and for the purposes of the company being wound up;

(*b*) provide that a specified portion of its uncalled share capital shall not be capable of being called up except in the event and for the purposes of the company being wound up.

Reduction of share capital.

66. (1) Subject to confirmation by the Tribunal on an application by the company, a company limited by shares or limited by guarantee and having a share capital may, by a special resolution, reduce the share capital in any manner and in particular, may—

(*a*) extinguish or reduce the liability on any of its shares in respect of the share capital not paid-up; or

(*b*) either with or without extinguishing or reducing liability on any of its shares,—

(*i*) cancel any paid-up share capital which is lost or is unrepresented by available assets; or

(*ii*) pay off any paid-up share capital which is in excess of the wants of the company,

alter its memorandum by reducing the amount of its share capital and of its shares accordingly:

Provided that no such reduction shall be made if the company is in arrears in the repayment of any deposits accepted by it, either before or after the commencement of this Act, or the interest payable thereon.

(2) The Tribunal shall give notice of every application made to it under sub-section (1) to the Central Government, Registrar and to the Securities and Exchange Board, in the case of listed companies, and the creditors of the company and shall take into consideration the representations, if any, made to it by that Government, Registrar, the Securities and Exchange Board and the creditors within a period of three months from the date of receipt of the notice:

Provided that where no representation has been received from the Central Government, Registrar, the Securities and Exchange Board or the creditors within the said period, it shall be presumed that they have no objection to the reduction.

(3) The Tribunal may, if it is satisfied that the debt or claim of every creditor of the company has been discharged or determined or has been secured or his consent is obtained, make an order confirming the reduction of share capital on such terms and conditions as it deems fit:

Provided that no application for reduction of share capital shall be sanctioned by the Tribunal unless the accounting treatment, proposed by the company for such reduction is in conformity with the accounting standards specified in section 133 or any other provision of this Act and a certificate to that effect by the company's auditor has been filed with the Tribunal.

(4) The order of confirmation of the reduction of share capital by the Tribunal under sub-section (3) shall be published by the company in such manner as the Tribunal may direct.

(5) The company shall deliver a certified copy of the order of the Tribunal under sub-section (3) and of a minute approved by the Tribunal showing—

(*a*) the amount of share capital;

(*b*) the number of shares into which it is to be divided;

(*c*) the amount of each share; and

(*d*) the amount, if any, at the date of registration deemed to be paid-up on each share,

to the Registrar within thirty days of the receipt of the copy of the order, who shall register the same and issue a certificate to that effect.

(6) Nothing in this section shall apply to buy-back of its own securities by a company under section 68.

(7) A member of the company, past or present, shall not be liable to any call or contribution in respect of any share held by him exceeding the amount of difference, if any, between the amount paid on the share, or reduced amount, if any, which is to be deemed to have been paid thereon, as the case may be, and the amount of the share as fixed by the order of reduction.

(8) Where the name of any creditor entitled to object to the reduction of share capital under this section is, by reason of his ignorance of the proceedings for reduction or of their nature and effect with respect to his debt or claim, not entered on the list of creditors, and after such reduction, the company [commits a default, within the meaning of section 6 of the Insolvency and Bankruptcy Code, 2016, in respect of the amount of his debt or claim,]—

(*a*) every person, who was a member of the company on the date of the registration of the order for reduction by the Registrar, shall be liable to contribute to the payment of that debt or claim, an amount not exceeding the amount which he would have been liable to contribute if the company had commenced winding up on the day immediately before the said date; and

(*b*) if the company is wound up, the Tribunal may, on the application of any such creditor and proof of his ignorance as aforesaid, if it thinks fit, settle a list of persons so liable to contribute, and make and enforce calls and orders on the contributories settled on the list, as if they were ordinary contributories in a winding up.

(9) Nothing in sub-section (8) shall affect the rights of the contributories among themselves.

(10) If any officer of the company—

(*a*) knowingly conceals the name of any creditor entitled to object to the reduction;

(*b*) knowingly misrepresents the nature or amount of the debt or claim of any creditor; or

(*c*) abets or is privy to any such concealment or misrepresentation as aforesaid,

he shall be liable under section 447.

(11) **[***]**

---

42. Corresponds to sections 100 to 105 of the 1956 Act.

43. Enforced with effect from 15-12-2016.

44. *See* National Company Law Tribunal (Procedure for reduction of Share Capital of Company) Rules, 2016 (**Division Two**). *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Table F of Schedule I.
45. Prescribed fees is Rs. 5,000 under National Company Law Tribunal (Procedure for reduction of Share Capital of Company) Rules, 2016.
46. Powers are delegated to Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Shillong.
47. Substituted for "is unable, within the meaning of sub-section (2) of section 271, to pay the amount of his debt or claim," by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016.

47a. Omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its omission, sub-section (11) read as under :

"(11) If a company fails to comply with the provisions of sub-section (4), it shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees."

Restrictions on purchase by company or giving of loans by it for purchase of its shares .

67. (1) No company limited by shares or by guarantee and having a share capital shall have power to buy its own shares unless the consequent reduction of share capital is effected under the provisions of this Act.

(2) No public company shall give, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of, or in connection with, a purchase or subscription made or to be made, by any person of or for any shares in the company or in its holding company.

(3) Nothing in sub-section (2) shall apply to—

(*a*) the lending of money by a banking company in the ordinary course of its business;

(*b*) the provision by a company of money in accordance with any scheme approved by company through special resolution and in accordance with such requirements as may be prescribed, for the purchase of, or subscription for, fully paid-up shares in the company or its holding company, if the purchase of, or the subscription for, the shares held by trustees for the benefit of the employees or such shares held by the employee of the company;

(*c*) the giving of loans by a company to persons in the employment of the company other than its directors or key managerial personnel, for an amount not exceeding their salary or wages for a period of six months with a view to enabling them to purchase or subscribe for fully paid-up shares in the company or its holding company to be held by them by way of beneficial ownership:
Provided that disclosures in respect of voting rights not exercised directly by the employees in respect of shares to which the scheme relates shall be made in the Board's report in such manner as may be prescribed.

(4) Nothing in this section shall affect the right of a company to redeem any preference shares issued by it under this Act or under any previous company law.

(5) If a company contravenes the provisions of this section, it shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power of company to purchase its own securities.

68. (1) Notwithstanding anything contained in this Act, but subject to the provisions of sub-section (2), a company may purchase its own shares or other specified securities (hereinafter referred to as buy-back) out of—

(*a*) its free reserves;

(*b*) the securities premium account; or

(*c*) the proceeds of the issue of any shares or other specified securities:

Provided that no buy-back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities.

(2) No company shall purchase its own shares or other specified securities under sub-section (1), unless—

(*a*) the buy-back is authorised by its articles;

(*b*) a special resolution has been passed at a general meeting of the company authorising the buy-back:

Provided that nothing contained in this clause shall apply to a case where—

(*i*) the buy-back is, ten per cent or less of the total paid-up equity capital and free reserves of the company; and

(*ii*) such buy-back has been authorised by the Board by means of a resolution passed at its meeting;

(*c*) the buy-back is twenty-five per cent or less of the aggregate of paid-up capital and free reserves of the company:

Provided that in respect of the buy-back of equity shares in any financial year, the reference to twenty-five per cent in this clause shall be construed with respect to its total paid-up equity capital in that financial year;

(*d*) the ratio of the aggregate of secured and unsecured debts owed by the company after buy-back is not more than twice the paid-up capital and its free reserves:

Provided that the Central Government may, by order, notify a higher ratio of the debt to capital and free reserves for a class or classes of companies;

(*e*) all the shares or other specified securities for buy-back are fully paid-up;

(*f*) the buy-back of the shares or other specified securities listed on any recognised stock exchange is in accordance with the regulations made by the Securities and Exchange Board in this behalf; and

(*g*) the buy-back in respect of shares or other specified securities other than those specified in clause (*f*) is in accordance with such rules as may be prescribed:

Provided that no offer of buy-back under this sub-section shall be made within a period of one year reckoned from the date of the closure of the preceding offer of buy-back, if any.

(3) The notice of the meeting at which the special resolution is proposed to be passed under clause (*b*) of sub-section (2) shall be accompanied by an explanatory statement stating—

(*a*) a full and complete disclosure of all material facts;

(*b*) the necessity for the buy-back;

(*c*) the class of shares or securities intended to be purchased under the buy-back;

(*d*) the amount to be invested under the buy-back; and

(*e*) the time-limit for completion of buy-back.

(4) Every buy-back shall be completed within a period of one year from the date of passing of the special resolution, or as the case may be, the resolution passed by the Board under clause (*b*) of sub-section (2).

(5) The buy-back under sub-section (1) may be—

(*a*) from the existing shareholders or security holders on a proportionate basis;

(*b*) from the open market;

(*c*) by purchasing the securities issued to employees of the company pursuant to a scheme of stock option or sweat equity.

(6) Where a company proposes to buy-back its own shares or other specified securities under this section in pursuance of a special resolution under clause (*b*) of sub-section (2) or a resolution under item (*ii*) of the proviso thereto, it shall, before making such buy-back, file with the Registrar and the Securities and Exchange Board, a declaration of solvency signed by at least two directors of the company, one of whom shall be the managing director, if any, in such form as may be prescribed and verified by an affidavit to the effect that the Board of Directors of the company has made a full inquiry into the affairs of the company as a result of which they have formed an opinion that it is capable of meeting its liabilities and will not be rendered insolvent within a period of one year from the date of declaration adopted by the Board:

Provided that no declaration of solvency shall be filed with the Securities and Exchange Board by a company whose shares are not listed on any recognised stock exchange.

(7) Where a company buys back its own shares or other specified securities, it shall extinguish and physically destroy the shares or securities so bought back within seven days of the last date of completion of buy-back.

(8) Where a company completes a buy-back of its shares or other specified securities under this section, it shall not make a further issue of the same kind of shares or other securities including allotment of new shares under clause (*a*) of sub-section (1) of section 62 or other specified securities within a period of six months except by way of a bonus issue or in the discharge of subsisting obligations such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares.

(9) Where a company buys back its shares or other specified securities under this section, it shall maintain a register of the shares or securities so bought, the consideration paid for the shares or securities bought back, the date of cancellation of shares or securities, the date of extinguishing and physically destroying the shares or securities and such other particulars as may be prescribed.

(10) A company shall, after the completion of the buy-back under this section, file with the Registrar and the Securities and Exchange Board a return containing such particulars relating to the buy-back within thirty days of such completion, as may be prescribed:

Provided that no return shall be filed with the Securities and Exchange Board by a company whose shares are not listed on any recognised stock exchange.

(11) If a company makes any default in complying with the provisions of this section or any regulation made by the Securities and Exchange Board, for the purposes of clause (*f*) of sub-section (2), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees and every officer of the company who is in default shall be punishable **[*******]** with fine which shall not be less than one lakh rupees but which may extend to **[***three lakh rupees***]**.

Explanation I.—For the purposes of this section and section 70, "specified securities" includes employees' stock option or other securities as may be notified by the Central Government from time to time.

Explanation II.—For the purposes of this section, "free reserves" includes securities premium account.

---

54. Corresponds to section 77A of the 1956 Act.
55. Enforced with effect from 1-4-2014.
56. *See* also SEBI (Buy-back of Securities) Regulations, 1998; Table F of Schedule I and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
57. For notified ratio, *see* Notification No. SO 702(E), dated 10-3-2016. *See* **Division Three**.
58. *See* rule 17 and Form Nos. SH 8 to 11 & 15 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**). *See* also SEBI (Buy-back of Securities) Regulations, 1998.
59. *See* rule 17 and Form Nos. SH 8 to 11 & 15 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**).
60. *See* rule 17 and Form Nos. SH 8 to 11 & 15 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**).

60a. Words "with imprisonment for a term which may extend to three years or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

60b. Substituted for "three lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Transfer of certain sums to capital redemption reserve account.

69. (1) Where a company purchases its own shares out of free reserves or securities premium account, a sum equal to the nominal value of the shares so purchased shall be transferred to the capital redemption reserve account and details of such transfer shall be disclosed in the balance sheet.

(2) The capital redemption reserve account may be applied by the company, in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Prohibition for buy-back in certain circumstances.

70. (1) No company shall directly or indirectly purchase its own shares or other specified securities—

(*a*) through any subsidiary company including its own subsidiary companies;

(*b*) through any investment company or group of investment companies; or

(*c*) if a default**,** is made by the company**,** in the repayment of deposits accepted either before or after the commencement of this Act, interest payment thereon, redemption of debentures or preference shares or payment of dividend to any shareholder, or repayment of any term loan or interest payable thereon to any financial institution or banking company:
Provided that the buy-back is not prohibited, if the default is remedied and a period of three years has lapsed after such default ceased to subsist.

(2) No company shall, directly or indirectly, purchase its own shares or other specified securities in case such company has not complied with the provisions of , , and section.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Debentures.

71. (1) A company may issue debentures with an option to convert such debentures into shares, either wholly or partly at the time of redemption:

Provided that the issue of debentures with an option to convert such debentures into shares, wholly or partly, shall be approved by a special resolution passed at a general meeting.

(2) No company shall issue any debentures carrying any voting rights.

(3) Secured debentures may be issued by a company subject to such terms and conditions as may be prescribed.

(4) Where debentures are issued by a company under this section, the company shall create a debenture redemption reserve account out of the profits of the company available for payment of dividend and the amount credited to such account shall not be utilised by the company except for the redemption of debentures.

(5) No company shall issue a prospectus or make an offer or invitation to the public or to its members exceeding five hundred for the subscription of its debentures, unless the company has, before such issue or offer, appointed one or more debenture trustees and the conditions governing the appointment of such trustees shall be such as may be prescribed.

(6) A debenture trustee shall take steps to protect the interests of the debenture-holders and redress their grievances in accordance with such rules as may be prescribed.

(7) Any provision contained in a trust deed for securing the issue of debentures, or in any contract with the debenture-holders secured by a trust deed, shall be void in so far as it would have the effect of exempting a trustee thereof from, or indemnifying him against, any liability for breach of trust, where he fails to show the degree of care and due diligence required of him as a trustee, having regard to the provisions of the trust deed conferring on him any power, authority or discretion:

Provided that the liability of the debenture trustee shall be subject to such exemptions as may be agreed upon by a majority of debenture-holders holding not less than three-fourths in value of the total debentures at a meeting held for the purpose.

(8) A company shall pay interest and redeem the debentures in accordance with the terms and conditions of their issue.

(9) Where at any time the debenture trustee comes to a conclusion that the assets of the company are insufficient or are likely to become insufficient to discharge the principal amount as and when it becomes due, the debenture trustee may file a petition before the Tribunal and the Tribunal may, after hearing the company and any other person interested in the matter, by order, impose such restrictions on the incurring of any further liabilities by the company as the Tribunal may consider necessary in the interests of the debenture-holders.

(10) Where a company fails to redeem the debentures on the date of their maturity or fails to pay interest on the debentures when it is due, the Tribunal may, on the application of any or all of the debenture-holders, or debenture trustee and, after hearing the parties concerned, direct, by order, the company to redeem the debentures forthwith on payment of principal and interest due thereon.

(11) **[***]**

(12) A contract with the company to take up and pay for any debentures of the company may be enforced by a decree for specific performance.

(13) The Central Government may prescribe the procedure, for securing the issue of debentures, the form of debenture trust deed, the procedure for the debenture-holders to inspect the trust deed and to obtain copies thereof, quantum of debenture redemption reserve required to be created and such other matters.

---

66. Corresponds to sections 117, 117A, 117B, 117C, 118, 119 and 122 of the 1956 Act.
67. Except sub-sections (9) to (11), section 71 enforced with effect from 1-4-2014. Sub-sections (9) to (11) of section 71 enforced with effect from 1-6-2016.
68. *See* also SEBI (Debenture Trustees) Regulations, 1993; Issue of Foreign Currency Exchangeable Bond Scheme, 2008; SEBI (Issue and Listing of Debt Securities) Regulations, 2008; Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993; SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009; SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Table F of Schedule I.

    See also Circular No. 9/2016, dated 3-8-2016 (Issuance of rupee bonds to overseas investors by Indian Companies). *See* **Division Three**.

69. *See* rule 18 and Form No. SH 12 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**). *See* also SEBI (Debenture Trustees) Regulations, 1993 and SEBI (Issue and Listing of Debt Securities) Regulations, 2008.
70. *See* rule 18 and Form No. SH 12 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**). *See* also SEBI (Debenture Trustees) Regulations, 1993 and SEBI (Issue and Listing of Debt Securities) Regulations, 2008.
71. Enforced with effect from 1-6-2016.
72. *See* rule 73 and Form No. NCLT-11 of the NCLT Rules, 2016 (**Division Two**). Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 2,000 (Petition by Debenture-trustees).

73. Enforced with effect from 1-6-2016.
74. *See* rule 73 and Form No. NCLT-11 of the NCLT Rules, 2016 (**Division Two**). Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 1,000 (Application in the event of failure of redeeming of debentures).
75. Omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its omission, sub-section (11) read as under :

"*(11) If any default is made in complying with the order of the Tribunal under this section, every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than two lakh rupees but which may extend to five lakh rupees, or with both."

*Enforced with effect from 1-6-2016.

76. *See* rule 18 and Form No. SH 12 of the Companies (Share Capital and Debentures) Rules, 2014 (**Division Two**).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power to nominate .

72. (1) Every holder of securities of a company may, at any time, nominate, in the prescribed manner, any person to whom his securities shall vest in the event of his death.

(2) Where the securities of a company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, any person to whom all the rights in the securities shall vest in the event of death of all the joint holders.

(3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of the securities of a company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the securities of the company, the nominee shall, on the death of the holder of securities or, as the case may be, on the death of the joint holders, become entitled to all the rights in the securities, of the holder or, as the case may be, of all the joint holders, in relation to such securities, to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

(4) Where the nominee is a minor, it shall be lawful for the holder of the securities, making the nomination to appoint, in the prescribed manner, any person to become entitled to the securities of the company, in the event of the death of the nominee during his minority.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER V

ACCEPTANCE OF DEPOSITS BY COMPANIES

Prohibition on acceptance of deposits from public.

73. (1) On and after the commencement of this Act, no company shall invite, accept or renew deposits under this Act from the public except in a manner provided under this Chapter:

Provided that nothing in this sub-section shall apply to a banking company and non-banking financial company as defined in the Reserve Bank of India Act, 1934 (2 of 1934) and to such other company as the Central Government may, after consultation with the Reserve Bank of India, specify in this behalf.

(2) A company may, subject to the passing of a resolution in general meeting and subject to such rules as may be prescribed in consultation with the Reserve Bank of India, accept deposits from its members on such terms and conditions, including the provision of security, if any, or for the repayment of such deposits with interest, as may be agreed upon between the company and its members, subject to the fulfilment of the following conditions, namely:—

(*a*) issuance of a circular to its members including therein a statement showing the financial position of the company, the credit rating obtained, the total number of depositors and the amount due towards deposits in respect of any previous deposits accepted by the company and such other particulars in such form and in such manner as may be prescribed;

(*b*) filing a copy of the circular along with such statement with the Registrar within thirty days before the date of issue of the circular;

[(*c*) *depositing, on or before the thirtieth day of April each year, such sum which shall not be less than twenty per cent of the amount of its deposits maturing during the following financial year and kept in a scheduled bank in a separate bank account to be called deposit repayment reserve account;***]**

(*d*) **[*******]**

(*e*) certifying that the company has not committed any default in the repayment of deposits accepted either before or after the commencement of this Act or payment of interest on **[***such deposits and where a default had occurred, the company made good the default and a period of five years had lapsed since the date of making good the default;***]** and

(*f*) providing security, if any for the due repayment of the amount of deposit or the interest thereon including the creation of such charge on the property or assets of the company:

Provided that in case where a company does not secure the deposits or secures such deposits partially, then, the deposits shall be termed as "unsecured deposits" and shall be so quoted in every circular, form, advertisement or in any document related to invitation or acceptance of deposits.

(3) Every deposit accepted by a company under sub-section (2) shall be repaid with interest in accordance with the terms and conditions of the agreement referred to in that sub-section.

(4) Where a company fails to repay the deposit or part thereof or any interest thereon under sub-section (3), the depositor concerned may apply to the Tribunal for an order directing the company to pay the sum due or for any loss or damage incurred by him as a result of such non-payment and for such other orders as the Tribunal may deem fit.

(5) The deposit repayment reserve account referred to in clause (*c*) of sub-section (2) shall not be used by the company for any purpose other than repayment of deposits.

---

48. Corresponds to section 58A of the 1956 Act.

49. Enforced with effect from 1-4-2014.

50. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.

51. For meaning of the term "renew", *see* **Appendix II**.

52. In case of private companies section 73(2)(*a*) to (*e*) shall not apply to a private company—

(*A*) which accepts from its members monies not exceeding one hundred per cent of aggregate of the paid-up share capital, free reserves and securities premium account; or

(*B*) which is a start-up for five years from the date of its incorporation; or

(*C*) which fulfils all of the following conditions, namely:—

(*a*) which is not an associate or a subsidiary company of any other company;

(*b*) if the borrowings of such a company from banks or financial institutions or any body corporate is less than twice of its paid-up share capital or fifty crore rupees, whichever is lower; and

(*c*) such a company has not defaulted in the repayment of such borrowings subsisting at the time of accepting deposits under this section:

Provided that the company referred to in clause (A), (B) or (C) shall file the details of monies accepted to the Registrar in such manner as may be specified. - *Notification No. GSR 464(E), dated 5-6-2015, as amended by, Notification No. 583(E), dated 13-6-2017*.

In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, clauses (*a*) to (*e*) of sub-section (2) of section 73, shall not apply to a Specified IFSC public company which accepts from its members, monies not exceeding one hundred per cent of aggregate of the paid up share capital and free reserves, and such company shall file the details of monies so accepted to the Registrar in such manner as may be specified.—*Notification No. GSR 8(E), dated 4-1-2017*.

53. *See* Companies (Acceptance of Deposits) Rules, 2014 (**Division Two**).

54. *See* Companies (Acceptance of Deposits) Rules, 2014 (**Division Two**). *See* also Circular No. 27/2014, dated 30-6-2014 [Clarification regarding filing of Form DPT4]. For details, *see* **Division Three**.

54a. Substituted by the Companies (Amendment) Act, 2017, with effect from **15-8-2018**. Prior to its substitution, clause (*c*) read as under :

"(*c*) depositing such sum which shall not be less than fifteen per cent of the amount of its deposits maturing during a financial year and the financial year next following, and kept in a scheduled bank in a separate bank account to be called as deposit repayment reserve account;"

54b. Omitted by the Companies (Amendment) Act, 2017, with effect from **15-8-2018**. Prior to its omission, clause (*d*) read as under :

"(*d*) providing such deposit insurance in such manner and to such extent as may be prescribed;"

54c. Substituted for "such deposits;" by the Companies (Amendment) Act, 2017, with effect from **15-8-2018**.

55. *See* rule 73 and Form No. NCLT-11 of the NCLT Rules, 2016 (**Division Two**). Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 500 (Application by depositor for repayment of deposit or interest).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Repayment of deposits, etc., accepted before commencement of this Act.

74. (1) Where in respect of any deposit accepted by a company before the commencement of this Act, the amount of such deposit or part thereof or any interest due thereon remains unpaid on such commencement or becomes due at any time thereafter, the company shall—

(*a*) file, within a period of three months from such commencement or from the date on which such payments, are due, with the Registrar a statement of all the deposits accepted by the company and sums remaining unpaid on such amount with the interest payable thereon along with the arrangements made for such repayment, notwithstanding anything contained in any other law for the time being in force or under the terms and conditions subject to which the deposit was accepted or any scheme framed under any law; and

[(b) *repay within three years from such commencement or on or before expiry of the period for which the deposits were accepted, whichever is earlier:*

Provided*that renewal of any such deposits shall be done in accordance with the provisions of Chapter V and the rules made thereunder.***]**

(2) The Tribunal may on an application made by the company, after considering the financial condition of the company, the amount of deposit or part thereof and the interest payable thereon and such other matters, allow further time as considered reasonable to the company to repay the deposit.

(3) If a company fails to repay the deposit or part thereof or any interest thereon within the time specified in sub-section (1) or such further time as may be allowed by the Tribunal under sub-section (2), the company shall, in addition to the payment of the amount of deposit or part thereof and the interest due, be punishable with fine which shall not be less than one crore rupees but which may extend to ten crore rupees and every officer of the company who is in default shall be punishable with imprisonment which may extend to seven years or with fine which shall not be less than twenty-five lakh rupees but which may extend to two crore rupees, or with both.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Damages for fraud.

75. (1) Where a company fails to repay the deposit or part thereof or any interest thereon referred to in within the time specified in sub-section (1) of that section or such further time as may be allowed by the Tribunal under sub-section (2) of that section, and it is proved that the deposits had been accepted with intent to defraud the depositors or for any fraudulent purpose, every officer of the company who was responsible for the acceptance of such deposit shall, without prejudice to the provisions contained in sub-section (3) of that section and liability under , be personally responsible, without any limitation of liability, for all or any of the losses or damages that may have been incurred by the depositors.

(2) Any suit, proceedings or other action may be taken by any person, group of persons or any association of persons who had incurred any loss as a result of the failure of the company to repay the deposits or part thereof or any interest thereon.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Acceptance of deposits from public by certain companies.

76. (1) Notwithstanding anything contained in , a public company, having such net worth or turnover as may be prescribed, may accept deposits from persons other than its members subject to compliance with the requirements provided in sub-section (2) of and subject to such rules as the Central Government may, in consultation with the Reserve Bank of India, prescribe:

Provided that such a company shall be required to obtain the rating (including its networth, liquidity and ability to pay its deposits on due date) from a recognised credit rating agency for informing the public the rating given to the company at the time of invitation of deposits from the public which ensures adequate safety and the rating shall be obtained for every year during the tenure of deposits:

Provided further that every company accepting secured deposits from the public shall within thirty days of such acceptance, create a charge on its assets of an amount not less than the amount of deposits accepted in favour of the deposit holders in accordance with such rules as may be prescribed.

(2) The provisions of this Chapter shall, *mutatis mutandis*, apply to the acceptance of deposits from public under this section.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[**Punishment for contravention of section 73 or section 76.**

76A. Where a company accepts or invites or allows or causes any other person to accept or invite on its behalf any deposit in contravention of the manner or the conditions prescribed under section 73 or section 76 or rules made thereunder or if a company fails to repay the deposit or part thereof or any interest due thereon within the time specified under section 73 or section 76 or rules made thereunder or such further time as may be allowed by the Tribunal under section 73,—

(*a*) the company shall, in addition to the payment of the amount of deposit or part thereof and the interest due, be punishable with fine which shall not be less than **[***one crore rupees or twice the amount of deposit accepted by the company, whichever is lower***]** but which may extend to ten crore rupees; and

(*b*) every officer of the company who is in default shall be punishable with imprisonment which may extend to **[***seven years and with fine***]** which shall not be less than twenty-five lakh rupees but which may extend to two crore rupees **[***]**:

Provided that if it is proved that the officer of the company who is in default, has contravened such provisions knowingly or wilfully with the intention to deceive the company or its shareholders or depositors or creditors or tax authorities, he shall be liable for action under section 447.]

CHAPTER VI

REGISTRATION OF CHARGES

Duty to register charges, etc.

77. (1) It shall be the duty of every company creating a charge within or outside India, on its property or assets or any of its undertakings, whether tangible or otherwise, and situated in or outside India, to register the particulars of the charge signed by the company and the charge-holder together with the instruments, if any, creating such charge in such form, on payment of such fees and in such manner as may be prescribed, with the Registrar within thirty days of its creation:

[Provided *that the Registrar may, on an application by the company, allow such registration to be made—*

(a) *in case of charges created before the commencement of the Companies (Amendment) Act, 2019, within a period of three hundred days of such creation; or*

(b) *in case of charges created on or after the commencement of the Companies (Amendment) Act, 2019, within a period of sixty days of such creation,*

on payment of such additional fees as may be prescribed :

Provided further *that if the registration is not made within the period specified—*

(a) *in clause (*a*) to the first proviso, the registration of the charge shall be made within six months from the date of commencement of the Companies (Amendment) Act, 2019, on payment of such additional fees as may be prescribed and different fees may be prescribed for different classes of companies;*

(b) *in clause (*b*) to the first proviso, the Registrar may, on an application, allow such registration to be made within a further period of sixty days after payment of such* ad valorem *fees as may be prescribed:***]**

Provided also that any subsequent registration of a charge shall not prejudice any right acquired in respect of any property before the charge is actually registered:

[Providedalso *that this section shall not apply to such charges as may be prescribed in consultation with the Reserve Bank of India.***]**

(2) Where a charge is registered with the Registrar under sub-section (1), he shall issue a certificate of registration of such charge in such form and in such manner as may be prescribed to the company and, as the case may be, to the person in whose favour the charge is created.

(3) Notwithstanding anything contained in any other law for the time being in force, no charge created by a company shall be taken into account by the liquidator [appointed under this Act or the Insolvency and Bankruptcy Code, 2016, as the case may be,] or any other creditor unless it is duly registered under sub-section (1) and a certificate of registration of such charge is given by the Registrar under sub-section (2).

(4) Nothing in sub-section (3) shall prejudice any contract or obligation for the repayment of the money secured by a charge.

---

70. Corresponds to sections 125 and 132 of the 1956 Act.
71. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.
72. Enforced with effect from 1-4-2014.
73. For meaning of the terms "charge" and "created", *see* **Appendix II**.
74. *See* rule 3 and Form Nos. CHG 1 & 9 of the Companies (Registration of Charges) Rules, 2014 (**Division Two**).
75. *See* rule 12 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 (**Division Two**).
76. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to their substitution, first and second provisos read as under :

    "**Provided** that the Registrar may, on an application by the company, allow such registration to be made within a period of three hundred days of such creation on payment of such additional fees as may be prescribed:

    Provided further that if registration is not made within a period of three hundred days of such creation, the company shall seek extension of time in accordance with section 87:"

77. *See* rule 6 and Form Nos. CHG 2 & 3 of the Companies (Registration of Charges) Rules, 2014 (**Division Two**).
78. For meaning of the term "created", *see* **Appendix II**.
79. Inserted by the Insolvency and Bankruptcy Code, 2016, w.e.f. **15-11-2016**.

Application for registration of charge.

78. Where a company fails to **[***register the charge within the period of thirty days referred to in sub-section (1) of section 77***]**, without prejudice to its liability in respect of any offence under this Chapter, the person in whose favour the charge is created may apply to the Registrar for registration of the charge along with the instrument created for the charge, within such time and in such form and manner as may be prescribed and the Registrar may, on such application, within a period of fourteen days after giving notice to the company, unless the company itself registers the charge or shows sufficient cause why such charge should not be registered, allow such registration on payment of such fees, as may be prescribed:

Provided that where registration is effected on application of the person in whose favour the charge is created, that person shall be entitled to recover from the company the amount of any fees or additional fees paid by him to the Registrar for the purpose of registration of charge.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Section 77 to apply in certain matters .

79. The provisions of relating to registration of charges shall, so far as may be, apply to—

(*a*) a company acquiring any property subject to a charge within the meaning of that section; or

(*b*) any modification in the terms or conditions or the extent or operation of any charge registered under that section.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Date of notice of charge .

80. Where any charge on any property or assets of a company or any of its undertakings is registered under , any person acquiring such property, assets, undertakings or part thereof or any share or interest therein shall be deemed to have notice of the charge from the date of such registration.

Register of charges to be kept by Registrar.

81. (1) The Registrar shall, in respect of every company, keep a register containing particulars of the charges registered under this Chapter in such form and in such manner as may be prescribed.

(2) A register kept in pursuance of this section shall be open to inspection by any person on payment of such fees as may be prescribed for each inspection.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Company to report satisfaction of charge.

82.(1) A company shall give intimation to the Registrar in the prescribed form, of the payment or satisfaction in full of any charge registered under this Chapter within a period of thirty days from the date of such payment or satisfaction **[*******]** :

[Provided*that the Registrar may, on an application by the company or the charge holder, allow such intimation of payment or satisfaction to be made within a period of three hundred days of such payment or satisfaction on payment of such additional fees as may be prescribed.***]**

(2) The Registrar shall, on receipt of intimation under sub-section (1), cause a notice to be sent to the holder of the charge calling upon him to show cause within such time not exceeding fourteen days, as may be specified in such notice, as to why payment or satisfaction in full should not be recorded as intimated to the Registrar, and if no cause is shown, by such holder of the charge, the Registrar shall order that a memorandum of satisfaction shall be entered in the register of charges kept by him under section 81 and shall inform the company that he has done so:

Provided that the notice referred to in this sub-section shall not be required to be sent, in case the intimation to the Registrar in this regard is in the specified form and signed by the holder of charge.

(3) If any cause is shown, the Registrar shall record a note to that effect in the register of charges and shall inform the company.

(4) Nothing in this section shall be deemed to affect the powers of the Registrar to make an entry in the register of charges under section 83 or otherwise than on receipt of an intimation from the company.

Power of Registrar to make entries of satisfaction and release in absence of intimation from company.

83. (1) The Registrar may, on evidence being given to his satisfaction with respect to any registered charge,—

(*a*) that the debt for which the charge was given has been paid or satisfied in whole or in part; or

(*b*) that part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking,

enter in the register of charges a memorandum of satisfaction in whole or in part, or of the fact that part of the property or undertaking has been released from the charge or has ceased to form part of the company's property or undertaking, as the case may be, notwithstanding the fact that no intimation has been received by him from the company.

(2) The Registrar shall inform the affected parties within thirty days of making the entry in the register of charges kept under sub-section (1) of .

Intimation of appointment of receiver or manager.

84. (1) If any person obtains an order for the appointment of a receiver of, or of a person to manage, the property, subject to a charge, of a company or if any person appoints such receiver or person under any power contained in any instrument, he shall, within a period of thirty days from the date of the passing of the order or of the making of the appointment, give notice of such appointment to the company and the Registrar along with a copy of the order or instrument and the Registrar shall, on payment of the prescribed fees, register particulars of the receiver, person or instrument in the register of charges.

(2) Any person appointed under sub-section (1) shall, on ceasing to hold such appointment, give to the company and the Registrar a notice to that effect and the Registrar shall register such notice.

Company's register of charges .

85. (1) Every company shall keep at its registered office a register of charges in such form and in such manner as may be prescribed, which shall include therein all charges and floating charges affecting any property or assets of the company or any of its undertakings, indicating in each case such particulars as may be prescribed:

Provided that a copy of the instrument creating the charge shall also be kept at the registered office of the company along with the register of charges.

(2) The register of charges and instrument of charges, kept under sub-section (1) shall be open for inspection during business hours—

(*a*) by any member or creditor without any payment of fees; or

(*b*) by any other person on payment of such fees as may be prescribed,

subject to such reasonable restrictions as the company may, by its articles, impose.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Punishment for contravention.

86.[(1) If any company is in default in complying with any of the provisions of this Chapter, the company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees. **]**

[(2) If any person wilfully furnishes any false or incorrect information or knowingly suppresses any material information, required to be registered in accordance with the provisions of section 77, he shall be liable for action under section 447.]

---

55. Corresponds to section 142 of the 1956 Act.
56. Enforced with effect from 12-9-2013.
57. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (1), as amended by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018, read as under :

    "(1) If any company contravenes any provision of this Chapter, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to ten lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both."

58. Inserted by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Rectification by Central Government in Register of charges.

[87. *The Central Government on being satisfied that —*

(a) *the omission to give intimation to the Registrar of the payment or satisfaction of a charge, within the time required under this Chapter; or*

(b) *the omission or misstatement of any particulars, in any filing previously made to the Registrar with respect to any charge or modification thereof or with respect to any memorandum of satisfaction or other entry made in pursuance of section 82 or section 83,*

*was accidental or due to inadvertence or some other sufficient cause or it is not of a nature to prejudice the position of creditors or shareholders of the company, it may, on the application of the company or any person interested and on such terms and conditions as it deems just and expedient, direct that the time for the giving of intimation of payment or satisfaction shall be extended or, as the case may require, that the omission or misstatement shall be rectified.***]**

---

15. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, section 87, earlier enforced with effect from 1-4-2014, read as under :

"87. *Rectification by Central Government in register of charges.*—(1) The Central Government on being satisfied that—

(*i*)(*a*) the omission to file with the Registrar the particulars of any charge created by a company or any charge subject to which any property has been acquired by a company or any modification of such charge; or

(*b*) the omission to register any charge within the time required under this Chapter or the omission to give intimation to the Registrar of the payment or the satisfaction of a charge, within the time required under this Chapter; or

(*c*) the omission or mis-statement of any particular with respect to any such charge or modification or with respect to any memorandum of satisfaction or other entry made in pursuance of section 82 or section 83,

was accidental or due to inadvertence or some other sufficient cause or it is not of a nature to prejudice the position of creditors or shareholders of the company; or

(*ii*) on any other grounds, it is just and equitable to grant relief,

it may on the application of the company or any person interested and on such terms and conditions as it may seem to the Central Government just and expedient, direct that the time for the filing of the particulars or for the registration of the charge or for the giving of intimation of payment or satisfaction shall be extended or, as the case may require, that the omission or mis-statement shall be rectified.

(2) Where the Central Government extends the time for the registration of a charge, the order shall not prejudice any rights acquired in respect of the property concerned before the charge is actually registered."

16. Corresponds to section 141 of the 1956 Act.
17. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.
18. Powers are delegated to Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Shillong.
19. *See* rule 12 and Form No. CHG 8 of the Companies (Registration of Charges) Rules, 2014. *See* also Form No. INC 28 of the Companies (Incorporation) Rules, 2014.

CHAPTER VII

MANAGEMENT AND ADMINISTRATION

Register of members, etc.

88. (1) Every company shall keep and maintain the following registers in such form and in such manner as may be prescribed, namely:—

(*a*) register of members indicating separately for each class of equity and preference shares held by each member residing in or outside India;

(*b*) register of debenture-holders; and

(*c*) register of any other security holders.

(2) Every register maintained under sub-section (1) shall include an index of the names included therein.

(3) The register and index of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996 (22 of 1996), shall be deemed to be the corresponding register and index for the purposes of this Act.

(4) A company may, if so authorised by its articles, keep in any country outside India, in such manner as may be prescribed, a part of the register referred to in sub-section (1), called "foreign register" containing the names and particulars of the members, debenture-holders, other security holders or beneficial owners residing outside India.

[*(5) If a company does not maintain a register of members or debenture-holders or other security holders or fails to maintain them in accordance with the provisions of sub-section (1) or sub-section (2), the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.***]**

---

63. Corresponds to sections 150, 151, 152, 152A, 157 and 158 of the 1956 Act.
64. *See* also Table F of Schedule I.
65. Enforced with effect from 1-4-2014.
66. *See* rules 3, 4, 5, 8 & 28 and Form Nos. MGT 1 to MGT 2 of the Companies (Management and Administration) Rules, 2014 (**Division Two**).
67. *See* rule 6 of the Companies (Management and Administration) Rules, 2014 (**Division Two**).
68. For text of section 11 of the Depositories Act, 1996, *see* **Appendix I**.
69. *See* rules 7, 8 & 28 and Form No. MGT 3 of the Companies (Management and Administration) Rules, 2014 (**Division Two**).
69a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (5) read as under :

"(5) If a company does not maintain a register of members or debenture-holders or other security holders or fails to maintain them in accordance with the provisions of sub-section (1) or sub-section (2), the company and every officer of the company who is in default shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day, after the first during which the failure continues."

Declaration in respect of beneficial interest in any share.

89. (1) Where the name of a person is entered in the register of members of a company as the holder of shares in that company but who does not hold the beneficial interest in such shares, such person shall make a declaration within such time and in such form as may be prescribed to the company specifying the name and other particulars of the person who holds the beneficial interest in such shares.

(2) Every person who holds or acquires a beneficial interest in share of a company shall make a declaration to the company specifying the nature of his interest, particulars of the person in whose name the shares stand registered in the books of the company and such other particulars as may be prescribed.

(3) Where any change occurs in the beneficial interest in such shares, the person referred to in sub-section (1) and the beneficial owner specified in sub-section (2) shall, within a period of thirty days from the date of such change, make a declaration to the company in such form and containing such particulars as may be prescribed.

(4) The Central Government may make rules to provide for the manner of holding and disclosing beneficial interest and beneficial ownership under this section.

[*(5) If any person fails to make a declaration as required under sub-section (1) or sub-section (2) or sub-section (3), he shall be liable to a penalty of fifty thousand rupees and in case of continuing failure, with a further penalty of two hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees.***]**

(6) Where any declaration under this section is made to a company, the company shall make a note of such declaration in the register concerned and shall file, within thirty days from the date of receipt of declaration by it, a return in the prescribed form with the Registrar in respect of such declaration with such fees or additional fees as may be prescribed[***].

[*(7) If a company, required to file a return under sub-section (6), fails to do so before the expiry of the time specified therein, the company and every officer of the company who is in default shall be liable to a penalty of one thousand rupees for each day during which such failure continues, subject to a maximum of five lakh rupees in the case of a company and two lakh rupees in case of an officer who is in default.***]**

(8) No right in relation to any share in respect of which a declaration is required to be made under this section but not made by the beneficial owner, shall be enforceable by him or by any person claiming through him.

(9) Nothing in this section shall be deemed to prejudice the obligation of a company to pay dividend to its members under this Act and the said obligation shall, on such payment, stand discharged.

[(10) For the purposes of this section and section 90, beneficial interest in a share includes, directly or indirectly, through any contract, arrangement or otherwise, the right or entitlement of a person alone or together with any other person to—

(*i*) exercise or cause to be exercised any or all of the rights attached to such share; or

(*ii*) receive or participate in any dividend or other distribution in respect of such share.]

[*(11) The Central Government may, by notification, exempt any class or classes of persons from complying with any of the requirements of this section, except sub-section (10), if it is considered necessary to grant such exemption in the public interest and any such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification.***]**

---

70. Corresponds to section 187C of the 1956 Act. In case of Government Companies, section 89 shall not apply - *Notification No. GSR 463(E), dated 5-6-2015*.
71. Enforced with effect from 1-4-2014.
72. *See* rule 9 and Form Nos. MGT 4 to 6 of the Companies (Management and Administration) Rules, 2014 (**Division Two**).

72a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (5) read as under :

"(5) If any person fails, to make a declaration as required under sub-section (1) or sub-section (2) or sub-section (3), without any reasonable cause, he shall be punishable with fine which may extend to fifty thousand rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues."

73. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (6) of section 89 for the words "thirty days" read as "sixty days".— *Notification No. GSR 8(E), dated 4-1-2017*.

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (6) of section 89, for the words "thirty days" read as "sixty days". —*Notification No. GSR 9(E), dated 4-1-2017*.

74. *See* rule 9 and Form Nos. MGT 4 to 6 of the Companies (Management and Administration) Rules, 2014 (**Division Two**).
75. *See* rule 12 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 (**Division Two**).

76. Words ", within the time specified under section 403" omitted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.

77. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (7), as amended by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018, read as under :

"(7) If a company, required to file a return under sub-section (6), fails to do so before the expiry of the time specified therein, the company and every officer of the company who is in default shall be punishable with fine which shall not be less than five hundred rupees but which may extend to one thousand rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues."

78. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 13-6-2018.

78a. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[**Register of significant beneficial owners in a company.**

90. (1) Every individual, who acting alone or together, or through one or more persons or trust, including a trust and persons resident outside India, holds beneficial interests, of not less than twenty-five per cent or such other percentage as may be prescribed, in shares of a company or the right to exercise, or the actual exercising of significant influence or control as defined in clause (*27*) of section 2, over the company (herein referred to as "significant beneficial owner"), shall make a declaration to the company, specifying the nature of his interest and other particulars, in such manner and within such period of acquisition of the beneficial interest or rights and any change thereof, as may be prescribed:

Provided that the Central Government may prescribe a class or classes of persons who shall not be required to make declaration under this sub-section.

(2) Every company shall maintain a register of the interest declared by individuals under sub-section (1) and changes therein which shall include the name of individual, his date of birth, address, details of ownership in the company and such other details as may be prescribed.

(3) The register maintained under sub-section (2) shall be open to inspection by any member of the company on payment of such fees as may be prescribed.

(4) Every company shall file a return of significant beneficial owners of the company and changes therein with the Registrar containing names, addresses and other details as may be prescribed within such time, in such form and manner as may be prescribed.

[(4A) Every company shall take necessary steps to identify an individual who is a significant beneficial owner in relation to the company and require him to comply with the provisions of this section.]

(5) A company shall give notice, in the prescribed manner, to any person (whether or not a member of the company) whom the company knows or has reasonable cause to believe—

(*a*) to be a significant beneficial owner of the company;

(*b*) to be having knowledge of the identity of a significant beneficial owner or another person likely to have such knowledge; or

(*c*) to have been a significant beneficial owner of the company at any time during the three years immediately preceding the date on which the notice is issued,

and who is not registered as a significant beneficial owner with the company as required under this section.

(6) The information required by the notice under sub-section (5) shall be given by the concerned person within a period not exceeding thirty days of the date of the notice.

(7) The company shall,—

(*a*) where that person fails to give the company the information required by the notice within the time specified therein; or

(*b*) where the information given is not satisfactory,

apply to the Tribunal within a period of fifteen days of the expiry of the period specified in the notice, for an order directing that the shares in question be subject to restrictions with regard to transfer of interest, suspension of all rights attached to the shares and such other matters as may be prescribed.

(8) On any application made under sub-section (7), the Tribunal may, after giving an opportunity of being heard to the parties concerned, make such order restricting the rights attached with the shares within a period of sixty days of receipt of application or such other period as may be prescribed.

[(9) The company or the person aggrieved by the order of the Tribunal may make an application to the Tribunal for relaxation or lifting of the restrictions placed under sub-section (8), within a period of one year from the date of such order:

Provided that if no such application has been filed within a period of one year from the date of the order under sub-section (8), such shares shall be transferred, without any restrictions, to the authority constituted under sub-section (5) of section 125, in such manner as may be prescribed.]

[(9A) The Central Government may make rules for the purposes of this section.]

[*(10) If any person fails to make a declaration as required under sub-section (1), he shall be liable to a penalty of fifty thousand rupees and in case of continuing failure, with a further penalty of one thousand rupees for each day after the first during which such failure continues, subject to a maximum of two lakh rupees.***]**

[*(11) If a company, required to maintain register under sub-section (2) and file the information under sub-section (4) or required to take necessary steps under sub-section (4A), fails to do so or denies inspection as provided therein, the company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day, after the first during which such failure continues, subject to a maximum of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of twenty-five thousand rupees and in case of continuing failure, with a further penalty of two hundred rupees for each day, after the first during which such failure continues, subject to a maximum of one lakh rupees.***]**

(12) If any person wilfully furnishes any false or incorrect information or suppresses any material information of which he is aware in the declaration made under this section, he shall be liable to action under section 447.]

---

79. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 13-6-2018. Prior to its substitution, section 90 read as under :

"90. *Investigation of beneficial ownership of shares in certain cases.*—Where it appears to the Central Government that there are reasons so to do, it may appoint one or more competent persons to investigate and report as to beneficial ownership with regard to any share or class of shares and the provisions of section 216 shall, as far as may be, apply to such investigation as if it were an investigation ordered under that section."

Earlier section 90, which corresponded to section 187D of the 1956 Act, was enforced with effect from 1-4-2014.

80. In case of Government Companies, section 90 shall not apply - *Notification No. GSR 463(E), dated 5-6-2015*.

81. *See* Companies (Significant Beneficial Owners) Rules, 2018 (**Division Two**).

82. *See* rule 3(1)/(2) and Form No. BEN 1 of Companies (Significant Beneficial Owners) Rules, 2018 (**Division Two**).

83. *See* rule 5(1) and Form No. BEN 3 of Companies (Significant Beneficial Owners) Rules, 2018 (**Division Two**).

84. *See* rule 4 and Form No. BEN 2 of Companies (Significant Beneficial Owners) Rules, 2018 (**Division Two**).

85. Inserted by the Companies (Amendment) Act, 2019, w.e.f. 15-8-2019.

86. *See* rule 6 and Form No. BEN 4 of Companies (Significant Beneficial Owners) Rules, 2018 (**Division Two**).

87. *See* rule 7 and Form No. BEN 4 of Companies (Significant Beneficial Owners) Rules, 2018 (**Division Two**).

88. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018. Prior to its substitution, sub-section (9) read as under :

"(9) The company or the person aggrieved by the order of the Tribunal may make an application to the Tribunal for relaxation or lifting of the restrictions placed under sub-section (8)."

89. *See* section 125.

90. Inserted by the Companies (Amendment) Act, 2019, w.e.f. 15-8-2019.

90a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (10) read as under :

"(10) If any person fails to make a declaration as required under sub-section (1), he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to ten lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues."

90b. Substituted by the Companies (Amendment) Act, 2020. Prior to its substitution, sub-section (11), as amended by the Companies (Amendment) Act, 2019, w.e.f. 15-8-2019, read as under :

"(11) If a company, required to maintain register under sub-section (2) and file the information under sub-section (4) or required to take necessary steps under sub-section (4A), fails to do so or denies inspection as provided therein, the company and every officer of the company who is in default shall be punishable with fine which shall not be less than ten lakh rupees but which may extend to fifty lakh rupees and where the failure is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the failure continues."

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power to close register of members or debenture-holders or other security holders .

91. (1) A company may close the register of members or the register of debenture-holders or the register of other security holders for any period or periods not exceeding in the aggregate forty-five days in each year, but not exceeding thirty days at any one time, subject to giving of previous notice of at least seven days or such lesser period as may be specified by Securities and Exchange Board for listed companies or the companies which intend to get their securities listed, in such manner as may be prescribed.

(2) If the register of members or of debenture-holders or of other security holders is closed without giving the notice as provided in sub-section (1), or after giving shorter notice than that so provided, or for a continuous or an aggregate period in excess of the limits specified in that sub-section, the company and every officer of the company who is in default shall be liable to a penalty of five thousand rupees for every day subject to a maximum of one lakh rupees during which the register is kept closed.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Annual return.

92. (1) Every company shall prepare a return (hereinafter referred to as the annual return) in the prescribed form containing the particulars as they stood on the close of the financial year regarding—

(*a*) its registered office, principal business activities, particulars of its holding, subsidiary and associate companies;

(*b*) its shares, debentures and other securities and shareholding pattern;

(*c*) **[*******]**

(*d*) its members and debenture-holders along with changes therein since the close of the previous financial year;

(*e*) its promoters, directors, key managerial personnel along with changes therein since the close of the previous financial year;

(*f*) meetings of members or a class thereof, Board and its various committees along with attendance details;

(*g*) remuneration of directors and key managerial personnel;

(*h*) penalty or punishment imposed on the company, its directors or officers and details of compounding of offences and appeals made against such penalty or punishment;

(*i*) matters relating to certification of compliances, disclosures as may be prescribed;

(*j*) details, as may be prescribed, in respect of shares held by or on behalf of the Foreign Institutional Investors **[*******]**; and

(*k*) such other matters as may be prescribed,

and signed by a director and the company secretary, or where there is no company secretary, by a company secretary in practice:

Provided that in relation to One Person Company and small company, the annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company:

[Provided further *that the Central Government may prescribe abridged form of annual return for "One Person Company, small company and such other class or classes of companies as may be prescribed".***]**

(2) [The annual return, filed by a listed company or, by a company having such paid-up capital or turnover as may be prescribed], shall be certified by a company secretary in practice in the prescribed form, stating that the annual return discloses the facts correctly and adequately and that the company has complied with all the provisions of this Act.

[(3) Every company shall place a copy of the annual return on the website of the company, if any, and the web-link of such annual return shall be disclosed in the Board's report.]

(4) Every company shall file with the Registrar a copy of the annual return, within sixty days from the date on which the annual general meeting is held or where no annual general meeting is held in any year within sixty days from the date on which the annual general meeting should have been held together with the statement specifying the reasons for not holding the annual general meeting, with such fees or additional fees as may be prescribed [***].

[(5) If any company fails to file its annual return under sub-section (4), before the expiry of the period specified therein, such company and its every officer who is in default shall be liable to a penalty of **[***ten thousand rupees***]** and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of **[***two lakh rupees in case of a company and fifty thousand rupees in case of an officer who is in default***]**.]

(6) If a company secretary in practice certifies the annual return otherwise than in conformity with the requirements of this section or the rules made there-under, he shall be **[***liable to a penalty of two lakh rupees***]**.

---

95. Corresponds to sections 159, 160, 161, 162 and Schedule V of the 1956 Act.

96. *See* also SS-1 - Secretarial Standard on Meetings of Board of Directors and SS-2 - Secretarial Standard on General Meetings (*see* **Division Three**).

97. Enforced with effect from 1-4-2014.

98. *See* rule 11 and Form Nos. MGT 7 and 8 of the Companies (Management and Administration) Rules, 2014 (**Division Two**). *See* also Circular No. 34/2014, dated 12-8-2014 [Company Law Settlement Scheme, 2014] and Circular No. 22/2014, dated 25-6-2014 [Clarification with regard to format of annual return applicable for financial year 2013-14 and fees to be charged by companies for allowing inspection of records]. For details, *see* **Division Three**.

99. Omitted by the Companies (Amendment) Act, 2017, with effect from a date yet to be notified. Prior to its omission, clause (*c*) read as under :

"(*c*) its indebtedness;"

1. In case of private companies, which are small companies, clause (*g*) shall read as under :

(*g*) aggregate amount of remuneration drawn by directors. - *Notification No. GSR 464(E), dated 5-6-2015, as amended by, Notification No. GSR 583(E), dated 13-6-2017.*

2. Words "indicating their names, addresses, countries of incorporation, registration and percentage of shareholding held by them" omitted by the Companies (Amendment) Act, 2017, with effect from a date yet to be notified.

3. In case of private companies, in section 92(1) for the proviso following proviso shall be substituted :

"**Provided** that in relation to One Person Company, small company and private company (if such private company is a start-up), the annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company." - *Notification No. GSR 464(E), dated 5-6-2015, as amended by, Notification No. GSR 583(E), dated 13-6-2017*.

4. Inserted by the Companies (Amendment) Act, 2017, with effect from a date yet to be notified.

5. Substituted for "The annual return, filed by a listed company or, by a Company having such paid-up capital and turnover as may be prescribed" by the Companies (Removal of Difficulties) Second Order, 2014, w.e.f. 29-4-2014.

6. Listed company or company having paid up share capital of Rs. 10 crore or more or Turnover of Rs. 50 crore or more. *See* rule 11 and Form Nos. MGT 7 and 8 of the Companies (Management and Administration) Rules, 2014 (**Division Two**).

7. Substituted by the Companies (Amendment) Act, 2017, w.e.f. **28-8-2020**. Prior to its substitution, sub-section (3) read as under :

"(3) An extract of the annual return in such form as may be prescribed* shall form part of the Board's report."

See* rule 12 and Form No. MGT 9 of the Companies (Management and Administration) Rules, 2014 (Division Two**).

8. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (3) of section 92 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (3) of section 92 shall not apply. —*Notification No. GSR 9(E), dated 4-1-2017*.

[Notifications were issued prior to substitution of section 92(3) by the Companies (Amendment) Act, 2017]

9. *See* rule 12 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 (**Division Two**).

10. Words ", within the time as specified, under section 403" omitted by the Companies (Amend-ment) Act, 2017, w.e.f. 7-5-2018.

11. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018. Prior to its substitution, sub-section (5), as amended by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018, read as under :

"(5) If a company fails to file its annual return under sub-section (4), before the expiry of the period specified therein, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakhs rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both."

11a. Substituted for "fifty thousand rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

11b. Substituted for "five lakh rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

11c. Substituted for "punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Return to be filed with Registrar in case promoters' stake changes.

93.[***]

---

49. Omitted by the Companies (Amendment) Act, 2017, with effect from **13-6-2018**. Prior to its omission, section 93 read as under :

"93. *Return to be filed with Registrar in case promoters' stake changes.*—Every listed company shall file a return in the prescribed form with the Registrar with respect to change in the number of shares held by promoters and top ten shareholders of such company, within fifteen days of such change."

Earlier, section 93 was enforced with effect from 1-4-2014.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Place of keeping and inspection of registers, returns, etc.

94. (1) The registers required to be kept and maintained by a company under section 88 and copies of the annual return filed under section 92 shall be kept at the registered office of the company:

Provided that such registers or copies of return may also be kept at any other place in India in which more than one-tenth of the total number of members entered in the register of members reside, if approved by a special resolution passed at a general meeting of the company **[*******]**:

Provided further that the period for which the registers, returns and records are required to be kept shall be such as may be prescribed.

(2) The registers and their indices, except when they are closed under the provisions of this Act, and the copies of all the returns shall be open for inspection by any member, debenture-holder, other security holder or beneficial owner, during business hours without payment of any fees and by any other person on payment of such fees as may be prescribed.

(3) Any such member, debenture-holder, other security holder or beneficial owner or any other person may—

(*a*) take extracts from any register, or index or return without payment of any fee; or

(*b*) require a copy of any such register or entries therein or return on payment of such fees as may be prescribed:

[Provided *that such particulars of the register or index or return as may be prescribed shall not be available for inspection under sub-section (2) or for taking extracts or copies under this sub-section.***]**

(4) If any inspection or the making of any extract or copy required under this section is refused, the company and every officer of the company who is in default shall be liable, for each such default, to a penalty of one thousand rupees for every day subject to a maximum of one lakh rupees during which the refusal or default continues.

(5) The Central Government may also, by order, direct an immediate inspection of the document, or direct that the extract required shall forthwith be allowed to be taken by the person requiring it.

Registers, etc., to be evidence .

95. The registers, their indices and copies of annual returns maintained under and shall be *prima facie* evidence of any matter directed or authorised to be inserted therein by or under this Act.

Annual general meeting.

96. (1) Every company other than a One Person Company shall in each year hold in addition to any other meetings, a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of a company and that of the next:

Provided that in case of the first annual general meeting, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case, within a period of six months, from the date of closing of the financial year :

Provided further that if a company holds its first annual general meeting as aforesaid, it shall not be necessary for the company to hold any annual general meeting in the year of its incorporation:

Provided also that the Registrar may, for any special reason, extend the time within which any annual general meeting, other than the first annual general meeting, shall be held, by a period not exceeding three months.

(2) Every annual general meeting shall be called during business hours, that is, between 9 a.m. and 6 p.m. on any day that is not a National Holiday and shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situate:

[Provided *that annual general meeting of an unlisted company may be held at any place in India if consent is given in writing or by electronic mode by all the members in advance:*

Provided further *that***]** the Central Government may exempt any company from the provisions of this sub-section subject to such conditions as it may impose.

Explanation.—For the purposes of this sub-section, "National Holiday" means and includes a day declared as National Holiday by the Central Government.

Power of Tribunal to call annual general meeting .

97. (1) If any default is made in holding the annual general meeting of a company under , the Tribunal may, notwithstanding anything contained in this Act or the articles of the company, on the application of any member of the company, call, or direct the calling of, an annual general meeting of the company and give such ancillary or consequential directions as the Tribunal thinks expedient:

Provided that such directions may include a direction that one member of the company present in person or by proxy shall be deemed to constitute a meeting.

(2) A general meeting held in pursuance of sub-section (1) shall, subject to any directions of the Tribunal, be deemed to be an annual general meeting of the company under this Act.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power of Tribunal to call meetings of members, etc.

98. (1) If for any reason it is impracticable to call a meeting of a company, other than an annual general meeting, in any manner in which meetings of the company may be called, or to hold or conduct the meeting of the company in the manner prescribed by this Act or the articles of the company, the Tribunal may, either *suo motu* or on the application of any director or member of the company who would be entitled to vote at the meeting,—

(*a*) order a meeting of the company to be called, held and conducted in such manner as the Tribunal thinks fit; and

(*b*) give such ancillary or consequential directions as the Tribunal thinks expedient, including directions modifying or supplementing in relation to the calling, holding and conducting of the meeting, the operation of the provisions of this Act or articles of the company:

Provided that such directions may include a direction that one member of the company present in person or by proxy shall be deemed to constitute a meeting.

(2) Any meeting called, held and conducted in accordance with any order made under sub-section (1) shall, for all purposes, be deemed to be a meeting of the company duly called, held and conducted.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Punishment for default in complying with provisions of to .

99. If any default is made in holding a meeting of the company in accor- dance with or or or in complying with any directions of the Tribunal, the company and every officer of the company who is in default shall be punishable with fine which may extend to one lakh rupees and in the case of a continuing default, with a further fine which may extend to five thousand rupees for every day during which such default continues.

Calling of extraordinary general meeting.

100.(1) The Board may, whenever it deems fit, call an extraordinary general meeting of the company:

[Provided *that an extraordinary general meeting of the company, other than of the wholly owned subsidiary of a company incorporated outside India, shall be held at a place within India.***]**

(2) The Board shall, at the requisition made by,—

(*a*) in the case of a company having a share capital, such number of members who hold, on the date of the receipt of the requisition, not less than one-tenth of such of the paid-up share capital of the company as on that date carries the right of voting;

(*b*) in the case of a company not having a share capital, such number of members who have, on the date of receipt of the requisition, not less than one-tenth of the total voting power of all the members having on the said date a right to vote, call an extraordinary general meeting of the company within the period specified in sub-section (4).

(3) The requisition made under sub-section (2) shall set out the matters for the consideration of which the meeting is to be called and shall be signed by the requisitionists and sent to the registered office of the company.

(4) If the Board does not, within twenty-one days from the date of receipt of a valid requisition in regard to any matter, proceed to call a meeting for the consideration of that matter on a day not later than forty-five days from the date of receipt of such requisition, the meeting may be called and held by the requisitionists themselves within a period of three months from the date of the requisition.

(5) A meeting under sub-section (4) by the requisitionists shall be called and held in the same manner in which the meeting is called and held by the Board.

(6) Any reasonable expenses incurred by the requisitionists in calling a meeting under sub-section (4) shall be reimbursed to the requisitionists by the company and the sums so paid shall be deducted from any fee or other remuneration under section 197 payable to such of the directors who were in default in calling the meeting.

Notice of meeting.

101.(1) A general meeting of a company may be called by giving not less than clear twenty-one days' notice either in writing or through electronic mode in such manner as may be prescribed:

[Provided *that a general meeting may be called after giving shorter notice than that specified in this sub-section if consent, in writing or by electronic mode, is accorded thereto—*

(i) *in the case of an annual general meeting, by not less than ninety-five per cent of the members entitled to vote thereat; and*

(ii) *in the case of any other general meeting, by members of the company—*

(a) *holding, if the company has a share capital, majority in number of members entitled to vote and who represent not less than ninety-five per cent of such part of the paid-up share capital of the company as gives a right to vote at the meeting; or*

(b) *having, if the company has no share capital, not less than ninety-five per cent of the total voting power exercisable at that meeting:*

Provided further *that where any member of a company is entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those members shall be taken into account for the purposes of this sub-section in respect of the former resolution or resolutions and not in respect of the latter.***]**

(2) Every notice of a meeting shall specify the place, date, day and the hour of the meeting and shall contain a statement of the business to be transacted at such meeting.

(3) The notice of every meeting of the company shall be given to—

(*a*) every member of the company, legal representative of any deceased member or the assignee of an insolvent member;

(*b*) the auditor or auditors of the company; and

(*c*) every director of the company.

(4) Any accidental omission to give notice to, or the non-receipt of such notice by, any member or other person who is entitled to such notice for any meeting shall not invalidate the proceedings of the meeting.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Statement to be annexed to notice.

102. (1) A statement setting out the following material facts concerning each item of special business to be transacted at a general meeting, shall be annexed to the notice calling such meeting, namely:—

(*a*) the nature of concern or interest, financial or otherwise, if any, in respect of each items of—

(*i*) every director and the manager, if any;

(*ii*) every other key managerial personnel; and

(*iii*) relatives of the persons mentioned in sub-clauses (*i*) and (*ii*);

(*b*) any other information and facts that may enable members to understand the meaning, scope and implications of the items of business and to take decision thereon.

(2) For the purposes of sub-section (1),—

(*a*) in the case of an annual general meeting, all business to be transacted thereat shall be deemed special, other than—

(*i*) the consideration of financial statements and the reports of the Board of Directors and auditors;

(*ii*) the declaration of any dividend;

(*iii*) the appointment of directors in place of those retiring;

(*iv*) the appointment of, and the fixing of the remuneration of, the auditors; and

(*b*) in the case of any other meeting, all business shall be deemed to be special:

Provided that where any item of special business to be transacted at a meeting of the company relates to or affects any other company, the extent of shareholding interest in that other company of every promoter, director, manager, if any, and of every other key managerial personnel of the first mentioned company shall, if the extent of such shareholding is not less than two per cent of the paid-up share capital of that company, also be set out in the statement.

(3) Where any item of business refers to any document, which is to be considered at the meeting, the time and place where such document can be inspected shall be specified in the statement under sub-section (1).

(4) Where as a result of the non-disclosure or insufficient disclosure in any statement referred to in sub-section (1), being made by a promoter, director, manager, if any, or other key managerial personnel, any benefit which accrues to such promoter, director, manager or other key managerial personnel or their relatives, either directly or indirectly, the promoter, director, manager or other key managerial personnel, as the case may be, shall hold such benefit in trust for the company, and shall, without prejudice to any other action being taken against him under this Act or under any other law for the time being in force, be liable to compensate the company to the extent of the benefit received by him.

[*(5) Without prejudice to the provisions of sub-section (4), if any default is made in complying with the provisions of this section, every promoter, director, manager or other key managerial personnel of the company who is in default shall be liable to a penalty of fifty thousand rupees or five times the amount of benefit accruing to the promoter, director, manager or other key managerial personnel or any of his relatives, whichever is higher.***]**

---

92. Corresponds to section 173 of the 1956 Act.

93. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.

94. Enforced with effect from 12-9-2013.

In case of private companies section 102 shall apply unless otherwise specified in respective sections or the articles of the company provide otherwise - Notification No. GSR 464(E), dated 5-6-2015.

In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, section 102 shall apply in case of a Specified IFSC public company, unless otherwise specified in the articles of the company.—*Notification No. GSR 8(E), dated 4-1-2017*.

95. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SS-2 - Secretarial Standard on General Meetings (*see* **Division Three**).

95a. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, sub-section (5) read as under :

"(5) If any default is made in complying with the provisions of this section, every promoter, director, manager or other key managerial personnel who is in default shall be punishable with fine which may extend to fifty thousand rupees or five times the amount of benefit accruing to the promoter, director, manager or other key managerial personnel or any of his relatives, whichever is more."

Quorum for meetings .

103. (1) Unless the articles of the company provide for a larger number,—

(*a*) in case of a public company,—

(*i*) five members personally present if the number of members as on the date of meeting is not more than one thousand;

(*ii*) fifteen members personally present if the number of members as on the date of meeting is more than one thousand but up to five thousand;

(*iii*) thirty members personally present if the number of members as on the date of the meeting exceeds five thousand;

(*b*) in the case of a private company, two members personally present, shall be the quorum for a meeting of the company.

(2) If the quorum is not present within half-an-hour from the time appointed for holding a meeting of the company—

(*a*) the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other date and such other time and place as the Board may determine; or

(*b*) the meeting, if called by requisitionists under , shall stand cancelled:

Provided that in case of an adjourned meeting or of a change of day, time or place of meeting under clause (*a*), the company shall give not less than three days notice to the members either individually or by publishing an advertisement in the newspapers (one in English and one in vernacular language) which is in circulation at the place where the registered office of the company is situated.

(3) If at the adjourned meeting also, a quorum is not present within half-an-hour from the time appointed for holding meeting, the members present shall be the quorum.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Chairman of meetings .

104. (1) Unless the articles of the company otherwise provide, the members personally present at the meeting shall elect one of themselves to be the Chairman thereof on a show of hands.

(2) If a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with the provisions of this Act and the Chairman elected on a show of hands under sub-section (1) shall continue to be the Chairman of the meeting until some other person is elected as Chairman as a result of the poll, and such other person shall be the Chairman for the rest of the meeting.

Proxies.

105. (1) Any member of a company entitled to attend and vote at a meeting of the company shall be entitled to appoint another person as a proxy to attend and vote at the meeting on his behalf:

Provided that a proxy shall not have the right to speak at such meeting and shall not be entitled to vote except on a poll:

Provided further that, unless the articles of a company otherwise provide, this sub-section shall not apply in the case of a company not having a share capital:

Provided also that the Central Government may prescribe a class or classes of companies whose members shall not be entitled to appoint another person as a proxy:

Provided also that a person appointed as proxy shall act on behalf of such member or number of members not exceeding fifty and such number of shares as may be prescribed.

(2) In every notice calling a meeting of a company which has a share capital, or the articles of which provide for voting by proxy at the meeting, there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint a proxy, or, where that is allowed, one or more proxies, to attend and vote instead of himself, and that a proxy need not be a member.

(3) If default is made in complying with sub-section (2), every officer of the company who is in default shall be [liable to a penalty of five thousand rupees].

(4) Any provision contained in the articles of a company which specifies or requires a longer period than forty-eight hours before a meeting of the company, for depositing with the company or any other person any instrument appointing a proxy or any other document necessary to show the validity or otherwise relating to the appointment of a proxy in order that the appointment may be effective at such meeting, shall have effect as if a period of forty-eight hours had been specified in or required by such provision for such deposit.

(5) If for the purpose of any meeting of a company, invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the company's expense to any member entitled to have a notice of the meeting sent to him and to vote thereat by proxy, every officer of the company **[***who issues the invitation as aforesaid or authorises or permits their issue, shall be liable to a penalty of fifty thousand rupees***]**:

Provided that an officer shall not be **[***liable***]** under this sub-section by reason only of the issue to a member at his request in writing of a form of appointment naming the proxy, or of a list of persons willing to act as proxies, if the form or list is available on request in writing to every member entitled to vote at the meeting by proxy.

(6) The instrument appointing a proxy shall—

(*a*) be in writing; and

(*b*) be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.

(7) An instrument appointing a proxy, if in the form as may be prescribed, shall not be questioned on the ground that it fails to comply with any special requirements specified for such instrument by the articles of a company.

(8) Every member entitled to vote at a meeting of the company, or on any resolution to be moved thereat, shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, to inspect the proxies lodged, at any time during the business hours of the company, provided not less than three days' notice in writing of the intention so to inspect is given to the company.

---

66. Corresponds to section 176 and Schedule IX of the 1956 Act.
67. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; Table F of Schedule I and SS-2 - Secretarial Standard on General Meetings (*see* **Division Three**).
68. Except the third and fourth provisos of sub-section (1) and sub-section (7), section 105 enforced with effect from 12-9-2013. Third and fourth provisos of sub-section (1) and sub-section (7) enforced with effect from 1-4-2014.
69. In case of private companies section 105 shall apply unless otherwise specified in respective sections or the articles of the company provide otherwise - *Notification No. GSR 464(E), dated 5-6-2015*.

    In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, section 105 shall apply in case of a Specified IFSC public company, unless otherwise specified in the articles of the company.—*Notification No. GSR 8(E), dated 4-1-2017*.

70. For meaning of the term "person", *see* **Appendix II**.
71. *See* rule 19 and Form No. MGT 11 of the Companies (Management and Administration) Rules, 2014 (**Division Two**).
72. Enforced with effect from 1-4-2014.
73. *See* rule 19 and Form No. MGT 11 of the Companies (Management and Administration) Rules, 2014 (**Division Two**).
74. Substituted for "punishable with fine which may extend to five thousand rupees" by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018.

74a. Substituted for "who knowingly issues the invitations as aforesaid or wilfully authorises or permits their issue shall be punishable with fine which may extend to one lakh rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

74b. Substituted for "punishable" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
75. Enforced with effect from 1-4-2014.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Restriction on voting rights .

106. (1) Notwithstanding anything contained in this Act, the articles of a company may provide that no member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid, or in regard to which the company has exercised any right of lien.

(2) A company shall not, except on the grounds specified in sub-section (1), prohibit any member from exercising his voting right on any other ground.

(3) On a poll taken at a meeting of a company, a member entitled to more than one vote, or his proxy, where allowed, or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

Voting by show of hands .

107. (1) At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded under or the voting is carried out electronically, be decided on a show of hands.

(2) A declaration by the Chairman of the meeting of the passing of a resolution or otherwise by show of hands under sub-section (1) and an entry to that effect in the books containing the minutes of the meeting of the company shall be conclusive evidence of the fact of passing of such resolution or otherwise.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Voting through electronic means.

108. The Central Government may prescribe the class or classes of compa- nies and manner in which a member may exercise his right to vote by the electronic means.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Demand for poll .

109. (1) Before or on the declaration of the result of the voting on any resolution on show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion, and shall be ordered to be taken by him on a demand made in that behalf,—

(*a*) in the case a company having a share capital, by the members present in person or by proxy, where allowed, and having not less than one-tenth of the total voting power or holding shares on which an aggregate sum of not less than five lakh rupees or such higher amount as may be prescribed has been paid-up; and

(*b*) in the case of any other company, by any member or members present in person or by proxy, where allowed, and having not less than one-tenth of the total voting power.

(2) The demand for a poll may be withdrawn at any time by the persons who made the demand.

(3) A poll demanded for adjournment of the meeting or appointment of Chairman of the meeting shall be taken forthwith.

(4) A poll demanded on any question other than adjournment of the meeting or appointment of Chairman shall be taken at such time, not being later than forty-eight hours from the time when the demand was made, as the Chairman of the meeting may direct.

(5) Where a poll is to be taken, the Chairman of the meeting shall appoint such number of persons, as he deems necessary, to scrutinise the poll process and votes given on the poll and to report thereon to him in the manner as may be prescribed.

(6) Subject to the provisions of this section, the Chairman of the meeting shall have power to regulate the manner in which the poll shall be taken.

(7) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Postal ballot.

110. (1) Notwithstanding anything contained in this Act, a company—

(*a*) shall, in respect of such items of business as the Central Government may, by notification, declare to be transacted only by means of postal ballot; and

(*b*) may, in respect of any item of business, other than ordinary business and any business in respect of which directors or auditors have a right to be heard at any meeting, transact by means of postal ballot, in such manner as may be prescribed, instead of transacting such business at a general meeting:

[Provided *that any item of business required to be transacted by means of postal ballot under clause* (a)*, may be transacted at a general meeting by a company which is required to provide the facility to members to vote by electronic means under section 108, in the manner provided in that section.***]**

(2) If a resolution is assented to by the requisite majority of the shareholders by means of postal ballot, it shall be deemed to have been duly passed at a general meeting convened in that behalf.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Circulation of members' resolution .

111. (1) A company shall, on requisition in writing of such number of members, as required in ,—

(*a*) give notice to members of any resolution which may properly be moved and is intended to be moved at a meeting; and

(*b*) circulate to members any statement with respect to the matters referred to in proposed resolution or business to be dealt with at that meeting.

(2) A company shall not be bound under this section to give notice of any resolution or to circulate any statement unless—

(*a*) a copy of the requisition signed by the requisitionists (or two or more copies which, between them, contain the signatures of all the requisitionists) is deposited at the registered office of the company,—

(*i*) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting;

(*ii*) in the case of any other requisition, not less than two weeks before the meeting; and

(*b*) there is deposited or tendered with the requisition, a sum reasonably sufficient to meet the company's expenses in giving effect thereto:

Provided that if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the company, an annual general meeting is called on a date within six weeks after the copy has been deposited, the copy, although not deposited within the time required by this sub-section, shall be deemed to have been properly deposited for the purposes thereof.

(3) The company shall not be bound to circulate any statement as required by clause (*b*) of sub-section (1), if on the application either of the company or of any other person who claims to be aggrieved, the Central Government, by order, declares that the rights conferred by this section are being abused to secure needless publicity for defamatory matter.

(4) An order made under sub-section (3) may also direct that the cost incurred by the company by virtue of this section shall be paid to the company by the requisitionists, notwithstanding that they are not parties to the application.

(5) If any default is made in complying with the provisions of this section, the company and every officer of the company who is in default shall be liable to a penalty of twenty-five thousand rupees.

Representation of President and Governors in meetings.

112. (1) The President of India or the Governor of a State, if he is a member of a company, may appoint such person as he thinks fit to act as his representative at any meeting of the company or at any meeting of any class of members of the company.

(2) A person appointed to act under sub-section (1) shall, for the purposes of this Act, be deemed to be a member of such a company and shall be entitled to exercise the same rights and powers, including the right to vote by proxy and postal ballot, as the President or, as the case may be, the Governor could exercise as a member of the company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Representation of corporations at meeting of companies and of creditors .

113. (1) A body corporate, whether a company within the meaning of this Act or not, may, —

(*a*) if it is a member of a company within the meaning of this Act, by resolution of its Board of Directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the company, or at any meeting of any class of members of the company;

(*b*) if it is a creditor, including a holder of debentures, of a company within the meaning of this Act, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of any creditors of the company held in pursuance of this Act or of any rules made thereunder, or in pursuance of the provisions contained in any debenture or trust deed, as the case may be.

(2) A person authorised by resolution under sub-section (1) shall be entitled to exercise the same rights and powers, including the right to vote by proxy and by postal ballot, on behalf of the body corporate which he represents as that body could exercise if it were an individual member, creditor or holder of debentures of the company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Ordinary and special resolutions .

114. (1) A resolution shall be an ordinary resolution if the notice required under this Act has been duly given and it is required to be passed by the votes cast, whether on a show of hands, or electronically or on a poll, as the case may be, in favour of the resolution, including the casting vote, if any, of the Chairman, by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy or by postal ballot, exceed the votes, if any, cast against the resolution by members, so entitled and voting.

(2) A resolution shall be a special resolution when—

(*a*) the intention to propose the resolution as a special resolution has been duly specified in the notice calling the general meeting or other intimation given to the members of the resolution;

(*b*) the notice required under this Act has been duly given; and

(*c*) the votes cast in favour of the resolution, whether on a show of hands, or electronically or on a poll, as the case may be, by members who, being entitled so to do, vote in person or by proxy or by postal ballot, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Resolutions requiring special notice.

115. Where, by any provision contained in this Act or in the articles of a company, special notice is required of any resolution, notice of the intention to move such resolution shall be given to the company by such number of members holding not less than one per cent of total voting power or holding shares on which such aggregate sum not exceeding five lakh rupees, as may be prescribed, has been paid-up and the company shall give its members notice of the resolution in such manner as may be prescribed.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Resolutions passed at adjourned meeting.

116. Where a resolution is passed at an adjourned meeting of—

(*a*) a company; or

(*b*) the holders of any class of shares in a company; or

(*c*) the Board of Directors of a company,

the resolution shall, for all purposes, be treated as having been passed on the date on which it was in fact passed, and shall not be deemed to have been passed on any earlier date.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Resolutions and agreements to be filed.

117. (1) A copy of every resolution or any agreement, in respect of matters specified in sub-section (3) together with the explanatory statement under section 102, if any, annexed to the notice calling the meeting in which the resolution is proposed, shall be filed with the Registrar within thirty days of the passing or making thereof in such manner and with such fees as may be prescribed[***]:

Provided that the copy of every resolution which has the effect of altering the articles and the copy of every agreement referred to in sub-section (3) shall be embodied in or annexed to every copy of the articles issued after passing of the resolution or making of the agreement.

[*(2) If any company fails to file the resolution or the agreement under sub-section (1) before the expiry of the period specified therein, such company shall be liable to a penalty of ten thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of two lakh rupees and every officer of the company who is in default including liquidator of the company, if any, shall be liable to a penalty of ten thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of fifty thousand rupees.***]**

(3) The provisions of this section shall apply to—

(*a*) special resolutions;

(*b*) resolutions which have been agreed to by all the members of a company, but which, if not so agreed to, would not have been effective for their purpose unless they had been passed as special resolutions;

(*c*) any resolution of the Board of Directors of a company or agreement executed by a company, relating to the appointment, re-appointment or renewal of the appointment, or variation of the terms of appointment, of a managing director;

(*d*) resolutions or agreements which have been agreed to by any class of members but which, if not so agreed to, would not have been effective for their purpose unless they had been passed by a specified majority or otherwise in some particular manner; and all resolutions or agreements which effectively bind such class of members though not agreed to by all those members;

(*e*) [***]

(*f*) resolutions requiring a company to be wound up voluntarily passed in pursuance of [section 59 of the Insolvency and Bankruptcy Code, 2016];

(*g*) resolutions passed in pursuance of sub-section (3) of section 179 : [***]

[**Provided** that no person shall be entitled under section 399 to inspect or obtain copies of such resolutions: [***]]

[Provided further *that nothing contained in this clause shall apply in respect of a resolution passed to grant loans, or give guarantee or provide security in respect of loans under clause* (f) *of sub-section (3) of section 179 in the ordinary course of its business by,—*

(a) *a banking company;*

(b) *any class of non-banking financial company registered under Chapter IIIB of the Reserve Bank of India Act, 1934 (2 of 1934), as may be prescribed in consultation with the Reserve Bank of India;*

(c) *any class of housing finance company registered under the National Housing Bank Act, 1987 (53 of 1987), as may be prescribed in consultation with the National Housing Bank;***]**

(*h*) any other resolution or agreement as may be prescribed and placed in the public domain.

---

14. Corresponds to section 192 of the 1956 Act.
15. *See* also Table F of Schedule I.
16. Enforced with effect from 1-4-2014.

    In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (1) of section 117, for the words "thirty days" read as "sixty days".— *Notification No. GSR 8(E), dated 4-1-2017*.

    In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (1) of section 117 for the words "thirty days" read as "sixty days". —*Notification No. GSR 9(E), dated 4-1-2017*.

17. *See* rule 24 and Form No. MGT 14 of the Companies (Management and Administration) Rules, 2014 (**Division Two**).
18. *See* rule 12 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 (**Division Two**).
19. Words "within the time specified under section 403" omitted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.
20. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (2), as amended by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018 and later on substituted by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018, read as under :

    "(2) If any company fails to file the resolution or the agreement under sub-section (1) before the expiry of the period specified therein, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of twenty-five lakh rupees and every officer of the company who is in default including liquidator of the company, if any, shall be liable to a penalty of fifty thousand rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees."

21. Omitted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018. Prior to its omission, clause (*e*) read as under :

"(*e*) resolutions passed by a company according consent to the exercise by its Board of directors of any of the powers under clause (*a*) and clause (*c*) of sub-section (1) of section 180;"

22. Substituted for "section 304" by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016.

23. In case of private companies section 117(3)(*g*) shall not apply - *Notification No. GSR 464(E), dated 5-6-2015*.

In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, clause (*g*) of sub-section (3) of section 117, shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

24. Word "and" omitted by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015.

25. Inserted by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015.

26. Word "and" omitted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.

27. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, second proviso, as inserted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018, read as under :

"**Provided further** that nothing contained in this clause shall apply to a banking company in respect of a resolution passed to grant loans, or give guarantee or provide security in respect of loans under clause (*f*) of sub-section (3) of section 179 in the ordinary course of its business;"

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Minutes of proceedings of general meeting, meeting of Board of Directors and other meeting and resolutions passed by postal ballot .

118. (1) Every company shall cause minutes of the proceedings of every general meeting of any class of shareholders or creditors, and every resolution passed by postal ballot and every meeting of its Board of Directors or of every committee of the Board, to be prepared and signed in such manner as may be prescribed and kept within thirty days of the conclusion of every such meeting concerned, or passing of resolution by postal ballot in books kept for that purpose with their pages consecutively numbered.

(2) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.

(3) All appointments made at any of the meetings aforesaid shall be included in the minutes of the meeting.

(4) In the case of a meeting of the Board of Directors or of a committee of the Board, the minutes shall also contain—

(*a*) the names of the directors present at the meeting; and

(*b*) in the case of each resolution passed at the meeting, the names of the directors, if any, dissenting from, or not concurring with the resolution.

(5) There shall not be included in the minutes, any matter which, in the opinion of the Chairman of the meeting,—

(*a*) is or could reasonably be regarded as defamatory of any person; or

(*b*) is irrelevant or immaterial to the proceedings; or

(*c*) is detrimental to the interests of the company.

(6) The Chairman shall exercise absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in sub-section (5).

(7) The minutes kept in accordance with the provisions of this section shall be evidence of the proceedings recorded therein.

(8) Where the minutes have been kept in accordance with sub-section (1) then, until the contrary is proved, the meeting shall be deemed to have been duly called and held, and all proceedings thereat to have duly taken place, and the resolutions passed by postal ballot to have been duly passed and in particular, all appointments of directors, key managerial personnel, auditors or company secretary in practice, shall be deemed to be valid.

(9) No document purporting to be a report of the proceedings of any general meeting of a company shall be circulated or advertised at the expense of the company, unless it includes the matters required by this section to be contained in the minutes of the proceedings of such meeting.

(10) Every company shall observe secretarial standards with respect to general and Board meetings specified by the Institute of Company Secretaries of India constituted under section 3 of the Company Secretaries Act, 1980 (56 of 1980), and approved as such by the Central Government.

(11) If any default is made in complying with the provisions of this section in respect of any meeting, the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees.

(12) If a person is found guilty of tampering with the minutes of the proceedings of meeting, he shall be punishable with imprisonment for a term which may extend to two years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.

कोष मूलो दण्डः
INCOME TAX DEPARTMENT

Inspection of minute-books of general meeting .

119. (1) The books containing the minutes of the proceedings of any general meeting of a company or of a resolution passed by postal ballot, shall—

(*a*) be kept at the registered office of the company; and

(*b*) be open, during business hours, to the inspection by any member without charge, subject to such reasonable restrictions as the company may, by its articles or in general meeting, impose, so, however, that not less than two hours in each business day are allowed for inspection.

(2) Any member shall be entitled to be furnished, within seven working days after he has made a request in that behalf to the company, and on payment of such fees as may be prescribed, with a copy of any minutes referred to in sub-section (1).

(3) If any inspection under sub-section (1) is refused, or if any copy required under sub-section (2) is not furnished within the time specified therein, the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees for each such refusal or default, as the case may be.

(4) In the case of any such refusal or default, the Tribunal may, without prejudice to any action being taken under sub-section (3), by order, direct an immediate inspection of the minute-books or direct that the copy required shall forthwith be sent to the person requiring it.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Maintenance and inspection of documents in electronic form.

120. Without prejudice to any other provisions of this Act, any document, record, register, minutes, etc.,—

(*a*) required to be kept by a company; or

(*b*) allowed to be inspected or copies to be given to any person by a company under this Act,

may be kept or inspected or copies given, as the case may be, in electronic form in such form and manner as may be prescribed.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Report on annual general meeting.

121. (1) Every listed public company shall prepare in the prescribed manner a report on each annual general meeting including the confirmation to the effect that the meeting was convened, held and conducted as per the provisions of this Act and the rules made thereunder.

(2) The company shall file with the Registrar a copy of the report referred to in sub-section (1) within thirty days of the conclusion of the annual general meeting with such fees as may be prescribed, or with such additional fees as may be prescribed **[*******]**.

[*(3) If the company fails to file the report under sub-section (2) before the expiry of the period specified therein, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of five lakh rupees and every officer of the company who is in default shall be liable to a penalty which shall not be less than twenty-five thousand rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of one lakh rupees.***]**

---

76. Enforced with effect from 1-4-2014.
77. *See* also SS-2 - Secretarial Standard on General Meetings (*see* **Division Three**).
78. *See* rule 31 and Form No. MGT 15 of the Companies (Management and Administration) Rules, 2014 (**Division Two**).
79. *See* rule 12 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 (**Division Two**).
79a. Words ", within the time as specified, under section 403" omitted by the Companies (Amendment) Act, 2017, with effect from **7-5-2018**.
79b. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, sub-section (3), as amended by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018, read as under :

"(3) If the company fails to file the report under sub-section (2) before the expiry of the period specified therein, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees."

Applicability of this Chapter to One Person Company.

122. (1) The provisions of and to (both inclusive) shall not apply to a One Person Company.

(2) The ordinary businesses as mentioned under clause (*a*) of sub-section (2) of which a company, other than a One Person Company, is required to transact at its annual general meeting, shall be transacted, in case of One Person Company, as provided in sub-section (3).

(3) For the purposes of , any business which is required to be transacted at an annual general meeting or other general meeting of a company by means of an ordinary or special resolution, it shall be sufficient if, in case of One Person Company, the resolution is communicated by the member to the company and entered in the minutes-book required to be maintained under and signed and dated by the member and such date shall be deemed to be the date of the meeting for all the purposes under this Act.

(4) Notwithstanding anything in this Act, where there is only one director on the Board of Director of a One Person Company, any business which is required to be transacted at the meeting of the Board of Directors of a company, it shall be sufficient if, in case of such One Person Company, the resolution by such director is entered in the minutes book required to be maintained under and signed and dated by such director and such date shall be deemed to be the date of the meeting of the Board of Directors for all the purposes under this Act.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER VIII

DECLARATION AND PAYMENT OF DIVIDEND

Declaration of dividend.

123. (1) No dividend shall be declared or paid by a company for any financial year except—

(*a*) out of the profits of the company for that year arrived at after providing for depreciation in accordance with the provisions of sub-section (2), or out of the profits of the company for any previous financial year or years arrived at after providing for depreciation in accordance with the provisions of that sub-section and remaining undistributed, or out of **[***both :***]**

[Provided *that in computing profits any amount representing unrealised gains, notional gains or revaluation of assets and any change in carrying amount of an asset or of a liability on measurement of the asset or the liability at fair value shall be excluded; or***]**

(*b*) out of money provided by the Central Government or a State Government for the payment of dividend by the company in pursuance of a guarantee given by that Government:

Provided that a company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company:

Provided further that where, owing to inadequacy or absence of profits in any financial year, any company proposes to declare dividend out of the accumulated profits earned by it in previous years and **[***transferred by the company to the free reserves***]**, such declaration of dividend shall not be made except in accordance with such rules as may be prescribed in this behalf:

Provided also that no dividend shall be declared or paid by a company from its reserves other than free reserves:

[**Provided also** that no company shall declare dividend unless carried over previous losses and depreciation not provided in previous year or years are set off against profit of the company for the current year.]

(2) For the purposes of clause (*a*) of sub-section (1), depreciation shall be provided in accordance with the provisions of Schedule II.

[*(3) The Board of Directors of a company may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the annual general meeting out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend:*

Provided *that in case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during immediately preceding three financial years.***]**

(4) The amount of the dividend, including interim dividend, shall be deposited in a scheduled bank in a separate account within five days from the date of declaration of such dividend.

(5) No dividend shall be paid by a company in respect of any share therein except to the registered shareholder of such share or to his order or to his banker and shall not be payable except in cash:

Provided that nothing in this sub-section shall be deemed to prohibit the capitalisation of profits or reserves of a company for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the company:

Provided further that any dividend payable in cash may be paid by cheque or warrant or in any electronic mode to the shareholder entitled to the payment of the dividend.

(6) A company which fails to comply with the provisions of sections 73 and 74 shall not, so long as such failure continues, declare any dividend on its equity shares.

Unpaid Dividend Account.

124. (1) Where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in that behalf in any scheduled bank to be called the Unpaid Dividend Account.

(2) The company shall, within a period of ninety days of making any transfer of an amount under sub-section (1) to the Unpaid Dividend Account, prepare a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person and place it on the website of the company, if any, and also on any other website approved by the Central Government for this purpose, in such form, manner and other particulars as may be prescribed.

(3) If any default is made in transferring the total amount referred to in sub-section (1) or any part thereof to the Unpaid Dividend Account of the company, it shall pay, from the date of such default, interest on so much of the amount as has not been transferred to the said account, at the rate of twelve per cent per annum and the interest accruing on such amount shall enure to the benefit of the members of the company in proportion to the amount remaining unpaid to them.

(4) Any person claiming to be entitled to any money transferred under sub-section (1) to the Unpaid Dividend Account of the company may apply to the company for payment of the money claimed.

(5) Any money transferred to the Unpaid Dividend Account of a company in pursuance of this section which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company along with interest accrued, if any, thereon to the Fund established under sub-section (1) of section 125 and the company shall send a statement in the prescribed form of the details of such transfer to the authority which adminis-ters the said Fund and that authority shall issue a receipt to the company as evidence of such transfer.

(6) All shares in respect of which [dividend has not been paid or claimed for seven consecutive years or more shall be] transferred by the company in the name of Investor Education and Protection Fund along with a statement containing such details as may be prescribed:

Provided that any claimant of shares transferred above shall be entitled to claim the transfer of shares from Investor Education and Protection Fund in accordance with such procedure and on submission of such documents as may be prescribed.

[*Explanation.*—For the removal of doubts, it is hereby clarified that in case any dividend is paid or claimed for any year during the said period of seven consecutive years, the share shall not be transferred to Investor Education and Protection Fund.]

[*(7) If a company fails to comply with any of the requirements of this section, such company shall be liable to a penalty of one lakh rupees and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of ten lakh rupees and every officer of the company who is in default shall be liable to a penalty of twenty-five thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of two lakh rupees.***]**

---

67. Corresponds to sections 205A and 205B of the 1956 Act.
68. *See* also SS-3 : Secretarial Standard on Dividend (*See* **Division Three**). *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
69. Enforced with effect from 7-9-2016.
70. Substituted for "unpaid or unclaimed dividend has been transferred under sub-section (5) shall also be" by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015.
71. *See* Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (**Division Two**).
72. Inserted by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015.

72a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (7) read as under :

"(7) If a company fails to comply with any of the requirements of this section, the company shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees."

Investor Education and Protection Fund .

125. (1) The Central Government shall establish a Fund to be called the Investor Education and Protection Fund (herein referred to as the Fund).

(2) There shall be credited to the Fund—

(*a*) the amount given by the Central Government by way of grants after due appropriation made by Parliament by law in this behalf for being utilised for the purposes of the Fund;

(*b*) donations given to the Fund by the Central Government, State Governments, companies or any other institution for the purposes of the Fund;

(*c*) the amount in the Unpaid Dividend Account of companies transferred to the Fund under sub-section (5) of ;

(*d*) the amount in the general revenue account of the Central Government which had been transferred to that account under sub-section (5) of section 205A of the Companies Act, 1956 (1 of 1956), as it stood immediately before the commencement of the Companies (Amendment) Act, 1999 (21 of 1999), and remaining unpaid or unclaimed on the commencement of this Act;

(*e*) the amount lying in the Investor Education and Protection Fund under section 205C of the Companies Act, 1956 (1 of 1956);

(*f*) the interest or other income received out of investments made from the Fund;

(*g*) the amount received under sub-section (4) of ;

(*h*) the application money received by companies for allotment of any securities and due for refund;

(*i*) matured deposits with companies other than banking companies;

(*j*) matured debentures with companies;

(*k*) interest accrued on the amounts referred to in clauses (*h*) to (*j*);

(*l*) sale proceeds of fractional shares arising out of issuance of bonus shares, merger and amalgamation for seven or more years;

(*m*) redemption amount of preference shares remaining unpaid or unclaimed for seven or more years; and

(*n*) such other amount as may be prescribed:

Provided that no such amount referred to in clauses (*h*) to (*j*) shall form part of the Fund unless such amount has remained unclaimed and unpaid for a period of seven years from the date it became due for payment.

(3) The Fund shall be utilised for—

(*a*) the refund in respect of unclaimed dividends, matured deposits, matured debentures, the application money due for refund and interest thereon;

(*b*) promotion of investors' education, awareness and protection;

(*c*) distribution of any disgorged amount among eligible and identifiable applicants for shares or debentures, shareholders, debenture-holders or depositors who have suffered losses due to wrong actions by any person, in accordance with the orders made by the Court which had ordered disgorgement;

(*d*) reimbursement of legal expenses incurred in pursuing class action suits under and by members, debenture-holders or depositors as may be sanctioned by the Tribunal; and

(*e*) any other purpose incidental thereto,

in accordance with such rules as may be prescribed:

Provided that the person whose amounts referred to in clauses (*a*) to (*d*) of sub-section (2) of transferred to Investor Education and Protection Fund, after the expiry of the period of seven years as per provisions of the Companies Act, 1956 (1 of 1956), shall be entitled to get refund out of the fund in respect of such claims in accordance with rules made under this section.

Explanation.—The disgorged amount refers to the amount received through disgorgement or disposal of securities.

(4) Any person claiming to be entitled to the amount referred in sub-section (2) may apply to the authority constituted under sub-section (5) for the payment of the money claimed.

(5) The Central Government shall constitute, by notification, an authority for administration of the Fund consisting of a chairperson and such other members, not exceeding seven and a chief executive officer, as the Central Government may appoint.

(6) The manner of administration of the Fund, appointment of chairperson, members and chief executive officer, holding of meetings of the authority shall be in accordance with such rules as may be prescribed.

(7) The Central Government may provide to the authority such offices, officers, employees and other resources in accordance with such rules as may be prescribed.

(8) The authority shall administer the Fund and maintain separate accounts and other relevant records in relation to the Fund in such form as may be prescribed after consultation with the Comptroller and Auditor-General of India.

(9) It shall be competent for the authority constituted under sub-section (5) to spend money out of the Fund for carrying out the objects specified in sub-section (3).

(10) The accounts of the Fund shall be audited by the Comptroller and Auditor- General of India at such intervals as may be specified by him and such audited accounts together with the audit report thereon shall be forwarded annually by the authority to the Central Government.

(11) The authority shall prepare in such form and at such time for each financial year as may be prescribed its annual report giving a full account of its activities during the financial year and forward a copy thereof to the Central Government and the Central Government shall cause the annual report and the audit report given by the Comptroller and Auditor-General of India to be laid before each House of Parliament.

Right to dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares.

126. Where any instrument of transfer of shares has been delivered to any company for registration and the transfer of such shares has not been registered by the company, it shall, notwithstanding anything contained in any other provision of this Act,—

(*a*) transfer the dividend in relation to such shares to the Unpaid Dividend Account referred to in unless the company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer; and

(*b*) keep in abeyance in relation to such shares, any offer of rights shares under clause (*a*) of sub-section (1) of and any issue of fully paid-up bonus shares in pursuance of first proviso to sub-section (5) of .

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Punishment for failure to distribute dividends .

127. Where a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within thirty days from the date of declaration to any shareholder entitled to the payment of the dividend, every director of the company shall, if he is knowingly a party to the default, be punishable with imprisonment which may extend to two years and with fine which shall not be less than one thousand rupees for every day during which such default continues and the company shall be liable to pay simple interest at the rate of eighteen per cent per annum during the period for which such default continues:

Provided that no offence under this section shall be deemed to have been committed:—

(*a*) where the dividend could not be paid by reason of the operation of any law;

(*b*) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with and the same has been communicated to him;

(*c*) where there is a dispute regarding the right to receive the dividend;

(*d*) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or

(*e*) where, for any other reason, the failure to pay the dividend or to post the warrant within the period under this section was not due to any default on the part of the company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER IX

ACCOUNTS OF COMPANIES

Books of account, etc., to be kept by company.

128. (1) Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on accrual basis and according to the double entry system of accounting:

Provided that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company shall, within seven days thereof, file with the Registrar a notice in writing giving the full address of that other place:

Provided further that the company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed.

(2) Where a company has a branch office in India or outside India, it shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarised returns periodically are sent by the branch office to the company at its registered office or the other place referred to in sub-section (1).

(3) The books of account and other books and papersmaintained by the company within India shall be open for inspection at the registered office of the company or at such other place in India by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director subject to such conditions as may be prescribed:

Provided that the inspection in respect of any subsidiary of the company shall be done only by the person authorised in this behalf by a resolution of the Board of Directors.

(4) Where an inspection is made under sub-section (3), the officers and other employees of the company shall give to the person making such inspection all assistance in connection with the inspection which the company may reasonably be expected to give.

(5) The books of account of every company relating to a period of not less than eight financial years immediately preceding a financial year, or where the company had been in existence for a period less than eight years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order:

Provided that where an investigation has been ordered in respect of the company under Chapter XIV, the Central Government may direct that the books of account may be kept for such longer period as it may deem fit.

(6) If the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person of a company charged by the Board with the duty of complying with the provisions of this section, contravenes such provisions, such managing director, whole-time director in charge of finance, Chief Financial officer or such other person of the company shall be punishable **[*******]** with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees **[*******]**.

---

90. Corresponds to sections 209 and 214 of the 1956 Act.
91. Enforced with effect from 1-4-2014.
92. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Table F of Schedule I.
93. *See* rule 2A and Form No. AOC 5 of the Companies (Accounts) Rules, 2015 (**Division Two**).
94. *See* rule 3 of the Companies (Accounts) Rules, 2014 (**Division Two**).
95. For meaning of the expression "books of account and other books and papers", *see* **Appendix II**.
96. *See* rule 4 of the Companies (Accounts) Rules, 2014 (**Division Two**).
96a. Words "with imprisonment for a term which may extend to one year or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
96b. Words "or with both" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Financial statement.

129. (1) The financial statements shall give a true and fair view of the state of affairs of the company or companies, comply with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III:

Provided that the items contained in such financial statements shall be in accordance with the accounting standards:

Provided further that nothing contained in this sub-section shall apply to any insurance or banking company or any company engaged in the generation or supply of electricity, or to any other class of company for which a form of financial statement has been specified in or under the Act governing such class of company:

Provided also that the financial statements shall not be treated as not disclosing a true and fair view of the state of affairs of the company, merely by reason of the fact that they do not disclose—

(*a*) in the case of an insurance company, any matters which are not required to be disclosed by the Insurance Act, 1938 (4 of 1938), or the Insurance Regulatory and Development Authority Act, 1999 (41 of 1999);

(*b*) in the case of a banking company, any matters which are not required to be disclosed by the Banking Regulation Act, 1949 (10 of 1949);

(*c*) in the case of a company engaged in the generation or supply of electricity, any matters which are not required to be disclosed by the Electricity Act, 2003 (36 of 2003);

(*d*) in the case of a company governed by any other law for the time being in force, any matters which are not required to be disclosed by that law.

(2) At every annual general meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year.

[*(3) Where a company has one or more subsidiaries or associate companies, it shall, in addition to financial statements provided under sub-section (2), prepare a consolidated financial statement of the company and of all the subsidiaries and associate companies in the same form and manner as that of its own and in accordance with applicable accounting standards, which shall also be laid before the annual general meeting of the company along with the laying of its financial statement under sub-section (2):*

Provided *that the company shall also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries and associate company or companies in such form as may be prescribed*:

Provided further *that the Central Government may provide for the consolidation of accounts of companies in such manner as may be prescribed*.**]**

(4) The provisions of this Act applicable to the preparation, adoption and audit of the financial statements of a holding company shall, *mutatis mutandis*, apply to the consolidated financial statements referred to in sub-section (3).

(5) Without prejudice to sub-section (1), where the financial statements of a company do not comply with the accounting standards referred to in sub-section (1), the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation.

(6) The Central Government may, on its own or on an application by a class or classes of companies, by notification, exempt any class or classes of companies from complying with any of the requirements of this section or the rules made thereunder, if it is considered necessary to grant such exemption in the public interest and any such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification.

(7) If a company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board with the duty of complying with the requirements of this section and in the absence of any of the officers mentioned above, all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

Explanation.—For the purposes of this section, except where the context otherwise requires, any reference to the financial statement shall include any notes annexed to or forming part of such financial statement, giving information required to be given and allowed to be given in the form of such notes under this Act.

[Periodical financial results.

129A. *The Central Government may, require such class or classes of unlisted companies, as may be prescribed,—*

(a) *to prepare the financial results of the company on such periodical basis and in such form as may be prescribed;*

(b) *to obtain approval of the Board of Directors and complete audit or limited review of such periodical financial results in such manner as may be prescribed; and*

(c) *file a copy with the Registrar within a period of thirty days of completion of the relevant period with such fees as may be prescribed.***]**

6a. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Re-opening of accounts on court's or Tribunal's orders.

130. (1) A company shall not re-open its books of account and not recast its financial statements, unless an application in this regard is made by the Central Government, the Income-tax authorities, the Securities and Exchange Board, any other statutory regulatory body or authority or any person concerned and an order is made by a court of competent jurisdiction or the Tribunal to the effect that—

(*i*) the relevant earlier accounts were prepared in a fraudulent manner; or

(*ii*) the affairs of the company were mismanaged during the relevant period, casting a doubt on the reliability of financial statements:

Provided that the court or the Tribunal, as the case may be, shall give notice to the Central Government, the Income-tax authorities, the Securities and Exchange Board or any other statutory regulatory body or authority concerned **[***or any other person concerned***]** and shall take into consideration the representations, if any, made by that Government or the authorities, Securities and Exchange Board or the body or authority concerned **[***or the other person concerned***]** before passing any order under this section.

(2) Without prejudice to the provisions contained in this Act the accounts so revised or re-cast under sub-section (1) shall be final.

[*(3) No order shall be made under sub-section (1) in respect of re-opening of books of account relating to a period earlier than eight financial years immediately preceding the current financial year:*

Provided *that where a direction has been issued by the Central Government under the proviso to sub-section (5) of section 128 for keeping of books of account for a period longer than eight years, the books of account may be ordered to be re-opened within such longer period.***]**

Voluntary revision of financial statements or Board's report.

131. (1) If it appears to the directors of a company that—

(*a*) the financial statement of the company; or

(*b*) the report of the Board,

do not comply with the provisions of or they may prepare revised financial statement or a revised report in respect of any of the three preceding financial years after obtaining approval of the Tribunal on an application made by the company in such form and manner as may be prescribed and a copy of the order passed by the Tribunal shall be filed with the Registrar:

Provided that the Tribunal shall give notice to the Central Government and the Income-tax authorities and shall take into consideration the representations, if any, made by that Government or the authorities before passing any order under this section:

Provided further that such revised financial statement or report shall not be prepared or filed more than once in a financial year:

Provided also that the detailed reasons for revision of such financial statement or report shall also be disclosed in the Board's report in the relevant financial year in which such revision is being made.

(2) Where copies of the previous financial statement or report have been sent out to members or delivered to the Registrar or laid before the company in general meeting, the revisions must be confined to—

(*a*) the correction in respect of which the previous financial statement or report do not comply with the provisions of or ; and

(*b*) the making of any necessary consequential alternation.

(3) The Central Government may make rules as to the application of the provisions of this Act in relation to revised financial statement or a revised director's report and such rules may, in particular—

(*a*) make different provisions according to which the previous financial statement or report are replaced or are supplemented by a document indicating the corrections to be made;

(*b*) make provisions with respect to the functions of the company's auditor in relation to the revised financial statement or report;

(*c*) require the directors to take such steps as may be prescribed.

Constitution of National Financial Reporting Authority.

132.(1) The Central Government may, by notification, constitute a National Financial Reporting Authority to provide for matters relating to accounting and auditing standards under this Act.

[*(1A) The National Financial Reporting Authority shall perform its functions through such divisions as may be prescribed*.**]**

(2) Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall—

(*a*) make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be;

(*b*) monitor and enforce the compliance with accounting standards and auditing standards in such manner as may be prescribed;

(*c*) oversee the quality of service of the professions associated with ensuring compliance with such standards, and suggest measures required for improvement in quality of services and such other related matters as may be prescribed; and

(*d*) perform such other functions relating to clauses (*a*), (*b*) and (*c*) as may be prescribed.

(3) The National Financial Reporting Authority shall consist of a chairperson, who shall be a person of eminence and having expertise in accountancy, auditing, finance or law to be appointed by the Central Government and such other members not exceeding fifteen consisting of part-time and full-time members as may be prescribed:

Provided that the terms and conditions and the manner of appointment of the chairperson and members shall be such as may be prescribed:

Provided further that the chairperson and members shall make a declaration to the Central Government in the prescribed form regarding no conflict of interest or lack of independence in respect of his or their appointment:

Provided also that the chairperson and members, who are in full-time employment with National Financial Reporting Authority shall not be associated with any audit firm (including related consultancy firms) during the course of their appointment and two years after ceasing to hold such appointment.

[*(3A) Each division of the National Financial Reporting Authority shall be presided over by the Chairperson or a full-time Member authorised by the Chairperson.*

(3B) There shall be an executive body of the National Financial Reporting Authority consisting of the Chairperson and full-time Members of such Authority for efficient discharge of its functions under sub-section (2) [other than clause (a)] and sub-section (4).**]**

(4) Notwithstanding anything contained in any other law for the time being in force, the National Financial Reporting Authority shall—

(*a*) have the power to investigate, either *suo motu* or on a reference made to it by the Central Government, for such class of bodies corporate or persons, in such manner as may be prescribed into the matters of professional or other misconduct committed by any member or firm of chartered accountants, registered under the Chartered Accountants Act, 1949 (38 of 1949):
Provided that no other institute or body shall initiate or continue any proceedings in such matters of misconduct where the National Financial Reporting Authority has initiated an investigation under this section;

(*b*) have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908), while trying a suit, in respect of the following matters, namely:—
(*i*) discovery and production of books of account and other documents, at such place and at such time as may be specified by the National Financial Reporting Authority;
(*ii*) summoning and enforcing the attendance of persons and examining them on oath;
(*iii*) inspection of any books, registers and other documents of any person referred to in clause (*b*) at any place;
(*iv*) issuing commissions for examination of witnesses or documents;

(*c*) where professional or other misconduct is proved, have the power to make order for—
(*A*) imposing penalty of—
I. not less than one lakh rupees, but which may extend to five times of the fees received, in case of individuals; and
II. not less than **[***five lakh rupees***]**, but which may extend to ten times of the fees received, in case of firms;
[*(B) debarring the member or the firm from—*
I. being appointed as an auditor or internal auditor or undertaking any audit in respect of financial statements or internal audit of the functions and activities of any company or body corporate; or
II. performing any valuation as provided under section 247,
for a minimum period of six months or such higher period not exceeding ten years as may be determined by the National Financial Reporting Authority.**]**

Explanation.—For the purposes of this sub-section, the expression "professional or other misconduct" shall have the same meaning assigned to it under section 22 of the Chartered Accountants Act, 1949 (38 of 1949).

(5) Any person aggrieved by any order of the National Financial Reporting Authority issued under clause (*c*) of sub-section (4), may prefer an appeal before **[***the Appellate Tribunal in such manner and on payment of such fee as may be prescribed***]**.

(6) to (9) **[***]**

(10) The National Financial Reporting Authority shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings in such manner as may be prescribed.

(11) The Central Government may appoint a secretary and such other emp-loyees as it may consider necessary for the efficient performance of functions by the National Financial Reporting Authority under this Act and the terms and conditions of service of the secretary and employees shall be such as may be prescribed.

(12) The head office of the National Financial Reporting Authority shall be at New Delhi and the National Financial Reporting Authority may, meet at such other places in India as it deems fit.

(13) The National Financial Reporting Authority shall cause to be maintained such books of account and other books in relation to its accounts in such form and in such manner as the Central Government may, in consultation with the Comptroller and Auditor-General of India prescribe.

(14) The accounts of the National Financial Reporting Authority shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him and such accounts as certified by the Comptroller and Auditor-General of India together with the audit report thereon shall be forwarded annually to the Central Government by the National Financial Reporting Authority.

(15) The National Financial Reporting Authority shall prepare in such form and at such time for each financial year as may be prescribed its annual report giving a full account of its activities during the financial year and forward a copy thereof to the Central Government and the Central Government shall cause the annual report and the audit report given by the Comptroller and Auditor-General of India to be laid before each House of Parliament.

---

21. Corresponds to section 210A of the 1956 Act.

22. Enforced w.e.f. **1-10-2018**.

22a. Inserted by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

22ab. Enforced w.e.f. **24-10-2018**†

†**Notification No. SO 5385(E) [F.No.1/4/2016-CL-I], dated 24-10-2018.—**In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 24th October, 2018 as the date on which the sub-sections (2), (4), (5), (10), (14), and (15) of section 132 of the said Act shall come into force.

22ac. Inserted by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

22aa. Enforced w.e.f. **21-3-2018**.†

†**NOTIFICATION [F.NO.1/4/2016-CL.I], DATED 21-3-2018.—**In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 21st March, 2018 as the date on which the provisions of sub-sections (3) and (11) of section 132 of the said Act shall come into force.

22ad. Enforced w.e.f. **24-10-2018**†

†**Notification No. SO 5385(E) [F.No.1/4/2016-CL-I], dated 24-10-2018.—**In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 24th October, 2018 as the date on which the sub-sections (2), (4), (5), (10), (14), and (15) of section 132 of the said Act shall come into force.

22ae. Enforced w.e.f. **24-10-2018**†

†**Notification No. SO 5385(E) [F.No.1/4/2016-CL-I], dated 24-10-2018.—**In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 24th October, 2018 as the date on which the sub-sections (2), (4), (5), (10), (14), and (15) of section 132 of the said Act shall come into force.

22b. Substituted for "ten lakh rupees" by the Companies (Amendment) Act, 2017, with effect from **9-2-2018**.

23. Sub-clause (B) substituted by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**. Prior to its substitution said sub-clause (B) read as under:

"(*B*) debarring the member or the firm from engaging himself or itself from practice as member of the Institute of Chartered Accountants of India referred to in clause (*e*) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) for a minimum period of six months or for such higher period not exceeding ten years as may be decided by the National Financial Reporting Authority."

24. For text of section 22 of the Chartered Accountants Act, 1949, *see* **Appendix I**.

24a. Substituted for "the Appellate Authority constituted under sub-section (6) in such manner as may be prescribed" by the Companies (Amendment) Act, 2017, with effect from **9-2-2018**.

24b. Omitted by the Companies (Amendment) Act, 2017, with effect from **9-2-2018**. Prior to their omission, sub-sections (6) to (9) read as under :

"(6) The Central Government may, by notification, constitute, with effect from such date as may be specified therein, an Appellate Authority consisting of a chairperson and not more than two other members, to be appointed by the Central Government, for hearing appeals arising out of the orders of the National Financial Reporting Authority.

(7) The qualifications for appointment of the chairperson and members of the Appellate Authority, the manner of selection, the terms and conditions of their service and the requirement of the supporting staff and procedure (including places of hearing the appeals, form and manner in which the appeals shall be filed) to be followed by the Appellate Authority shall be such as may be prescribed.

(8) The fee for filing the appeal shall be such as may be prescribed.

(9) The officer authorised by the Appellate Authority shall prepare in such form and at such time as may be prescribed its annual report giving a full account of its activities and forward a copy thereof to the Central Government and the Central Government shall cause the annual report to be laid before each House of Parliament."

24ba. Enforced w.e.f. **24-10-2018†**

†Notification No. SO 5385(E) [F.No.1/4/2016-CL-I], dated 24-10-2018.—In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 24th October, 2018 as the date on which the sub-sections (2), (4), (5), (10), (14), and (15) of section 132 of the said Act shall come into force.

24c. Enforced w.e.f. **21-3-2018**.†

†**NOTIFICATION [F.NO.1/4/2016-CL.I], DATED 21-3-2018.—**In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 21st March, 2018 as the date on which the provisions of sub-sections (3) and (11) of section 132 of the said Act shall come into force.

24d. Enforced w.e.f. **1-10-2018**.††

††**NOTIFICATION SO 5098(E) [F.NO.1/4/2016-CL.I], DATED 1-10-2018.—**In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 1st October, 2018 as the date on which the provisions of sub-sections (1) and (12) of section 132 of the said Act shall come into force.

24da. Enforced w.e.f. **24-10-2018†**

†Notification No. SO 5385(E) [F.No.1/4/2016-CL-I], dated 24-10-2018.—In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 24th October, 2018 as the date on which the sub-sections (2), (4), (5), (10), (14), and (15) of section 132 of the said Act shall come into force.

24db. Enforced w.e.f. **24-10-2018†**

†Notification No. SO 5385(E) [F.No.1/4/2016-CL-I], dated 24-10-2018.—In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 24th October, 2018 as the date on which the sub-sections (2), (4), (5), (10), (14), and (15) of section 132 of the said Act shall come into force.

24dc. Enforced w.e.f. **24-10-2018†**

†Notification No. SO 5385(E) [F.No.1/4/2016-CL-I], dated 24-10-2018.—In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 24th October, 2018 as the date on which the sub-sections (2), (4), (5), (10), (14), and (15) of section 132 of the said Act shall come into force.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Central Government to prescribe accounting standards .

133. The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949), in consultation with and after examination of the recommendations made by the National Financial Reporting Authority :

[Provided *that until the National Financial Reporting Authority is constituted under of the Companies Act, 2013 (18 of 2013), the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949), in consultation with and after examination of the recommendations made by National Advisory Committee on Accounting Standards constituted under section 210A of the Companies Act, 1956.* **]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Financial statement, Board's report, etc.

134.[(1) The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director, if any, and the Chief Executive Officer, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon.]

(2) The auditors' report shall be attached to every financial statement.

(3) There shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include—

[(*a*) the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed;]

(*b*) number of meetings of the Board;

(*c*) Directors' Responsibility Statement;

[(*ca*) details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government;]

(*d*) a statement on declaration given by independent directors under sub-section (6) of section 149;

(*e*) in case of a company covered under sub-section (1) of section 178, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;

(*f*) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made—

(*i*) by the auditor in his report; and

(*ii*) by the company secretary in practice in his secretarial audit report;

(*g*) particulars of loans, guarantees or investments under section 186;

(*h*) particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form;

(*i*) the state of the company's affairs;

(*j*) the amounts, if any, which it proposes to carry to any reserves;

(*k*) the amount, if any, which it recommends should be paid by way of dividend;

(*l*) material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;

(*m*) the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;

(*n*) a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company;

(*o*) the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year;

(*p*) in case of a listed company and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which formal [annual evaluation of the performance of the Board, its Committees and of individual directors has been made];

(*q*) such other matters as may be prescribed:

[**Provided** that where disclosures referred to in this sub-section have been included in the financial statements, such disclosures shall be referred to instead of being repeated in the Board's report:

Provided further that where the policy referred to in clause (*e*) or clause (*o*) is made available on company's website, if any, it shall be sufficient compliance of the requirements under such clauses if the salient features of the policy and any change therein are specified in brief in the Board's report and the web-address is indicated therein at which the complete policy is available.]

[(3A) The Central Government may prescribe an abridged Board's report, for the purpose of compliance with this section by One Person Company or small company.]

(4) The report of the Board of Directors to be attached to the financial statement under this section shall, in case of a One Person Company, mean a report containing explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report.

(5) The Directors' Responsibility Statement referred to in clause (*c*) of sub-section (3) shall state that—

(*a*) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(*b*) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(*c*) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(*d*) the directors had prepared the annual accounts on a going concern basis; and

(*e*) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

Explanation.—For the purposes of this clause, the term "internal financial controls" means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information;

(*f*) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

(6) The Board's report and any annexures thereto under sub-section (3) shall be signed by its chairperson of the company if he is authorised by the Board and where he is not so authorised, shall be signed by at least two directors, one of whom shall be a managing director, or by the director where there is one director.

(7) A signed copy of every financial statement, including consolidated financial statement, if any, shall be issued, circulated or published along with a copy each of—

(*a*) any notes annexed to or forming part of such financial statement;

(*b*) the auditor's report; and

(*c*) the Board's report referred to in sub-section (3).

[*(8) If a company is in default in complying with the provisions of this section, the company shall be liable to a penalty of three lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.***]**

---

41. Corresponds to sections 215, 216 and 217 of the 1956 Act.
42. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SS-1 - Secretarial Standard on Meetings of Board of Directors (*see* **Division Three**).
43. Enforced with effect from 1-4-2014. *See* SS-4 - Secretarial Standard on Report of Board of Directors.
44. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 31-7-2018. Prior to its substitution, sub-section (1) read as under :

"(1) The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board at least by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be managing director and the Chief Executive Officer, if he is a director in the company, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, or in the case of a One Person Company, only by one director, for submission to the auditor for his report thereon."

45. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (3) of section 134, following proviso shall be inserted, namely:—

"**Provided** that in case of a Specified IFSC public company, if any information listed in this sub-section is provided in the financial statement, the company may not include such information in the report of the Board of Directors.".—*Notification No. GSR 8(E), dated 4-1-2017.*

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (3) of section 134, the following proviso shall be inserted, namely:—

"**Provided** that in case of a Specified IFSC private company, if any information listed in this sub-section is provided in the financial statement, the company may not include such information in the report of the Board of Directors.".—*Notification No. GSR 9(E), dated 4-1-2017.*

46. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 31-7-2018. Prior to its substitution, clause (*a*) read as under :
"(*a*) the extract of the annual return as provided under sub-section (3) of section 92;"
47. Inserted by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015.
48. In case of Government Companies, section 134(3)(*e*) shall not apply - *Notification No. GSR 463(E), dated 5-6-2015.*
49. *See* rule 8 and Form No. AOC 2 of the Companies (Accounts) Rules, 2014 (**Division Two**).
50. In case of Government Companies, section 134(3)(*p*) shall not apply in case the directors are evaluated by the Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the State Government, as per its own evaluation methodology - *Notification No. GSR 463(E), dated 5-6-2015.*
51. Substituted for "annual evaluation has been made by the Board of its own performance and that of its committees and individual directors" by the Companies (Amendment) Act, 2017, w.e.f. 31-7-2018.
52. *See* rules 8 and 8A and Form No. AOC 2 of the Companies (Accounts) Rules, 2014 (**Division Two**).
53. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 31-7-2018.

53a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (8) read as under :

"(8) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both."

***Word "and" shall be omitted.**

****The word 'and' should appear after end of clause (*e*).**

Corporate Social Responsibility.

135. (1) Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during [the immediately preceding financial year] shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director:

[**Provided** that where a company is not required to appoint an independent director under sub-section (4) of section 149, it shall have in its Corporate Social Responsibility Committee two or more directors.]

(2) The Board's report under sub-section (3) of section 134 shall disclose the composition of the Corporate Social Responsibility Committee.

(3) The Corporate Social Responsibility Committee shall,—

(*a*) formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company [in areas or subject, specified in Schedule VII];

(*b*) recommend the amount of expenditure to be incurred on the activities referred to in clause (*a*); and

(*c*) monitor the Corporate Social Responsibility Policy of the company from time to time.

(4) The Board of every company referred to in sub-section (1) shall,—

(*a*) after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any, in such manner as may be prescribed; and

(*b*) ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

(5) The Board of every company referred to in sub-section (1), shall ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, **[***or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years,***]** in pursuance of its Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:

Provided further that if the company fails to spend such amount, the Board shall, in its report made under clause (*o*) of sub-section (3) of section 134, specify the reasons for not spending the amount **[***and, unless the unspent amount relates to any ongoing project referred to in sub-section (6), transfer such unspent amount to a Fund specified in Schedule VII, within a period of six months of the expiry of the financial year***]**:

[Provided also *that if the company spends an amount in excess of the requirements provided under this sub-section, such company may set off such excess amount against the requirement to spend under this sub-section for such number of succeeding financial years and in such manner, as may be prescribed.***]**

[*(6) Any amount remaining unspent under sub-section (5), pursuant to any ongoing project, fulfilling such conditions as may be prescribed, undertaken by a company in pursuance of its Corporate Social Responsibility Policy, shall be transferred by the company within a period of thirty days from the end of the financial year to a special account to be opened by the company in that behalf for that financial year in any scheduled bank to be called the Unspent Corporate Social Responsibility Account, and such amount shall be spent by the company in pursuance of its obligation towards the Corporate Social Responsibility Policy within a period of three financial years from the date of such transfer, failing which, the company shall transfer the same to a Fund specified in Schedule VII, within a period of thirty days from the date of completion of the third financial year.*

[*(7) If a company is in default in complying with the provisions of sub-section (5) or sub-section (6), the company shall be liable to a penalty of twice the amount required to be transferred by the company to the Fund specified in Schedule VII or the Unspent Corporate Social Responsibility Account, as the case may be, or one crore rupees, whichever is less, and every officer of the company who is in default shall be liable to a penalty of one-tenth of the amount required to be transferred by the company to such Fund specified in Schedule VII, or the Unspent Corporate Social Responsibility Account, as the case may be, or two lakh rupees, whichever is less.***]**

*(8) The Central Government may give such general or special directions to a company or class of companies as it considers necessary to ensure compliance of provisions of this section and such company or class of companies shall comply with such directions.***]**

[*(9) Where the amount to be spent by a company under sub-section (5) does not exceed fifty lakh rupees, the requirement under sub-section (1) for constitution of the Corporate Social Responsibility Committee shall not be applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company.***]**

[*Explanation.*—For the purposes of this section "net profit" shall not include such sums as may be prescribed, and shall be calculated in accordance with the provisions of section 198.]

---

54. Enforced with effect from 1-4-2014.

In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, section 135 shall not apply for a period of five years from the commencement of business of a Specified IFSC public company.—*Notification No. GSR 8(E), dated 4-1-2017*.

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, section 135 shall not apply for a period of five years from the commencement of business of a Specified IFSC private company.—*Notification No. GSR 9(E), dated 4-1-2017*.

55. *See* Companies (Corporate Social Responsibility Policy) Rules, 2014 (**Division Two**). *See* also Circular No. 21/2014, dated 18-6-2014, Circular No. 36/2014, dated 17-9-2014 [Clarifications on Schedule VII], Circular No. 1/2016, dated 12-1-2016 and No. 5/2016, dated 16-5-2016 [FAQs on CSR] **(Division Three)**.
56. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Table F of Schedule I.
57. Substituted for "any financial year" by the Companies (Amendment) Act, 2017, w.e.f. 19-9-2018.
58. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 19-9-2018.
59. Substituted for "as specified in Schedule VII" by the Companies (Amendment) Act, 2017, w.e.f. 19-9-2018.
60. *See* rule 9 of the Companies (Accounts) Rules, 2014 (**Division Two**).
61. Inserted by the Companies (Amendment) Act, 2019, with effect from a date yet to be notified.
62. For clarification on sub-section (5), *see* Circular No. 6/2018, dated 28-5-2018 (**Division Three**).

62a. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

62b. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (7) read as under :

"(7) If a company contravenes the provisions of sub-section (5) or sub-section (6), the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of such company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both."

62c. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

63. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 19-9-2018. Prior to its substitution, the said *Explanation* read as under :

'*Explanation.*—For the purposes of this section "average net profit" shall be calculated in accordance with the provisions of section 198.'

Right of member to copies of audited financial statement.

136.(1) **[***]** A copy of the financial statements, including consolidated financial statements, if any, auditor's report and every other document required by law to be annexed or attached to the financial statements, which are to be laid before a company in its general meeting, shall be sent to every member of the company, to every trustee for the debenture-holder of any debentures issued by the company, and to all persons other than such member or trustee, being the person so entitled, not less than twenty-one days before the date of the meeting:

[Provided *that if the copies of the documents are sent less than twenty-one days before the date of the meeting, they shall, notwithstanding that fact, be deemed to have been duly sent if it is so agreed by members—*

(a) *holding, if the company has a share capital, majority in number entitled to vote and who represent not less than ninety-five per cent of such part of the paid-up share capital of the company as gives a right to vote at the meeting; or*

(b) *having, if the company has no share capital, not less than ninety-five per cent of the total voting power exercisable at the meeting:*

Provided further *that***]** in the case of a listed company, the provisions of this sub-section shall be deemed to be complied with, if the copies of the documents are made available for inspection at its registered office during working hours for a period of twenty-one days before the date of the meeting and a statement containing the salient features of such documents in the prescribed form or copies of the documents, as the company may deem fit, is sent to every member of the company and to every trustee for the holders of any debentures issued by the company not less than twenty-one days before the date of the meeting unless the shareholders ask for full financial statements:

[Provided also] that the Central Government may prescribe the manner of circulation of financial statements of companies having such net worth and turnover as may be prescribed:

Provided also that a listed company shall also place its financial statements including consolidated financial statements, if any, and all other documents required to be attached thereto, on its website, which is maintained by or on behalf of the company:

[Provided also *that every listed company having a subsidiary or subsidiaries shall place separate audited accounts in respect of each of subsidiary on its website, if any:*

Provided also *that a listed company which has a subsidiary incorporated outside India (herein referred to as "foreign subsidiary")—*

(a) *where such foreign subsidiary is statutorily required to prepare consolidated financial statement under any law of the country of its incorporation, the requirement of this proviso shall be met if consolidated financial statement of such foreign subsidiary is placed on the website of the listed company;*

(b) *where such foreign subsidiary is not required to get its financial statement audited under any law of the country of its incorporation and which does not get such financial statement audited, the holding Indian listed company may place such unaudited financial statement on its website and where such financial statement is in a language other than English, a translated copy of the financial statement in English shall also be placed on the website.***]**

(2) A company shall allow every member or trustee of the holder of any debentures issued by the company to inspect the documents stated under sub-section (1) at its registered office during business hours:

[Provided *that every company having a subsidiary or subsidiaries shall provide a copy of separate audited or unaudited financial statements, as the case may be, as prepared in respect of each of its subsidiary to any member of the company who asks for it.***]**

(3) If any default is made in complying with the provisions of this section, the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees.

Copy of financial statement to be filed with Registrar.

137. (1) A copy of the financial statements**,** including consolidated financial statement, if any, along with all the documents which are required to be or attached to such financial statements under this Act, duly adopted at the annual general meeting of the company, shall be filed with the Registrar within thirty days of the date of annual general meeting in such manner, with such fees or additional fees as may be prescribed[***]:

Provided that where the financial statements under sub-section (1) are not adopted at annual general meeting or adjourned annual general meeting, such unadopted financial statements along with the required documents under sub-section (1) shall be filed with the Registrar within thirty days of the date of annual general meeting and the Registrar shall take them in his records as provisional till the financial statements are filed with him after their adoption in the adjourned annual general meeting for that purpose:

Provided further that financial statements adopted in the adjourned annual general meeting shall be filed with the Registrar within thirty days of the date of such adjourned annual general meeting with such fees or such additional fees as may be prescribed[***]:

Provided also that a One Person Company shall file a copy of the financial statements duly adopted by its member, along with all the documents which are required to be attached to such financial statements, within one hundred eighty days from the closure of the financial year:

Provided also that a company shall, along with its financial statements to be filed with the Registrar, attach the accounts of its subsidiary or subsidiaries which have been incorporated outside India and which have not established their place of business in India:

[**Provided also** that in the case of a subsidiary which has been incorporated outside India (herein referred to as "foreign subsidiary"), which is not required to get its financial statement audited under any law of the country of its incorporation and which does not get such financial statement audited, the requirements of the fourth proviso shall be met if the holding Indian company files such unaudited financial statement along with a declaration to this effect and where such financial statement is in a language other than English, along with a translated copy of the financial statement in English.]

(2) Where the annual general meeting of a company for any year has not been held, the financial statements along with the documents required to be attached under sub-section (1), duly signed along with the statement of facts and reasons for not holding the annual general meeting shall be filed with the Registrar within thirty days of the last date before which the annual general meeting should have been held and in such manner, with such fees or additional fees as may be prescribed [***].

(3) If a company fails to file the copy of the financial statements under sub-section (1) or sub-section (2), as the case may be, before the expiry of the period specified [therein], the company shall be [liable to a penalty] of **[***ten thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of two lakh rupees***]**, and the managing director and the Chief Financial Officer of the company, if any, and, in the absence of the managing director and the Chief Financial Officer, any other director who is charged by the Board with the responsibility of complying with the provisions of this section, and, in the absence of any such director, all the directors of the company, shall be [liable to a penalty of **[***ten thousand rupees***]** and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of **[***fifty thousand rupees***]**].

---

76. Corresponds to section 220 of the 1956 Act.
77. Enforced with effect from 1-4-2014.
78. *See* rule 12, Form Nos. AOC-4 and AOC-4 CFS In case of NBFC, AOC-4 (NBFC) (Ind AS) and AOC-4 CFS NBFC (Ind AS) of the Companies (Accounts) Rules, 2014 and e-Form No. AOC-4 XBRL of Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Rules, 2015 (**Division Two**).
79. *See* also rule 12 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 (**Division Two**).
80. Words "within the time specified under section 403" omitted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.
81. *See* also rule 12 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 (**Division Two**).
82. Words "within the time specified under section 403" omitted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.

***Word "statement" be read as "statements".**

83. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.
84. *See* also rule 12 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 (**Division Two**).
85. Words "within the time specified, under section 403" omitted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.
86. Substituted for "in section 403" by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.
87. Substituted for "punishable with fine" by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018.
87a. Substituted for "one thousand rupees for every day during which the failure continues but which shall not be more than ten lakh rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
88. Substituted for "punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both" by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018.
88a. Substituted for "one lakh rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
88b. Substituted for "five lakh rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Internal audit.

138. (1) Such class or classes of companies as may be prescribed shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

(2) The Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER X

AUDIT AND AUDITORS

Appointment of auditors.

139. (1) Subject to the provisions of this Chapter, every company shall, at the first annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of its sixth annual general meeting and thereafter till the conclusion of every sixth meeting and the manner and procedure of selection of auditors by the members of the company at such meeting shall be such as may be prescribed:

[***]

Provided further that before such appointment is made, the written consent of the auditor to such appointment, and a certificate from him or it that the appointment, if made, shall be in accordance with the conditions as may be prescribed, shall be obtained from the auditor:

Provided also that the certificate shall also indicate whether the auditor satisfies the criteria provided in section 141:

Provided also that the company shall inform the auditor concerned of his or its appointment, and also file a notice of such appointment with the Registrar within fifteen days of the meeting in which the auditor is appointed.

Explanation.—For the purposes of this Chapter, "appointment" includes re-appointment.

(2) No listed company or a company belonging to such class or classes of companies as may be prescribed, shall appoint or re-appoint—

(*a*) an individual as auditor for more than one term of five consecutive years; and

(*b*) an audit firm as auditor for more than two terms of five consecutive years:

Provided that—

(*i*) an individual auditor who has completed his term under clause (*a*) shall not be eligible for re-appointment as auditor in the same company for five years from the completion of his term;

(*ii*) an audit firm which has completed its term under clause (*b*), shall not be eligible for re-appointment as auditor in the same company for five years from the completion of such term:

Provided further that as on the date of appointment no audit firm having a common partner or partners to the other audit firm, whose tenure has expired in a company immediately preceding the financial year, shall be appointed as auditor of the same company for a period of five years:

[**Provided also** that every company, existing on or before the commencement of this Act which is required to comply with the provisions of this sub-section, shall comply with requirements of this sub-section within a period which shall not be later than the date of the first annual general meeting of the company held, within the period specified under sub-section (1) of section 96, after three years from the date of commencement of this Act :]

Provided also that, nothing contained in this sub-section shall prejudice the right of the company to remove an auditor or the right of the auditor to resign from such office of the company.

(3) Subject to the provisions of this Act, members of a company may resolve to provide that—

(*a*) in the audit firm appointed by it, the auditing partner and his team shall be rotated at such intervals as may be resolved by members; or

(*b*) the audit shall be conducted by more than one auditor.

(4) The Central Government may, by rules, prescribe the manner in which the companies shall rotate their auditors in pursuance of sub-section (2).

Explanation.—For the purposes of this Chapter, the word "firm" shall include a limited liability partnership incorporated under the Limited Liability Partnership Act, 2008 (6 of 2009).

(5) Notwithstanding anything contained in sub-section (1), in the case of a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, the Comptroller and Auditor-General of India shall, in respect of a financial year, appoint an auditor duly qualified to be appointed as an auditor of companies under this Act, within a period of one hundred and eighty days from the commencement of the financial year, who shall hold office till the conclusion of the annual general meeting.

(6) Notwithstanding anything contained in sub-section (1), the first auditor of a company, other than a Government company, shall be appointed by the Board of Directors within thirty days from the date of registration of the company and in the case of failure of the Board to appoint such auditor, it shall inform the members of the company, who shall within ninety days at an extraordinary general meeting appoint such auditor and such auditor shall hold office till the conclusion of the first annual general meeting.

(7) Notwithstanding anything contained in sub-section (1) or sub-section (5), in the case of a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government, or Governments, or partly by the Central Government and partly by one or more State Governments, the first auditor shall be appointed by the Comptroller and Auditor-General of India within sixty days from the date of registration of the company and in case the Comptroller and Auditor-General of India does not appoint such auditor within the said period, the Board of Directors of the company shall appoint such auditor within the next thirty days; and in the case of failure of the Board to appoint such auditor within the next thirty days, it shall inform the members of the company who shall appoint such auditor within the sixty days at an extraordinary general meeting, who shall hold office till the conclusion of the first annual general meeting.

(8) Any casual vacancy in the office of an auditor shall—

(*i*) in the case of a company other than a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor-General of India, be filled by the Board of Directors within thirty days, but if such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within three months of the recommendation of the Board and he shall hold the office till the conclusion of the next annual general meeting;

(*ii*) in the case of a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor-General of India, be filled by the Comptroller and Auditor-General of India within thirty days:

Provided that in case the Comptroller and Auditor-General of India does not fill the vacancy within the said period, the Board of Directors shall fill the vacancy within next thirty days.

(9) Subject to the provisions of sub-section (1) and the rules made thereunder, a retiring auditor may be re-appointed at an annual general meeting, if—

(*a*) he is not disqualified for re-appointment;

(*b*) he has not given the company a notice in writing of his unwillingness to be re-appointed; and

(*c*) a special resolution has not been passed at that meeting appointing some other auditor or providing expressly that he shall not be re-appointed.

(10) Where at any annual general meeting, no auditor is appointed or re-appointed, the existing auditor shall continue to be the auditor of the company.

(11) Where a company is required to constitute an Audit Committee under section 177, all appointments, including the filling of a casual vacancy of an auditor under this section shall be made after taking into account the recommendations of such committee.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Removal, resignation of auditor and giving of special notice.

140. (1) The auditor appointed under section 139 may be removed from his office before the expiry of his term only by a special resolution of the company, after obtaining the previous approval of the Central Government in that behalf in the prescribed manner:

Provided that before taking any action under this sub-section, the auditor concerned shall be given a reasonable opportunity of being heard.

(2) The auditor who has resigned from the company shall file within a period of thirty days from the date of resignation, a statement in the prescribed form with the company and the Registrar, and in case of companies referred to in sub-section (5) of section 139, the auditor shall also file such statement with the Comptroller and Auditor-General of India, indicating the reasons and other facts as may be relevant with regard to his resignation.

[(3) If the auditor does not comply with the provisions of sub-section (2), he or it shall be liable to a penalty of fifty thousand rupees or an amount equal to the remuneration of the auditor, whichever is less, and in case of continuing failure, with a further penalty of five hundred rupees for each day after the first during which such failure continues, subject to a maximum of **[***two lakh rupees***]**.]

(4) (*i*) Special notice shall be required for a resolution at an annual general meeting appointing as auditor a person other than a retiring auditor, or providing expressly that a retiring auditor shall not be re-appointed, except where the retiring auditor has completed a consecutive tenure of five years or, as the case may be, ten years, as provided under sub-section (2) of section 139.

(*ii*) On receipt of notice of such a resolution, the company shall forthwith send a copy thereof to the retiring auditor.

(*iii*) Where notice is given of such a resolution and the retiring auditor makes with respect thereto representation in writing to the company (not exceeding a reasonable length) and requests its notification to members of the company, the company shall, unless the representation is received by it too late for it to do so,—

(*a*) in any notice of the resolution given to members of the company, state the fact of the representation having been made; and

(*b*) send a copy of the representation to every member of the company to whom notice of the meeting is sent, whether before or after the receipt of the representation by the company,

and if a copy of the representation is not sent as aforesaid because it was received too late or because of the company's default, the auditor may (without prejudice to his right to be heard orally) require that the representation shall be read out at the meeting:

Provided that if a copy of representation is not sent as aforesaid, a copy thereof shall be filed with the Registrar:

Provided further that if the Tribunal is satisfied on an application either of the company or of any other aggrieved person that the rights conferred by this sub-section are being abused by the auditor, then, the copy of the representation may not be sent and the representation need not be read out at the meeting.

(5) Without prejudice to any action under the provisions of this Act or any other law for the time being in force, the Tribunal either *suo motu* or on an application made to it by the Central Government or by any person concerned, if it is satisfied that the auditor of a company has, whether directly or indirectly, acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to, the company or its directors or officers, it may, by order, direct the company to change its auditors:

Provided that if the application is made by the Central Government and the Tribunal is satisfied that any change of the auditor is required, it shall within fifteen days of receipt of such application, make an order that he shall not function as an auditor and the Central Government may appoint another auditor in his place:

Provided further that an auditor, whether individual or firm, against whom final order has been passed by the Tribunal under this section shall not be eligible to be appointed as an auditor of any company for a period of five years from the date of passing of the order and the auditor shall also be liable for action under section 447.

Explanation I.—It is hereby clarified that the case of a firm, the liability shall be of the firm and that of every partner or partners who acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to, the company or its directors or officers.

Explanation II.—For the purposes of this Chapter the word "auditor" includes a firm of auditors.

---

6. Corresponds to section 225 of the 1956 Act.
7. Except second proviso to sub-section (4) and sub-section (5), section 140 enforced with effect from 1-4-2014. Second proviso to sub-sections (4) and (5) enforced with effect from 1-6-2016.

   In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (1) of section 140 after the proviso, the following proviso shall be inserted, namely:—

   "**Provided further** that in case of a Specified IFSC public company, where, within a period of sixty days from the date of submission of the application to the Central Government under this sub-section, no decision is communicated by the Central Government to the company, it would be deemed that the Central Government has approved the application and the company shall appoint new auditor at a general meeting convened within three months from the date of expiry of sixty days period."—*Notification No. GSR 8(E), dated 4-1-2017.*

In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (1) of section 140, after the proviso, the following proviso shall be inserted, namely:—

"**Provided further** that in case of a Specified IFSC private company, where, within a period of sixty days from the date of submission of the application to the Central Government under this sub-section, no decision is communicated by the Central Government to the company, it would be deemed that the Central Government has approved the application and the company shall appoint new auditor at a general meeting convened within three months from the date of expiry of sixty days period."—*Notification No. GSR 9(E), dated 4-1-2017*.

8. Powers are delegated to Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Shillong.
9. *See* rule 7 and Form No. ADT 2 of the Companies (Audit & Auditors) Rules, 2014 (**Division Two**).
10. *See* rule 8 and Form No. ADT 3 of the Companies (Audit & Auditors) Rules, 2014 (**Division Two**).
11. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018. Prior to its substitution, sub-section (3), as amended by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018, read as under :

"(3) If the auditor does not comply with sub-section (2), he or it shall be punishable with fine which shall not be less than fifty thousand rupees or the remuneration of the auditor, whichever is less, but which may extend to five lakh rupees."

11a. Substituted for "five lakh rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
12. For meaning of the term "auditor", *see* **Appendix II**.
13. Enforced with effect from 1-6-2016.
14. *See* rule 78 and Form No. NCLT-1 and Annexure B of the NCLT Rules, 2016 (**Division Two**). Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 1,000 (Application for not sending the copy of representation of auditor to the members).
15. Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 2,000 (Application by any other person concerned for change of auditors).
16. *See* rule 88 and Form No. NCLT-9 of the NCLT Rules, 2016 (**Division Two**).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Eligibility, qualifications and disqualifications of auditors.

141. (1) A person shall be eligible for appointment as an auditor of a company only if he is a chartered accountant:

Provided that a firm whereof majority of partners practising in India are qualified for appointment as aforesaid may be appointed by its firm name to be auditor of a company.

(2) Where a firm including a limited liability partnership is appointed as an auditor of a company, only the partners who are chartered accountants shall be authorised to act and sign on behalf of the firm.

(3) The following persons shall not be eligible for appointment as an auditor of a company, namely:—

(*a*) a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008 (6 of 2009);

(*b*) an officer or employee of the company;

(*c*) a person who is a partner, or who is in the employment, of an officer or employee of the company;

(*d*) a person who, or his relative or partner—

(*i*) is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company:
Provided that the relative may hold security or interest in the company of face value not exceeding one thousand rupees or such sum as may be prescribed;

(*ii*) is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or

(*iii*) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;

(*e*) a person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;

(*f*) a person whose relative is a director or is in the employment of the company as a director or key managerial personnel;

(*g*) a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;

(*h*) a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;

[(*i*) *a person who, directly or indirectly, renders any service referred to in section 144 to the company or its holding company or its subsidiary company.*

Explanation.—*For the purposes of this clause, the term "directly or indirectly" shall have the meaning assigned to it in the* Explanation *to section 144.***]**

(4) Where a person appointed as an auditor of a company incurs any of the disqualifications mentioned in sub-section (3) after his appointment, he shall vacate his office as such auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor.

Remuneration of auditors.

142. (1) The remuneration of the auditor of a company shall be fixed in its general meeting or in such manner as may be determined therein :

Provided that the Board may fix remuneration of the first auditor appointed by it.

(2) The remuneration under sub-section (1) shall, in addition to the fee payable to an auditor, include the expenses, if any, incurred by the auditor in connection with the audit of the company and any facility extended to him but does not include any remuneration paid to him for any other service rendered by him at the request of the company.

Powers and duties of auditors and auditing standards.

143. (1) Every auditor of a company shall have a right of access at all times to the books of account and vouchers of the company, whether kept at the registered office of the company or at any other place and shall be entitled to require from the officers of the company such information and explanation as he may consider necessary for the performance of his duties as auditor and amongst other matters inquire into the following matters, namely:—

(*a*) whether loans and advances made by the company on the basis of security have been properly secured and whether the terms on which they have been made are prejudicial to the interests of the company or its members;

(*b*) whether transactions of the company which are represented merely by book entries are prejudicial to the interests of the company;

(*c*) where the company not being an investment company or a banking company, whether so much of the assets of the company as consist of shares, debentures and other securities have been sold at a price less than that at which they were purchased by the company;

(*d*) whether loans and advances made by the company have been shown as deposits;

(*e*) whether personal expenses have been charged to revenue account;

(*f*) where it is stated in the books and documents of the company that any shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the balance sheet is correct, regular and not misleading:

Provided that the auditor of a company which is a holding company shall also have the right of access to the records of all [its subsidiaries and associate companies] insofar as it relates to the consolidation of its financial statements with that of [its subsidiaries and associate companies].

(2) The auditor shall make a report to the members of the company on the accounts examined by him and on every financial statements which are required by or under this Act to be laid before the company in general meeting and the report shall after taking into account the provisions of this Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of this Act or any rules made thereunder or under any order made under sub-section (11) and to the best of his information and knowledge, the said accounts, financial statements give a true and fair view of the state of the company's affairs as at the end of its financial year and profit or loss and cash flow for the year and such other matters as may be prescribed.

(3) The auditor's report shall also state—

(*a*) whether he has sought and obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of his audit and if not, the details thereof and the effect of such information on the financial statements;

(*b*) whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books and proper returns adequate for the purposes of his audit have been received from branches not visited by him;

(*c*) whether the report on the accounts of any branch office of the company audited under sub-section (8) by a person other than the company's auditor has been sent to him under the proviso to that sub-section and the manner in which he has dealt with it in preparing his report;

(*d*) whether the company's balance sheet and profit and loss account dealt with in the report are in agreement with the books of account and returns;

(*e*) whether, in his opinion, the financial statements comply with the accounting standards;

(*f*) the observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the company;

(*g*) whether any director is disqualified from being appointed as a director under sub-section (2) of section 164;

(*h*) any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith;

(*i*) whether the company has adequate [internal financial controls with reference to financial statements] in place and the operating effectiveness of such controls;

(*j*) such other matters as may be prescribed.

(4) Where any of the matters required to be included in the audit report under this section is answered in the negative or with a qualification, the report shall state the reasons therefor.

(5) [In the case of a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, the Comptroller and Auditor-General of India shall appoint the auditor under sub-section (5) or sub-section (7) of section 139 and direct such auditor the manner in which the accounts of the company are required to be audited and] thereupon the auditor so appointed shall submit a copy of the audit report to the Comptroller and Auditor-General of India which, among other things, include the directions, if any, issued by the Comptroller and Auditor-General of India, the action taken thereon and its impact on the accounts and financial statement of the company.

(6) The Comptroller and Auditor-General of India shall within sixty days from the date of receipt of the audit report under sub-section (5) have a right to,—

(*a*) conduct a supplementary audit of the financial statement of the company by such person or persons as he may authorise in this behalf; and for the purposes of such audit, require information or additional information to be furnished to any person or persons, so authorised, on such matters, by such person or persons, and in such form, as the Comptroller and Auditor-General of India may direct; and

(*b*) comment upon or supplement such audit report:

Provided that any comments given by the Comptroller and Auditor-General of India upon, or supplement to, the audit report shall be sent by the company to every person entitled to copies of audited financial statements under sub-section (1) of section 136 and also be placed before the annual general meeting of the company at the same time and in the same manner as the audit report.

(7) Without prejudice to the provisions of this Chapter, the Comptroller and Auditor-General of India may, in case of any company covered under sub-section (5) or sub-section (7) of section 139, if he considers necessary, by an order, cause test audit to be conducted of the accounts of such company and the provisions of section 19A of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971 (56 of 1971), shall apply to the report of such test audit.

(8) Where a company has a branch office, the accounts of that office shall be audited either by the auditor appointed for the company (herein referred to as the company's auditor) under this Act or by any other person qualified for appointment as an auditor of the company under this Act and appointed as such under section 139, or where the branch office is situated in a country outside India, the accounts of the branch office shall be audited either by the company's auditor

or by an accountant or by any other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of that country and the duties and powers of the company's auditor with reference to the audit of the branch and the branch auditor, if any, shall be such as may be prescribed:

Provided that the branch auditor shall prepare a report on the accounts of the branch examined by him and send it to the auditor of the company who shall deal with it in his report in such manner as he considers necessary.

(9) Every auditor shall comply with the auditing standards.

(10) The Central Government may prescribe the standards of auditing or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949), in consultation with and after examination of the recommendations made by the National Financial Reporting Authority:

Provided that until any auditing standards are notified, any standard or standards of auditing specified by the Institute of Chartered Accountants of India shall be deemed to be the auditing standards.

(11) The Central Government may, in consultation with the National Financial Reporting Authority, by general or special order, direct, in respect of such class or description of companies, as may be specified in the order, that the auditor's report shall also include a statement on such matters as may be specified therein:

[**Provided** that until the National Financial Reporting Authority is constituted under section 132, the Central Government may hold consultation required under this sub-section with the Committee chaired by an officer of the rank of Joint Secretary or equivalent in the Ministry of Corporate Affairs and the Committee shall have the representatives from the Institute of Chartered Accountants of India and Industry Chambers and also special invitees from the National Advisory Committee on Accounting Standards and the office of the Comptroller and Auditor-General.]

[(12) Notwithstanding anything contained in this section, if an auditor of a company in the course of the performance of his duties as auditor, has reason to believe that an offence of fraud involving such amount or amounts as may be prescribed, is being or has been committed in the company by its officers or employees, the auditor shall report the matter to the Central Government within such time and in such manner as may be prescribed :

Provided that in case of a fraud involving lesser than the specified amount, the auditor shall report the matter to the audit committee constituted under section 177 or to the Board in other cases within such time and in such manner as may be prescribed:

Provided further that the companies, whose auditors have reported frauds under this sub-section to the audit committee or the Board but not reported to the Central Government, shall disclose the details about such frauds in the Board's report in such manner as may be prescribed.]

(13) No duty to which an auditor of a company may be subject to shall be regarded as having been contravened by reason of his reporting the matter referred to in sub-section (12) if it is done in good faith.

(14) The provisions of this section shall *mutatis mutandis* apply to—

(*a*) the [cost accountant] conducting cost audit under section 148; or

(*b*) the company secretary in practice conducting secretarial audit under section 204.

[*(15) If any auditor, cost accountant, or company secretary in practice does not comply with the provisions of sub-section (12), he shall,—*

(a) *in case of a listed company, be liable to a penalty of five lakh rupees; and*

(b) *in case of any other company, be liable to a penalty of one lakh rupees.***]**

---

27. Corresponds to sections 227, 228 and 619 of the 1956 Act.
28. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. *See* also Circular No. 8/2017, dated 25-7-2017 [Applicability of exemption given to certain private companies under section 143(3)(*i*)].
29. Enforced with effect from 1-4-2014.
30. Substituted for "its subsidiaries" by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.
31. Substituted for "internal financial controls system" by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.
32. *See* rule 10A of Companies (Audit & Auditors) Rules, 2014 (**Division Two**).

    In case of private companies, section 143(3)(*i*) shall not apply to a private company:—

    (*i*) which is a one person company or a small company; or
    (*ii*) which has turnover less than rupees fifty crores as per latest audited financial statement and which has aggregate borrowings from banks or financial institutions or any body corporate at any point of time during the financial year less than rupees twenty five crore.—*Notification No. GSR 464(E), dated 5-6-2015, as amended by, Notification No. GSR No. 583(E), dated 13-6-2017.*
33. *See* rule 11 of the Companies (Audit & Auditors) Rules, 2014 (**Division Two**).
34. Substituted for "In the case of a Government company, the Comptroller and Auditor-General of India shall appoint the auditor under sub-section (5) or sub-section (7) of section 139 and direct such auditor the manner in which the accounts of the Government company are required to be audited and" by the Companies (Removal of Difficulties) Seventh Order, 2014, w.e.f. 4-9-2014.
35. For text of section 19A of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971, *see* **Appendix I**.
36. *See* rule 12 of the Companies (Audit & Auditors) Rules, 2014 (**Division Two**).

37. For meaning of the term "accounts", *see* **Appendix II**.
38. For text of section 3 of the Chartered Accountants Act, 1949, *see* **Appendix I**.
39. *See* Companies (Auditor's Report) Order, 2020 (**Division Two**).
40. Inserted by the Companies (Removal of Difficulties) Order, 2016, w.r.e.f. 10-4-2015.
41. Substituted by the Companies (Amendment) Act, 2015, w.e.f. 14-12-2015. Prior to its substitution, sub-section (12) read as under :

"(12) Notwithstanding anything contained in this section, if an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government within such time and in such manner as may be prescribed."

42. Rs. 1 crore or above, *see* rule 13 of Companies (Audit & Auditors) Rules, 2013.
43. Rule 13 of Companies (Audit & Auditors) Rules, 2013.
44. *See* rule 13 and ADT 4 of Companies (Audit & Auditors) Rules, 2013.
45. Substituted for "cost accountant in practice" by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.
45a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (15) read as under :

"(15) If any auditor, cost accountant or company secretary in practice do not comply with the provisions of sub-section (12), he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees."

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Auditor not to render certain services.

144 . An auditor appointed under this Act shall provide to the company only such other services as are approved by the Board of Directors or the audit committee, as the case may be, but which shall not include any of the following services (whether such services are rendered directly or indirectly to the company or its holding company or subsidiary company), namely:—

(*a*) accounting and book keeping services;
(*b*) internal audit;
(*c*) design and implementation of any financial information system;
(*d*) actuarial services;
(*e*) investment advisory services;
(*f*) investment banking services;
(*g*) rendering of outsourced financial services;
(*h*) management services; and
(*i*) any other kind of services as may be prescribed :

Provided that an auditor or audit firm who or which has been performing any non-audit services on or before the commencement of this Act shall comply with the provisions of this section before the closure of the first financial year after the date of such commencement.

Explanation.—For the purposes of this sub-section, the term "directly or indirectly" shall include rendering of services by the auditor,—

(*i*) in case of auditor being an individual, either himself or through his relative or any other person connected or associated with such individual or through any other entity, whatsoever, in which such individual has significant influence or control, or whose name or trade mark or brand is used by such individual;
(*ii*) in case of auditor being a firm, either itself or through any of its partners or through its parent, subsidiary or associate entity or through any other entity, whatsoever, in which the firm or any partner of the firm has significant influence or control, or whose name or trade mark or brand is used by the firm or any of its partners.

Auditor to sign audit reports, etc.

145. The person appointed as an auditor of the company shall sign the auditor's report or sign or certify any other document of the company in accordance with the provisions of sub-section (2) of , and the qualifications, observations or comments on financial transactions or matters, which have any adverse effect on the functioning of the company mentioned in the auditor's report shall be read before the company in general meeting and shall be open to inspection by any member of the company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Auditors to attend general meeting.

146. All notices of, and other communications relating to, any general meeting shall be forwarded to the auditor of the company, and the auditor shall, unless otherwise exempted by the company, attend either by himself or through his authorised representative, who shall also be qualified to be an auditor, any general meeting and shall have right to be heard at such meeting on any part of the business which concerns him as the auditor.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Punishment for contravention.

147. (1) If any of the provisions of sections 139 to 146 (both inclusive) is contravened, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable **[*******]** with fine which shall not be less than ten thousand rupees but which may extend to **[***one lakh rupees***]**.

(2) If an auditor of a company contravenes any of the provisions of section 139 **[*******]**, section 144 or section 145, the auditor shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees [or four times the remuneration of the auditor, whichever is less]:

Provided that if an auditor has contravened such provisions knowingly or wilfully with the intention to deceive the company or its shareholders or creditors or tax authorities, he shall be punishable with imprisonment for a term which may extend to one year [and with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees or eight times the remuneration of the auditor, whichever is less].

(3) Where an auditor has been convicted under sub-section (2), he shall be liable to—

(*i*) refund the remuneration received by him to the company; and

(*ii*) pay for damages to the company, statutory bodies or authorities [or to members or creditors of the company] for loss arising out of incorrect or misleading statements of particulars made in his audit report.

(4) The Central Government shall, by notification, specify any statutory body or authority or an officer for ensuring prompt payment of damages to the company or the persons under clause (*ii*) of sub-section (3) and such body, authority or officer shall after payment of damages to such company or persons file a report with the Central Government in respect of making such damages in such manner as may be specified in the said notification.

(5) Where, in case of audit of a company being conducted by an audit firm, it is proved that the partner or partners of the audit firm has or have acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to or by, the company or its directors or officers, the liability, whether civil or criminal as provided in this Act or in any other law for the time being in force, for such act shall be of the partner or partners concerned of the audit firm and of the firm jointly and severally:

[**Provided** that in case of criminal liability of an audit firm, in respect of liability other than fine, the concerned partner or partners, who acted in a fraudulent manner or abetted or, as the case may be, colluded in any fraud shall only be liable.]

---

51. Corresponds to sections 232 and 233 of the 1956 Act.
52. Enforced with effect from 1-4-2014.
52a. Words "with imprisonment for a term which may extend to one year or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
52b. Substituted for "one lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
52c. Word and figures "section 143" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
53. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.
54. Substituted for "and with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees" by the Companies (Amendment) Act, 2017, with effect from 9-2-2018.
55. Substituted for "or to any other persons" by the Companies (Amendment) Act, 2017, with effect from 9-2-2018.
56. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.

Central Government to specify audit of items of cost in respect of certain companies.

148. (1) Notwithstanding anything contained in this Chapter, the Central Government may, by order, in respect of such class of companies engaged in the production of such goods or providing such services as may be prescribed, direct that particulars relating to the utilisation of material or labour or to other items of cost as may be prescribed shall also be included in the books of account kept by that class of companies:

Provided that the Central Government shall, before issuing such order in respect of any class of companies regulated under a special Act, consult the regulatory body constituted or established under such special Act.

(2) If the Central Government is of the opinion, that it is necessary to do so, it may, by order, direct that the audit of cost records of class of companies, which are covered under sub-section (1) and which have a net worth of such amount as may be prescribed or a turnover of such amount as may be prescribed, shall be conducted in the manner specified in the order.

(3) The audit under sub-section (2) shall be conducted by a **[***cost accountant***]** who shall be appointed by the Board on such remuneration as may be determined by the members in such manner as may be prescribed:

Provided that no person appointed under section 139 as an auditor of the company shall be appointed for conducting the audit of cost records:

Provided further that the auditor conducting the cost audit shall comply with the cost auditing standards.

Explanation.—For the purposes of this sub-section, the expression "cost auditing standards" mean such standards as are issued by the **[***Institute of Cost Accountants of India***]**, constituted under the Cost and Works Accountants Act, 1959 (23 of 1959), with the approval of the Central Government.

(4) An audit conducted under this section shall be in addition to the audit conducted under section 143.

(5) The qualifications, disqualifications, rights, duties and obligations applicable to auditors under this Chapter shall, so far as may be applicable, apply to a cost auditor appointed under this section and it shall be the duty of the company to give all assistance and facilities to the cost auditor appointed under this section for auditing the cost records of the company:

Provided that the report on the audit of cost records shall be submitted by the **[***cost accountant***]** to the Board of Directors of the company.

(6) A company shall within thirty days from the date of receipt of a copy of the cost audit report prepared in pursuance of a direction under sub-section (2) furnish the Central Government with such report along with full information and explanation on every reservation or qualification contained therein.

(7) If, after considering the cost audit report referred to under this section and the information and explanation furnished by the company under sub-section (6), the Central Government is of the opinion that any further information or explanation is necessary, it may call for such further information and explanation and the company shall furnish the same within such time as may be specified by that Government.

(8) If any default is made in complying with the provisions of this section,—

(*a*) the company and every officer of the company who is in default shall be punishable in the manner as provided in sub-section (1) of section 147;

(*b*) the cost auditor of the company who is in default shall be punishable in the manner as provided in sub-sections (2) to (4) of section 147.

CHAPTER XI

APPOINTMENT AND QUALIFICATIONS OF DIRECTORS

Company to have Board of Directors.

149. (1) Every company shall have a Board of Directors consisting of individuals as directors and shall have—

(*a*) a minimum number of three directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company; and

(*b*) a maximum of fifteen directors:

Provided that a company may appoint more than fifteen directors after passing a special resolution:

Provided further that such class or classes of companies as may be prescribed, shall have at least one woman director.

(2) Every company existing on or before the date of commencement of this Act shall within one year from such commencement comply with the requirements of the provisions of sub-section (1).

[(3) Every company shall have at least one director who stays in India for a total period of not less than one hundred and eighty-two days during the financial year:

Provided that in case of a newly incorporated company the requirement under this sub-section shall apply proportionately at the end of the financial year in which it is incorporated.]

(4) Every listed public company shall have at least one-third of the total number of directors as independent directors and the Central Government may prescribe the minimum number of independent directors in case of any class or classes of public companies.

Explanation.—For the purposes of this sub-section, any fraction contained in such one-third number shall be rounded off as one.

(5) Every company existing on or before the date of commencement of this Act shall, within one year from such commencement or from the date of notification of the rules in this regard as may be applicable, comply with the requirements of the provisions of sub-section (4).

(6) An independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

(*a*) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

(*b*) (*i*) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(*ii*) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;

(*c*) who has or had no [pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent of his total income or such amount as may be prescribed,] with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

[(*d*) none of whose relatives—

(*i*) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:
Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

(*ii*) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;

(*iii*) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or

(*iv*) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (*i*), (*ii*) or (*iii*);]

(*e*) who, neither himself nor any of his relatives—

(*i*) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed :
[**Provided** that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years;]

(*ii*) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(*A*) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(*B*) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;

(*iii*) holds together with his relatives two per cent or more of the total voting power of the company; or

(*iv*) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company; or

(*f*) who possesses such other qualifications as may be prescribed.

(7) Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence as provided in sub-section (6).

Explanation.—For the purposes of this section, "nominee director" means a director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.

(8) The company and independent directors shall abide by the provisions specified in Schedule IV.

(9) Notwithstanding anything contained in any other provision of this Act, but subject to the provisions of sections 197 and 198, an independent director shall not be entitled to any stock option and may receive remuneration by way of fee provided under sub-section (5) of section 197, reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members:

[Provided *that if a company has no profits or its profits are inadequate, an independent director may receive remuneration, exclusive of any fees payable under sub-section (5) of section 197, in accordance with the provisions of Schedule V.***]**

(10) Subject to the provisions of section 152, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for re-appointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

(11) Notwithstanding anything contained in sub-section (10), no independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director:

Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.

Explanation.—For the purposes of sub-sections (10) and (11), any tenure of an independent director on the date of commencement of this Act shall not be counted as a term under those sub-sections.

(12) Notwithstanding anything contained in this Act,—

(*i*) an independent director;

(*ii*) a non-executive director not being promoter or key managerial personnel,

shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.

(13) The provisions of sub-sections (6) and (7) of section 152 in respect of retirement of directors by rotation shall not be applicable to appointment of independent directors.

---

65. Corresponds to sections 252 and 253 of the 1956 Act.
66. Enforced with effect from 1-4-2014.
67. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; Table F of Schedule I and SS-1 - Secretarial Standard on Meetings of Board of Directors (*see* **Division Three**).
68. In case of Section 8 Companies, section 149(1)(*b*) and first proviso to sub-section (1) shall not apply - *Notification No. GSR 466(E), dated 5-6-2015, as amended by, Notification No. GSR 584(E), dated 13-6-2017*.

    In case of Government Companies, section 149(1)(*b*) and first proviso to section 149(1) shall not apply - *Notification No. GSR 463(E), dated 5-6-2015.*
69. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, second proviso to sub-section (1) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.
70. *See* rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 (**Division Two**). *See* also clause 49 of the Listing Agreement.
71. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018. Prior to its substitution, sub-section (3) read as under :

    "(3) Every company shall have at least one director who has stayed in India for a total period of not less than one hundred and eighty-two days in the previous calendar year."

72. *See* Circular No. 25/2014, dated 26-6-2014 [Clarification on applicability of requirement for resident director]. For details, *see* **Division Three**.

    In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (3) of section 149, the following proviso shall be inserted, namely:—

    "**Provided** that this sub-section shall apply to a Specified IFSC public company in respect of financial years other than the first financial year from the date of its incorporation.".—*Notification No. GSR 8(E), dated 4-1-2017*.

    In case of a private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, in sub-section (3) of section 149, the following proviso shall be inserted, namely:—

    "**Provided** that this sub-section shall apply to the Specified IFSC private company in respect of financial years other than the first financial year from the date of its incorporation."—*Notification No. GSR 9(E), dated 4-1-2017*.

73. In case of Section 8 Companies, section 149(4) to (11), (12)(*i*) and (13) shall not apply - Notification No. GSR 466(E), dated 5-6-2015.

In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (4) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

74. *See* Circular No. 14/2014, dated 9-6-2014 [Clarification on Independent Director] **(Division Three)**.

75. *See* rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 (**Division Two**). *See* also Clause 49 of the Listing Agreement.

76. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (5) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

77. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (6) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

78. In case of Government Companies in section 149, in sub-section (6), in clause (*a*), for the word "Board", the words "Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the State Government" shall be substituted - *Notification No. GSR 463(E), dated 5-6-2015*.

79. In case of Government Companies, section 149(6)(*c*) shall not apply - *Notification No. GSR 463(E), dated 5-6-2015.*

80. Substituted for "pecuniary relationship" by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.

81. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018. Prior to its substitution, clause (*d*) read as under :

"(*d*) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;"

82. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.

83. *See* rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 (**Division Two**).

84. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (7) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

85. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZset-up under the SEZ Act, sub-section (8) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

86. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (9) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

86a. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

87. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (10) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

88. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (11) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

89. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, clause (*i*) of sub-section (12) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

89a. *See* also Circular No. 5/2020, dated 2-3-2020 [Clarification on prosecutions filed or internal adjudication proceedings initiated against Independent Directors, non-promoters and non-KMP non-executive Directors) [*See* **Division Three**].

90. Rule 2(1)(*k*) of the Companies (Specification of Definitions Details) Rules, 2014 provides that 'Executive Director' means a whole time director as defined in clause (*94*) of section 2 of the Act.

91. In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (13) of section 149 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

Manner of selection of independent directors and maintenance of databank of independent directors.

150. (1) Subject to the provisions contained in sub-section (6) of section 149, an independent director may be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by any body, institute or association, as may by notified by the Central Government, having expertise in creation and maintenance of such data bank and put on their website for the use by the company making the appointment of such directors:

Provided that responsibility of exercising due diligence before selecting a person from the data bank referred to above, as an independent director shall lie with the company making such appointment.

(2) The appointment of independent director shall be approved by the company in general meeting as provided in sub-section (2) of section 152 and the explanatory statement annexed to the notice of the general meeting called to consider the said appointment shall indicate the justification for choosing the appointee for appointment as independent director.

(3) The data bank referred to in sub-section (1), shall create and maintain data of persons willing to act as independent director in accordance with such rules as may be prescribed.

(4) The Central Government may prescribe the manner and procedure of selection of independent directors who fulfil the qualifications and requirements specified under section 149.

---

21. Enforced with effect from 1-4-2014. In case of Section 8 Companies, section 150 shall not apply - Notification No. GSR 466(E), dated 5-6-2015.
22. *See* rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 (**Division Two**).
*Should be read as '(6)'.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Appointment of director elected by small shareholders.

151. A listed company may have one director elected by such small shareholders in such manner and with such terms and conditions as may be prescribed.

Explanation.—For the purposes of this section "small shareholders" means a shareholder holding shares of nominal value of not more than twenty thousand rupees or such other sum as may be prescribed.

Appointment of directors.

152. (1) Where no provision is made in the articles of a company for the appointment of the first director, the subscribers to the memorandum who are individuals shall be deemed to be the first directors of the company until the directors are duly appointed and in case of a One Person Company an individual being member shall be deemed to be its first director until the director or directors are duly appointed by the member in accordance with the provisions of this section.

(2) Save as otherwise expressly provided in this Act, every director shall be appointed by the company in general meeting.

(3) No person shall be appointed as a director of a company unless he has been allotted the Director Identification Number under section 154 **[***or any other number as may be prescribed under section 153***]**.

(4) Every person proposed to be appointed as a director by the company in general meeting or otherwise, shall furnish his Director Identification Number **[***or such other number as may be prescribed under section 153***]** and a declaration that he is not disqualified to become a director under this Act.

(5) A person appointed as a director shall not act as a director unless he gives his consent to hold the office as director and such consent has been filed with the Registrar within thirty days of his appointment in such manner as may be prescribed:

Provided that in the case of appointment of an independent director in the general meeting, an explanatory statement for such appointment, annexed to the notice for the general meeting, shall include a statement that in the opinion of the Board, he fulfils the conditions specified in this Act for such an appointment.

(6) (*a*) Unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-thirds of the total number of directors of a public company shall—

(*i*) be persons whose period of office is liable to determination by retirement of directors by rotation; and

(*ii*) save as otherwise expressly provided in this Act, be appointed by the company in general meeting.

(*b*) The remaining directors in the case of any such company shall, in default of, and subject to any regulations in the articles of the company, also be appointed by the company in general meeting.

(*c*) At the first annual general meeting of a public company held next after the date of the general meeting at which the first directors are appointed in accordance with clauses (*a*) and (*b*) and at every subsequent annual general meeting, one-third of such of the directors for the time being as are liable to retire by rotation, or if their number is neither three nor a multiple of three, then, the number nearest to one-third, shall retire from office.

(*d*) The directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment, but as between persons who became directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lot.

(*e*) At the annual general meeting at which a director retires as aforesaid, the company may fill up the vacancy by appointing the retiring director or some other person thereto.

Explanation.—For the purposes of this sub-section, "total number of directors" shall not include independent directors, whether appointed under this Act or any other law for the time being in force, on the Board of a company.

(7) (*a*) If the vacancy of the retiring director is not so filled-up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a national holiday, till the next succeeding day which is not a holiday, at the same time and place.

(*b*) If at the adjourned meeting also, the vacancy of the retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring director shall be deemed to have been re-appointed at the adjourned meeting, unless—

(*i*) at that meeting or at the previous meeting a resolution for the re-appointment of such director has been put to the meeting and lost;

(*ii*) the retiring director has, by a notice in writing addressed to the company or its Board of directors, expressed his unwillingness to be so re-appointed;

(*iii*) he is not qualified or is disqualified for appointment;

(*iv*) a resolution, whether special or ordinary, is required for his appointment or re-appointment by virtue of any provisions of this Act; or

(*v*) section 162 is applicable to the case.

Explanation.—For the purposes of this section and section 160, the expression "retiring director" means a director retiring by rotation.

Application for allotment of Director Identification Number.

153. Every individual intending to be appointed as director of a company shall make an application for allotment of Director Identification Number to the Central Government in such form and manner and along with such fees as may be prescribed:

[Provided *that the Central Government may prescribe any identification number which shall be treated as Director Identification Number for the purposes of this Act and in case any individual holds or acquires such identification number, the requirement of this section shall not apply or apply in such manner as may be prescribed.***]**

---

32. Corresponds to section 266A of the 1956 Act.
33. Enforced with effect from 1-4-2014.
34. *See* rules 9, 11, 12 and Form Nos. DIR 3, 3KYC, 3A, 5 & 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 (**Division Two**).
35. *See* Rule 2(1)(*e*) of the Companies (Specification of Definitions Details) Rules, 2014. Rule 2(1)(*e*) read as under :

'(*e*) "Director Identification Number" (DIN) means an identification number allotted by the Central Government to any individual, intending to be appointed as director or to any existing director of a company, for the purpose of his identification as a director of a company :

Provided that the Director Identification Number (DIN) obtained by the individuals prior to the notification of these rules shall be the DIN for the purpose of the Companies Act, 2013 :

Provided further that "Director Identification Number" (DIN) includes the Designated Partnership Identification Number (DPIN) issued under section 7 of the Limited Liability Partnership Act, 2008 (6 of 2009) and the rules made thereunder'.

36. Powers are delegated to Regional Director, Joint Director, Deputy Director or Assistant Director posted in the office of Regional Director at Noida.

36a. Inserted by the Companies (Amendment) Act, 2017, with effect from **9-2-2018**.

Allotment of Director Identification Number.

154. The Central Government shall, within one month from the receipt of the application under , allot a Director Identification Number to an applicant in such manner as may be prescribed.

Prohibition to obtain more than one Director Identification Number.

155. No individual, who has already been allotted a Director Identification Number under , shall apply for, obtain or possess another Director Identification Number.

Director to intimate Director Identification Number.

156. Every existing director shall, within one month of the receipt of Director Identification Number from the Central Government, intimate his Director Identification Number to the company or all companies wherein he is a director.

Company to inform Director Identification Number to Registrar.

157. (1) Every company shall, within fifteen days of the receipt of intimation under section 156, furnish the Director Identification Number of all its directors to the Registrar or any other officer or authority as may be specified by the Central Government with such fees as may be prescribed or with such additional fees as may be prescribed**[*******]** and every such intimation shall be furnished in such form and manner as may be prescribed.

[*(2) If any company fails to furnish the Director Identification Number under sub-section (1), such company shall be liable to a penalty of twenty-five thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of one lakh rupees, and every officer of the company who is in default shall be liable to a penalty of not less than twenty-five thousand rupees and in case of continuing failure, with a further penalty of one hundred rupees for each day after the first during which such failure continues, subject to a maximum of one lakh rupees*.**]**

---

45. Corresponds to section 266E of the 1956 Act.
46. Enforced with effect from 1-4-2014.
47. *See* rule 12 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 (**Division Two**).
47a. Words "within the time specified under section 403" omitted by the Companies (Amendment) Act, 2017, with effect from **7-5-2018**.
47b. *See* rule 10A and Form Nos. DIR 3B and 3C of the Companies (Appointment and Qualification of Directors) Rules, 2014 (**Division Two**).
48. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, sub-section (2), as amended by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018, read as under :

"(2) If a company fails to furnish Director Identification Number under sub-section (1), the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees."

Obligation to indicate Director Identification Number.

158. Every person or company, while furnishing any return, information or particulars as are required to be furnished under this Act, shall mention the Director Identification Number in such return, information or particulars in case such return, information or particulars relate to the director or contain any reference of any director.

[Penalty for default of certain provisions.

159. *If any individual or director of a company makes any default in complying with any of the provisions of section 152, section 155 and section 156, such individual or director of the company shall be liable to a penalty which may extend to fifty thousand rupees and where the default is a continuing one, with a further penalty which may extend to five hundred rupees for each day after the first during which such default continues.***]**

---

51. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, section 159, was earlier enforced with effect from 1-4-2014, read as under :

"159. *Punishment for contravention.*—If any individual or director of a company, contravenes any of the provisions of section 152, section 155 and section 156, such individual or director of the company shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to fifty thousand rupees and where the contravention is a continuing one, with a further fine which may extend to five hundred rupees for every day after the first during which the contravention continues."

52. Corresponds to section 266G of the 1956 Act.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Right of persons other than retiring directors to stand for directorship.

160.(1) A person who is not a retiring director in terms of section 152 shall, subject to the provisions of this Act, be eligible for appointment to the office of a director at any general meeting, if he, or some member intending to propose him as a director, has, not less than fourteen days before the meeting, left at the registered office of the company, a notice in writing under his hand signifying his candidature as a director or, as the case may be, the intention of such member to propose him as a candidate for that office, along with the deposit of one lakh rupees or such higher amount as may be prescribed which shall be refunded to such person or, as the case may be, to the member, if the person proposed gets elected as a director or gets more than twenty-five per cent of total valid votes cast either on show of hands or on poll on such resolution:

[Provided *that requirements of deposit of amount shall not apply in case of appointment of an independent director or a director recommended by the Nomination and Remuneration Committee, if any, constituted under sub-section (1) of section 178 or a director recommended by the Board of Directors of the Company, in the case of a company not required to constitute Nomination and Remuneration Committee.***]**

(2) The company shall inform its members of the candidature of a person for the office of director under sub-section (1) in such manner as may be prescribed.

Appointment of additional director, alternate director and nominee director.

161. (1) The articles of a company may confer on its Board of Directors the power to appoint any person, other than a person who fails to get appointed as a director in a general meeting, as an additional director at any time who shall hold office up to the date of the next annual general meeting or the last date on which the annual general meeting should have been held, whichever is earlier.

(2) The Board of Directors of a company may, if so authorised by its articles or by a resolution passed by the company in general meeting, appoint a person, not being a person holding any alternate directorship for any other director in the company **[***or holding directorship in the same company***]**, to act as an alternate director for a director during his absence for a period of not less than three months from India:

Provided that no person shall be appointed as an alternate director for an independent director unless he is qualified to be appointed as an independent director under the provisions of this Act:

Provided further that an alternate director shall not hold office for a period longer than that permissible to the director in whose place he has been appointed and shall vacate the office if and when the director in whose place he has been appointed returns to India:

Provided also that if the term of office of the original director is determined before he so returns to India, any provision for the automatic re-appointment of retiring directors in default of another appointment shall apply to the original, and not to the alternate director.

(3) Subject to the articles of a company, the Board may appoint any person as a director nominated by any institution in pursuance of the provisions of any law for the time being in force or of any agreement or by the Central Government or the State Government by virtue of its shareholding in a Government company.

(4) **[*******]** If the office of any director appointed by the company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may, in default of and subject to any regulations in the articles of the company, be filled by the Board of Directors at a meeting of the Board **[***which shall be subsequently approved by members in the immediate next general meeting***]**:

Provided that any person so appointed shall hold office only up to the date up to which the director in whose place he is appointed would have held office if it had not been vacated.

Appointment of directors to be voted individually.

162. (1) At a general meeting of a company, a motion for the appointment of two or more persons as directors of the company by a single resolution shall not be moved unless a proposal to move such a motion has first been agreed to at the meeting without any vote being cast against it.

(2) A resolution moved in contravention of sub-section (1) shall be void, whether or not any objection was taken when it was moved.

(3) A motion for approving a person for appointment, or for nominating a person for appointment as a director, shall be treated as a motion for his appointment.

Option to adopt principle of proportional representation for appointment of directors.

163. Notwithstanding anything contained in this Act, the articles of a company may provide for the appointment of not less than two-thirds of the total number of the directors of a company in accordance with the principle of proportional representation, whether by the single transferable vote or by a system of cumulative voting or otherwise and such appointments may be made once in every three years and casual vacancies of such directors shall be filled as provided in sub-section (4) of .

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Disqualifications for appointment of director.

164. (1) A person shall not be eligible for appointment as a director of a company, if—

(*a*) he is of unsound mind and stands so declared by a competent court;

(*b*) he is an undischarged insolvent;

(*c*) he has applied to be adjudicated as an insolvent and his application is pending;

(*d*) he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:
Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;

(*e*) an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;

(*f*) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;

(*g*) he has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or

(*h*) he has not complied with sub-section (3) of section 152.

[(*i*) *he has not complied with the provisions of sub-section (1) of section 165.***]**

(2) No person who is or has been a director of a company which—

(*a*) has not filed financial statements or annual returns for any continuous period of three financial years; or

(*b*) has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more,

shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so:

[Provided *that where a person is appointed as a director of a company which is in default of clause (*a*) or clause (*b*), he shall not incur the disqualification for a period of six months from the date of his appointment.***]**

(3) A private company may by its articles provide for any disqualifications for appointment as a director in addition to those specified in sub-sections (1) and (2):

[Provided *that the disqualifications referred to in clauses (*d*), (*e*) and (*g*) of sub-section (1) shall continue to apply even if the appeal or petition has been filed against the order of conviction or disqualification.***]**

---

70. Corresponds to sections 202, 274 and 283(2) of the 1956 Act.

71. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.

72. Enforced with effect from 1-4-2014.

73. Rule 2(1)(s) of the Companies (Specification of Definitions Details) Rules, 2014 provides that 'or otherwise' means any offence in respect of which he has been convicted by a Court under this Act or the Companies Act, 1956.

73a. Inserted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

74. In case of Government Companies, section 164(2) shall not apply - *Notification No. GSR 463(E), dated 5-6-2015.*

75. *See* Circular No. 41/2014, dated 15-10-2014 [Company Law Settlement Scheme, 2014, applicability to balance sheets and annual returns on or after 1-4-2014 but prior to launch of CLSS-2014]. For details, *see* **Division Three**.

76. *See* rule 14 and Form Nos. DIR 8 to 10 of the Companies (Appointment and Qualification of Directors) Rules, 2014 (**Division Two**). *See* also Condonation of Delay Scheme, 2018.

76a. Inserted by the Companies (Amendment) Act, 2017, with effect from **7-5-2018**.

77. For meaning of the term "disqualification", *see* **Appendix II**.

77a. Substituted by the Companies (Amendment) Act, 2017, with effect from **7-5-2018**. Prior to its substitution, proviso read as under :

"**Provided** that the disqualifications referred to in clauses (*d*), (*e*) and (*g*) of sub-section (1) shall not take effect—

(*i*) for thirty days from the date of conviction or order of disqualification;

(*ii*) where an appeal or petition is preferred within thirty days as aforesaid against the conviction resulting in sentence or order, until expiry of seven days from the date on which such appeal or petition is disposed of; or

(*iii*) where any further appeal or petition is preferred against order or sentence within seven days, until such further appeal or petition is disposed of."

Number of directorships.

165. (1) No person, after the commencement of this Act, shall hold office as a director, including any alternate directorship, in more than twenty companies at the same time :

Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed ten.

[*Explanation I*].—For reckoning the limit of public companies in which a person can be appointed as director, directorship in private companies that are either holding or subsidiary company of a public company shall be included.

[*Explanation II.*—For reckoning the limit of directorships of twenty companies, the directorship in a dormant company shall not be included.]

(2) Subject to the provisions of sub-section (1), the members of a company may, by special resolution, specify any lesser number of companies in which a director of the company may act as directors.

(3) Any person holding office as director in companies more than the limits as specified in sub-section (1), immediately before the commencement of this Act shall, within a period of one year from such commencement,—

(*a*) choose not more than the specified limit of those companies, as companies in which he wishes to continue to hold the office of director;

(*b*) resign his office as director in the other remaining companies; and

(*c*) intimate the choice made by him under clause (*a*), to each of the companies in which he was holding the office of director before such commencement and to the Registrar having jurisdiction in respect of each such company.

(4) Any resignation made in pursuance of clause (*b*) of sub-section (3) shall become effective immediately on the despatch thereof to the company concerned.

(5) No such person shall act as director in more than the specified number of companies,—

(*a*) after despatching the resignation of his office as director or non-executive director thereof, in pursuance of clause (*b*) of sub-section (3); or

(*b*) after the expiry of one year from the commencement of this Act,

whichever is earlier.

[*(6) If a person accepts an appointment as a director in violation of this section, he shall be liable to a penalty of two thousand rupees for each day after the first during which such violation continues, subject to a maximum of two lakh rupees.***]**.

---

63. Corresponds to sections 275, 276, 278 and 279 of the 1956 Act.
64. Enforced with effect from 1-4-2014.
65. Section 165(1) shall not apply to Section 8 Companies - *Notification No. GSR 466(E), dated 5-6-2015.*
66. *Explanation* renumbered as *Explanation I* by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.
67. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.
68. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (6), as amended by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018, read as under :

"(6) If a person accepts an appointment as a director in contravention of sub-section (1), he shall be liable to a penalty of five thousand rupees for each day after the first during which such contravention continues."

Duties of directors .

166. (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.

(2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

(3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

(4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.

(5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.

(6) A director of a company shall not assign his office and any assignment so made shall be void.

(7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Vacation of office of director.

167. (1) The office of a director shall become vacant in case—

(*a*) he incurs any of the disqualifications specified in section 164:

[**Provided** that where he incurs disqualification under sub-section (2) of section 164, the office of the director shall become vacant in all the companies, other than the company which is in default under that sub-section;]

(*b*) he absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board;

(*c*) he acts in contravention of the provisions of section 184 relating to entering into contracts or arrangements in which he is directly or indirectly interested;

(*d*) he fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested, in contravention of the provisions of section 184;

(*e*) he becomes disqualified by an order of a court or the Tribunal;

(*f*) he is convicted by a court of any offence, whether involving moral turpitude or otherwise and sentenced in respect thereof to imprisonment for not less than six months:

[**Provided** that the office shall not be vacated by the director in case of orders referred to in clauses (*e*) and (*f*)—

(*i*) for thirty days from the date of conviction or order of disqualification;

(*ii*) where an appeal or petition is preferred within thirty days as aforesaid against the conviction resulting in sentence or order, until expiry of seven days from the date on which such appeal or petition is disposed of; or

(*iii*) where any further appeal or petition is preferred against order or sentence within seven days, until such further appeal or petition is disposed of;]

(*g*) he is removed in pursuance of the provisions of this Act;

(*h*) he, having been appointed a director by virtue of his holding any office or other employment in the holding, subsidiary or associate company, ceases to hold such office or other employment in that company.

(2) If a person, functions as a director even when he knows that the office of director held by him has become vacant on account of any of the disqualifications specified in sub-section (1), he shall be punishable **[***]** with fine which shall not be less than one lakh rupees but which may extend to **[***five lakh rupees***]**.

(3) Where all the directors of a company vacate their offices under any of the disqualifications specified in sub-section (1), the promoter or, in his absence, the Central Government shall appoint the required number of directors who shall hold office till the directors are appointed by the company in the general meeting.

(4) A private company may, by its articles, provide any other ground for the vacation of the office of a director in addition to those specified in sub-section (1).

---

72. Corresponds to section 283 of the 1956 Act.
73. Enforced with effect from 1-4-2014.
74. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.
75. Rule 2(1)(*s*) of the Companies (Specification of Definitions Details) Rules, 2014 provides that 'or otherwise' means any offence in respect of which he has been convicted by a Court under this Act or the Companies Act, 1956.
76. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018. Prior to its substitution, proviso read as under :

"**Provided** that the office shall be vacated by the director even if he has filed an appeal against the order of such court;"

76a. Words "with imprisonment for a term which may extend to one year or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

76b. Substituted for "five lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Resignation of director.

168. (1) A director may resign from his office by giving a notice in writing to the company and the Board shall on receipt of such notice take note of the same and the company shall intimate the Registrar in such manner, within such time and in such form as may be prescribed and shall also place the fact of such resignation in the report of directors laid in the immediately following general meeting by the company:

Provided that a **[***director may also forward***]** a copy of his resignation along with detailed reasons for the resignation to the Registrar within thirty days of resignation in such manner as may be prescribed.

(2) The resignation of a director shall take effect from the date on which the notice is received by the company or the date, if any, specified by the director in the notice, whichever is later:

Provided that the director who has resigned shall be liable even after his resignation for the offences which occurred during his tenure.

(3) Where all the directors of a company resign from their offices, or vacate their offices under section 167, the promoter or, in his absence, the Central Government shall appoint the required number of directors who shall hold office till the directors are appointed by the company in general meeting.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Removal of directors.

169. (1) A company may, by ordinary resolution, remove a director, not being a director appointed by the Tribunal under , before the expiry of the period of his office after giving him a reasonable opportunity of being heard:

[Provided *that an independent director re-appointed for second term under sub-section (10) of section 149 shall be removed by the company only by passing a special resolution and after giving him a reasonable opportunity of being heard:***]**

[Provided further *that***]** nothing contained in this sub-section shall apply where the company has availed itself of the option given to it under to appoint not less than two-thirds of the total number of directors according to the principle of proportional representation.

(2) A special notice shall be required of any resolution, to remove a director under this section, or to appoint somebody in place of a director so removed, at the meeting at which he is removed.

(3) On receipt of notice of a resolution to remove a director under this section, the company shall forthwith send a copy thereof to the director concerned, and the director, whether or not he is a member of the company, shall be entitled to be heard on the resolution at the meeting.

(4) Where notice has been given of a resolution to remove a director under this section and the director concerned makes with respect thereto representation in writing to the company and requests its notification to members of the company, the company shall, if the time permits it to do so,—

(*a*) in any notice of the resolution given to members of the company, state the fact of the representation having been made; and

(*b*) send a copy of the representation to every member of the company to whom notice of the meeting is sent (whether before or after receipt of the representation by the company),

and if a copy of the representation is not sent as aforesaid due to insufficient time or for the company's default, the director may without prejudice to his right to be heard orally require that the representation shall be read out at the meeting:

Provided that copy of the representation need not be sent out and the representation need not be read out at the meeting if, on the application either of the company or of any other person who claims to be aggrieved, the Tribunal is satisfied that the rights conferred by this sub-section are being abused to secure needless publicity for defamatory matter; and the Tribunal may order the company's costs on the application to be paid in whole or in part by the director notwithstanding that he is not a party to it.

(5) A vacancy created by the removal of a director under this section may, if he had been appointed by the company in general meeting or by the Board, be filled by the appointment of another director in his place at the meeting at which he is removed, provided special notice of the intended appointment has been given under sub-section (2).

(6) A director so appointed shall hold office till the date up to which his predecessor would have held office if he had not been removed.

(7) If the vacancy is not filled under sub-section (5), it may be filled as a casual vacancy in accordance with the provisions of this Act:

Provided that the director who was removed from office shall not be re-appointed as a director by the Board of Directors.

(8) Nothing in this section shall be taken—

(*a*) as depriving a person removed under this section of any compensation or damages payable to him in respect of the termination of his appointment as director as per the terms of contract or terms of his appointment as director, or of any other appointment terminating with that as director; or

(*b*) as derogating from any power to remove a director under other provisions of this Act.

Register of directors and key managerial personnel and their shareholding.

170. (1) Every company shall keep at its registered office a register containing such particulars of its directors and key managerial personnel as may be prescribed, which shall include the details of securities held by each of them in the company or its holding, subsidiary, subsidiary of company's holding company or associate companies.

(2) A return containing such particulars and documents as may be prescribed, of the directors and the key managerial personnel shall be filed with the Registrar within thirty days from the appointment of every director and key managerial personnel, as the case may be, and within thirty days of any change taking place.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Members' right to inspect.

171. (1) The register kept under sub-section (1) of ,—

(*a*) shall be open for inspection during business hours and the members shall have a right to take extracts therefrom and copies thereof, on a request by the members, be provided to them free of cost within thirty days; and

(*b*) shall also be kept open for inspection at every annual general meeting of the company and shall be made accessible to any person attending the meeting.

(2) If any inspection as provided in clause (*a*) of sub-section (1) is refused, or if any copy required under that clause is not sent within thirty days from the date of receipt of such request, the Registrar shall on an application made to him order immediate inspection and supply of copies required thereunder.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Penalty.

172. *If a company is in default in complying with any of the provisions of this Chapter and for which no specific penalty or punishment is provided therein, the company and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees, and in case of continuing failure, with a further penalty of five hundred rupees for each day during which such failure continues, subject to a maximum of three lakh rupees in case of a company and one lakh rupees in case of an officer who is in default.***]**

---

98. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, section 172 read as under :

"*172. *Punishment.*—If a company contravenes any of the provisions of this Chapter and for which no specific punishment is provided therein, the company and every officer of the company who is in default shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees."

*Enforced with effect from 1-4-2014.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER XII

MEETINGS OF BOARD AND ITS POWERS

Meetings of Board.

173.(1) Every company shall hold the first meeting of the Board of Directors within thirty days of the date of its incorporation and thereafter hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board:

Provided that the Central Government may, by notification, direct that the provisions of this sub-section shall not apply in relation to any class or description of companies or shall apply subject to such exceptions, modifications or conditions as may be specified in the notification.

(2) The participation of directors in a meeting of the Board may be either in person or through video conferencing or other audio visual means, as may be prescribed, which are capable of recording and recognising the participation of the directors and of recording and storing the proceedings of such meetings along with date and time:

Provided that the Central Government may, by notification, specify such matters which shall not be dealt with in a meeting through video conferencing or other audio visual means:

[Provided further *that where there is quorum in a meeting through physical presence of directors, any other director may participate through video conferencing or other audio visual means in such meeting on any matter specified under the first proviso.***]**

(3) A meeting of the Board shall be called by giving not less than seven days' notice in writing to every director at his address registered with the company and such notice shall be sent by hand delivery or by post or by electronic means:

Provided that a meeting of the Board may be called at shorter notice to transact urgent business subject to the condition that at least one independent director, if any, shall be present at the meeting:

Provided further that in case of absence of independent directors from such a meeting of the Board, decisions taken at such a meeting shall be circulated to all the directors and shall be final only on ratification thereof by at least one independent director, if any.

(4) Every officer of the company whose duty is to give notice under this section and who fails to do so shall be liable to a penalty of twenty-five thousand rupees.

(5) A One Person Company, small company and dormant company shall be deemed to have complied with the provisions of this section if at least one meeting of the Board of Directors has been conducted in each half of a calendar year and the gap between the two meetings is not less than ninety days:

Provided that nothing contained in this sub-section and in section 174 shall apply to One Person Company in which there is only one director on its Board of Directors.

Quorum for meetings of Board.

174. (1) The quorum for a meeting of the Board of Directors of a company shall be one-third of its total strength or two directors, whichever is higher, and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum under this sub-section.

(2) The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company and for no other purpose.

(3) Where at any time the number of interested directors exceeds or is equal to two-thirds of the total strength of the Board of Directors, the number of directors who are not interested directors and present at the meeting, being not less than two, shall be the quorum during such time.

Explanation.—For the purposes of this sub-section, "interested director" means a director within the meaning of sub-section (2) of .

(4) Where a meeting of the Board could not be held for want of quorum, then, unless the articles of the company otherwise provide, the meeting shall automatically stand adjourned to the same day at the same time and place in the next week or if that day is a national holiday, till the next succeeding day, which is not a national holiday, at the same time and place.

Explanation.—For the purposes of this section,—

(*i*) any fraction of a number shall be rounded off as one;

(*ii*) "total strength" shall not include directors whose places are vacant.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Passing of resolution by circulation .

175. (1) No resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the directors, or members of the committee, as the case may be, at their addresses registered with the company in India by hand delivery or by post or by courier, or through such electronic means as may be prescribed and has been approved by a majority of the directors or members, who are entitled to vote on the resolution:

Provided that, where not less than one-third of the total number of directors of the company for the time being require that any resolution under circulation must be decided at a meeting, the chairperson shall put the resolution to be decided at a meeting of the Board.

(2) A resolution under sub-section (1) shall be noted at a subsequent meeting of the Board or the committee thereof, as the case may be, and made part of the minutes of such meeting.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Defects in appointment of directors not to invalidate actions taken .

176. No act done by a person as a director shall be deemed to be invalid, notwithstanding that it was subsequently noticed that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in this Act or in the articles of the company:

Provided that nothing in this section shall be deemed to give validity to any act done by the director after his appointment has been noticed by the company to be invalid or to have terminated.

Audit Committee.

177. (1) The Board of Directors of **[***every listed public company***]** and such other class or classes of companies, as may be prescribed, shall constitute an Audit Committee.

(2) The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority:

Provided that majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand, the financial statement.

(3) Every Audit Committee of a company existing immediately before the commencement of this Act shall, within one year of such commencement, be reconstituted in accordance with sub-section (2).

(4) Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall *inter alia*, include,—

(*i*) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;

(*ii*) review and monitor the auditor's independence and performance, and effectiveness of audit process;

(*iii*) examination of the financial statement and the auditors' report thereon;

(*iv*) approval or any subsequent modification of transactions of the company with related parties:

[**Provided** that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions as may be prescribed:]

[Provided further *that in case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board:*

Provided also *that in case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it:*

Provided also *that the provisions of this clause shall not apply to a transaction, other than a transaction referred to in section 188, between a holding company and its wholly owned subsidiary company;***]**

(*v*) scrutiny of inter-corporate loans and investments;

(*vi*) valuation of undertakings or assets of the company, wherever it is necessary;

(*vii*) evaluation of internal financial controls and risk management systems;

(*viii*) monitoring the end use of funds raised through public offers and related matters.

(5) The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.

(6) The Audit Committee shall have authority to investigate into any matter in relation to the items specified in sub-section (4) or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the company.

(7) The auditors of a company and the key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote.

(8) The Board's report under sub-section (3) of section 134 shall disclose the composition of an Audit Committee and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in such report along with the reasons therefor.

(9) Every listed company or such class or classes of companies, as may be prescribed, shall establish a vigil mechanism for directors and employees to report genuine concerns in such manner as may be prescribed.

(10) The vigil mechanism under sub-section (9) shall provide for adequate safeguards against victimisation of persons who use such mechanism and make provision for direct access to the chairperson of the Audit Committee in appropriate or exceptional cases:

Provided that the details of establishment of such mechanism shall be disclosed by the company on its website, if any, and in the Board's report.

Nomination and Remuneration Committee and Stakeholders Relationship Committee.

178. (1) The Board of Directors of [every listed public company] and such other class or classes of companies, as may be prescribed shall constitute the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one half shall be independent directors:

Provided that the chairperson of the company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

(2) The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and [shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance].

(3) The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

(4) The Nomination and Remuneration Committee shall, while formulating the policy under sub-section (3) ensure that—

(*a*) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;

(*b*) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(*c*) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals:

[**Provided** that such policy shall be placed on the website of the company, if any, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's report.]

(5) The Board of Directors of a company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee consisting of a chairperson who shall be a non-executive director and such other members as may be decided by the Board.

(6) The Stakeholders Relationship Committee shall consider and resolve the grievances of security holders of the company.

(7) The chairperson of each of the committees constituted under this section or, in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the company.

(8) In case of any contravention of the provisions of section 177 and this section, the company shall be **[***liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of one lakh rupees***]**:

Provided that [inability to resolve or consider any grievance] by the Stakeholders Relationship Committee in good faith shall not constitute a contravention of this section.

Explanation.—The expression "senior management" means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

---

34. Enforced with effect from 1-4-2014.
35. Section 178 shall not apply to Section 8 Companies - *Notification No. GSR 466(E), dated 5-6-2015*.

    In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, section 178 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.
36. Substituted for "every listed company" by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.
37. *See* rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 (**Division Two**).
38. In case of Government Companies, section 178(2)/(3)/(4) shall not apply to Government company except with regard to appointment of 'senior management' and other employees - *Notification No. GSR 463(E), dated 5-6-2015*.
39. Substituted for "shall carry out evaluation of every director's performance" by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.
40. In case of Government Companies, section 178(2)/(3)/(4) shall not apply to Government company except with regard to appointment of 'senior management' and other employees - *Notification No. GSR 463(E), dated 5-6-2015*.
41. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018. Prior to its substitution, proviso read as under :

    "**Provided** that such policy shall be disclosed in the Board's report."

41a. Substituted for "punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

42. Substituted for "non-consideration of resolution of any grievance" by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.

Powers of Board .

179. (1) The Board of Directors of a company shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do:

Provided that in exercising such power or doing such act or thing, the Board shall be subject to the provisions contained in that behalf in this Act, or in the memorandum or articles, or in any regulations not inconsistent therewith and duly made thereunder, including regulations made by the company in general meeting:

Provided further that the Board shall not exercise any power or do any act or thing which is directed or required, whether under this Act or by the memorandum or articles of the company or otherwise, to be exercised or done by the company in general meeting.

(2) No regulation made by the company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

(3) The Board of Directors of a company shall exercise the following powers on behalf of the company by means of resolutions passed at meetings of the Board, namely:—

(*a*) to make calls on shareholders in respect of money unpaid on their shares;
(*b*) to authorise buy-back of securities under ;
(*c*) to issue securities, including debentures, whether in or outside India;
(*d*) to borrow monies;
(*e*) to invest the funds of the company;
(*f*) to grant loans or give guarantee or provide security in respect of loans;
(*g*) to approve financial statement and the Board's report;
(*h*) to diversify the business of the company;
(*i*) to approve amalgamation, merger or reconstruction;
(*j*) to take over a company or acquire a controlling or substantial stake in another company;
(*k*) any other matter which may be prescribed:

Provided that the Board may, by a resolution passed at a meeting, delegate to any committee of directors, the managing director, the manager or any other principal officer of the company or in the case of a branch office of the company, the principal officer of the branch office, the powers specified in clauses (*d*) to (*f*) on such conditions as it may specify:

Provided further that the acceptance by a banking company in the ordinary course of its business of deposits of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise, or the placing of monies on deposit by a banking company with another banking company on such conditions as the Board may prescribe, shall not be deemed to be a borrowing of monies or, as the case may be, a making of loans by a banking company within the meaning of this section.

Explanation I.—Nothing in clause (*d*) shall apply to borrowings by a banking company from other banking companies or from the Reserve Bank of India, the State Bank of India or any other banks established by or under any Act.

Explanation II.—In respect of dealings between a company and its bankers, the exercise by the company of the power specified in clause (*d*) shall mean the arrangement made by the company with its bankers for the borrowing of money by way of overdraft or cash credit or otherwise and not the actual day-to-day operation on overdraft, cash credit or other accounts by means of which the arrangement so made is actually availed of.

(4) Nothing in this section shall be deemed to affect the right of the company in general meeting to impose restrictions and conditions on the exercise by the Board of any of the powers specified in this section.

Restrictions on powers of Board.

180.(1) The Board of Directors of a company shall exercise the following powers only with the consent of the company by a special resolution, namely:—

(*a*) to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings.

Explanation.—For the purposes of this clause,—

(*i*) "undertaking" shall mean an undertaking in which the investment of the company exceeds twenty per cent of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty per cent of the total income of the company during the previous financial year;

(*ii*) the expression "substantially the whole of the undertaking" in any financial year shall mean twenty per cent or more of the value of the undertaking as per the audited balance sheet of the preceding financial year;

(*b*) to invest otherwise in trust securities the amount of compensation received by it as a result of any merger or amalgamation;

(*c*) to borrow money, where the money to be borrowed, together with the money already borrowed by the company will exceed aggregate of its **[***paid-up share capital, free reserves and securities premium***]**, apart from temporary loans obtained from the company's bankers in the ordinary course of business:

Provided that the acceptance by a banking company, in the ordinary course of its business, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise, shall not be deemed to be a borrowing of monies by the banking company within the meaning of this clause.

Explanation.—For the purposes of this clause, the expression "temporary loans" means loans repayable on demand or within six months from the date of the loan such as short-term, cash credit arrangements, the discounting of bills and the issue of other short-term loans of a seasonal character, but does not include loans raised for the purpose of financial expenditure of a capital nature;

(*d*) to remit, or give time for the repayment of, any debt due from a director.

(2) Every special resolution passed by the company in general meeting in relation to the exercise of the powers referred to in clause (*c*) of sub-section (1) shall specify the total amount up to which monies may be borrowed by the Board of Directors.

(3) Nothing contained in clause (*a*) of sub-section (1) shall affect—

(*a*) the title of a buyer or other person who buys or takes on lease any property, investment or undertaking as is referred to in that clause, in good faith; or

(*b*) the sale or lease of any property of the company where the ordinary business of the company consists of, or comprises, such selling or leasing.

(4) Any special resolution passed by the company consenting to the transaction as is referred to in clause (*a*) of sub-section (1) may stipulate such conditions as may be specified in such resolution, including conditions regarding the use, disposal or investment of the sale proceeds which may result from the transactions:

Provided that this sub-section shall not be deemed to authorise the company to effect any reduction in its capital except in accordance with the provisions contained in this Act.

(5) No debt incurred by the company in excess of the limit imposed by clause (*c*) of sub-section (1) shall be valid or effectual, unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by that clause had been exceeded.

INCOME TAX DEPARTMENT
कोष मूलो दण्डः

Company to contribute to *bona fide* and charitable funds, etc.

181. The Board of Directors of a company may contribute to *bona fide* charitable and other funds:

Provided that prior permission of the company in general meeting shall be required for such contribution in case any amount the aggregate of which, in any financial year, exceed five per cent of its average net profits for the three immediately preceding financial years.

Prohibitions and restrictions regarding political contributions.

182. (1) Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute any amount directly or indirectly to any political party:

[*******]

Provided [*******] that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making **[*******]** of the contribution authorised by it.

(2) Without prejudice to the generality of the provisions of sub-section (1),—

(*a*) a donation or subscription or payment caused to be given by a company on its behalf or on its account to a person who, to its knowledge, is carrying on any activity which, at the time at which such donation or subscription or payment was given or made, can reasonably be regarded as likely to affect public support for a political party shall also be deemed to be contribution of the amount of such donation, subscription or payment to such person for a political purpose;

(*b*) the amount of expenditure incurred, directly or indirectly, by a company on an advertisement in any publication, being a publication in the nature of a souvenir, brochure, tract, pamphlet or the like, shall also be deemed,—

(*i*) where such publication is by or on behalf of a political party, to be a contribution of such amount to such political party, and

(*ii*) where such publication is not by or on behalf of, but for the advantage of a political party, to be a contribution for a political purpose.

[*(3) Every company shall disclose in its profit and loss account the total amount contributed by it under this section during the financial year to which the account relates.*

(3A) Notwithstanding anything contained in sub-section (1), the contribution under this section shall not be made except by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account:

Provided *that a company may make contribution through any instrument, issued pursuant to any scheme notified under any law for the time being in force, for contribution to the political parties.***]**

(4) If a company makes any contribution in contravention of the provisions of this section, the company shall be punishable with fine which may extend to five times the amount so contributed and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months and with fine which may extend to five times the amount so contributed.

Explanation.—For the purposes of this section, "political party" means a political party registered under section 29A of the Representation of the People Act, 1951 (43 of 1951).

Power of Board and other persons to make contributions to national defence fund, etc.

183. (1) The Board of Directors of any company or any person or authority exercising the powers of the Board of Directors of a company, or of the company in general meeting, may, notwithstanding anything contained in , and or any other provision of this Act or in the memorandum, articles or any other instrument relating to the company, contribute such amount as it thinks fit to the National Defence Fund or any other Fund approved by the Central Government for the purpose of national defence.

(2) Every company shall disclose in its profits and loss account the total amount or amounts contributed by it to the Fund referred to in sub-section (1) during the financial year to which the amount relates.

Disclosure of interest by director.

184. (1) Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in such manner as may be prescribed.

(2) Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—

(*a*) with a body corporate in which such director or such director in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

(*b*) with a firm or other entity in which, such director is a partner, owner or member, as the case may be,

shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

(3) A contract or arrangement entered into by the company without disclosure under sub-section (2) or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the company.

(4) If a director of the company contravenes the provisions of sub-section (1) or sub-section (2), such director shall be **[***liable to a penalty of one lakh rupees***]**.

(5) Nothing in this section—

(*a*) shall be taken to prejudice the operation of any rule of law restricting a director of a company from having any concern or interest in any contract or arrangement with the company;

[(*b*) shall apply to any contract or arrangement entered into or to be entered into between two companies or between one or more companies and one or more bodies corporate where any of the directors of the one company or body corporate or two or more of them together holds or hold not more than two per cent of the paid-up share capital in the other company or the body corporate.]

---

69. Corresponds to sections 299 and 305 of the 1956 Act.
70. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and *see* also SS-1 - Secretarial Standard on Meetings of Board of Directors.
71. Enforced with effect from 1-4-2014.
72. For meaning of the term/expression "body corporate" and "interest", *see* **Appendix II**.
73. *See* rule 9 and Form No. MBP 1 of the Companies (Meetings of Board and its Powers) Rules, 2014 (**Division Two**).
74. In case of private companies section 184(2) shall apply with the exception that the interested director may participate in such meeting after disclosure of his interest - *Notification No. GSR 464(E), dated 5-6-2015*.

    In case of Section 8 Companies, section 184(2) shall apply only if the transaction with reference to section 188 on the basis of terms and conditions of the contract or arrangement exceeds one lakh rupees - *Notification No. GSR 466(E), dated 5-6-2015*.

    In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (2) of section 184 shall apply with the exception that interested director may participate in such meeting provided the disclosure of his interest is made by the concerned director either prior or at the meeting.—*Notification No. GSR 8(E), dated 4-1-2017*.
75. For meaning of the term/expression "interest" and "becomes concerned or interested", *see* **Appendix II**.
76. Substituted for "punishable with imprisonment for a term which may extend to one year or with fine which may extend to one lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Earlier, the quoted words were amended by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.
77. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018. Prior to its substitution, clause (*b*) read as under :

    "(*b*) shall apply to any contract or arrangement entered into or to be entered into between two companies where any of the directors of the one company or two or more of them together holds or hold not more than two per cent of the paid-up share capital in the other company."

[Loans to directors, etc.

185.*(1) No company shall, directly or indirectly, advance any loan, including any loan represented by a book debt to, or give any guarantee or provide any security in connection with any loan taken by,—*

(a) *any director of company, or of a company which is its holding company or any partner or relative of any such director; or*

(b) *any firm in which any such director or relative is a partner.*

(2) A company may advance any loan including any loan represented by a book debt, or give any guarantee or provide any security in connection with any loan taken by any person in whom any of the director of the company is interested, subject to the condition that—

(a) *a special resolution is passed by the company in general meeting:*

Provided *that the explanatory statement to the notice for the relevant general meeting shall disclose the full particulars of the loans given, or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security and any other relevant fact; and*

(b) *the loans are utilised by the borrowing company for its principal business activities.*

Explanation.—*For the purposes of this sub-section, the expression "any person in whom any of the director of the company is interested" means—*

(a) *any private company of which any such director is a director or member;*

(b) *any body corporate at a general meeting of which not less than twenty-five per cent of the total voting power may be exercised or controlled by any such director, or by two or more such directors, together; or*

(c) *any body corporate, the Board of directors, managing director or manager, whereof is accustomed to act in accordance with the directions or instructions of the Board, or of any director or directors, of the lending company.*

(3) Nothing contained in sub-sections (1) and (2) shall apply to—

(a) *the giving of any loan to a managing or whole-time director—*

(i) *as a part of the conditions of service extended by the company to all its employees; or*

(ii) *pursuant to any scheme approved by the members by a special resolution; or*

(b) *a company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan and in respect of such loans an interest is charged at a rate not less than the rate of prevailing yield of one year, three years, five years or ten years Government security closest to the tenor of the loan; or*

(c) *any loan made by a holding company to its wholly owned subsidiary company or any guarantee given or security provided by a holding company in respect of any loan made to its wholly owned subsidiary company; or*

(d) *any guarantee given or security provided by a holding company in respect of loan made by any bank or financial institution to its subsidiary company:*

Provided *that the loans made under clauses* (c) *and* (d) *are utilised by the subsidiary company for its principal business activities.*

(4) If any loan is advanced or a guarantee or security is given or provided or utilised in contravention of the provisions of this section,—

(i) *the company shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees;*

(ii) *every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees; and*

(iii) *the director or the other person to whom any loan is advanced or guarantee or security is given or provided in connection with any loan taken by him or the other person, shall be punishable with imprisonment which may extend to six months or with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees, or with both.***]**

Loan and investment by company.

186.(1) Without prejudice to the provisions contained in this Act, a company shall unless otherwise prescribed, make investment through not more than two layers of investment companies:

Provided that the provisions of this sub-section shall not affect,—

(*i*) a company from acquiring any other company incorporated in a country outside India if such other company has investment subsidiaries beyond two layers as per the laws of such country;

(*ii*) a subsidiary company from having any investment subsidiary for the purposes of meeting the requirements under any law or under any rule or regulation framed under any law for the time being in force.

(2) No company shall directly or indirectly—

(*a*) give any loan to any person or other body corporate;

(*b*) give any guarantee or provide security in connection with a loan to any other body corporate or person; and

(*c*) acquire by way of subscription, purchase or otherwise, the securities of any other body corporate,

exceeding sixty per cent of its paid-up share capital, free reserves and securities premium account or one hundred per cent of its free reserves and securities premium account, whichever is more.

[Explanation.—*For the purposes of this sub-section, the word "person" does not include any individual who is in the employment of the company.***]**

[*(3) Where the aggregate of the loans and investment so far made, the amount for which guarantee or security so far provided to or in all other bodies corporate along with the investment, loan, guarantee or security proposed to be made or given by the Board, exceed the limits specified under sub-section (2), no investment or loan shall be made or guarantee shall be given or security shall be provided unless previously authorised by a special resolution passed in a general meeting:*

Provided *that where a loan or guarantee is given or where a security has been provided by a company to its wholly owned subsidiary company or a joint venture company, or acquisition is made by a holding company, by way of subscription, purchase or otherwise of, the securities of its wholly owned subsidiary company, the requirement of this sub-section shall not apply:*

Provided further *that the company shall disclose the details of such loans or guarantee or security or acquisition in the financial statement as provided under sub-section (4).***]**

(4) The company shall disclose to the members in the financial statement the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security.

(5) No investment shall be made or loan or guarantee or security given by the company unless the resolution sanctioning it is passed at a meeting of the Board with the consent of all the directors present at the meeting and the prior approval of the public financial institution concerned where any term loan is subsisting, is obtained:

Provided that prior approval of a public financial institution shall not be required where the aggregate of the loans and investments so far made, the amount for which guarantee or security so far provided to or in all other bodies corporate, along with the investments, loans, guarantee or security proposed to be made or given does not exceed the limit as specified in sub-section (2), and there is no default in repayment of loan instalments or payment of interest thereon as per the terms and conditions of such loan to the public financial institution.

(6) No company, which is registered under section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) and covered under such class or classes of companies as may be prescribed, shall take inter-corporate loan or deposits exceeding the prescribed limit and such company shall furnish in its financial statement the details of the loan or deposits.

(7) No loan shall be given under this section at a rate of interest lower than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan.

(8) No company which is in default in the repayment of any deposits accepted before or after the commencement of this Act or in payment of interest thereon, shall give any loan or give any guarantee or provide any security or make an acquisition till such default is subsisting.

(9) Every company giving loan or giving a guarantee or providing security or making an acquisition under this section shall keep a register which shall contain such particulars and shall be maintained in such manner as may be prescribed.

(10) The register referred to in sub-section (9) shall be kept at the registered office of the company and—

(*a*) shall be open to inspection at such office; and

(*b*) extracts may be taken therefrom by any member, and copies thereof may be furnished to any member of the company on payment of such fees as may be prescribed.

[*(11) Nothing contained in this section, except sub-section (1), shall apply—*

(a) *to any loan made, any guarantee given or any security provided or any investment made by a banking company, or an insurance company, or a housing finance company in the ordinary course of its business, or a company established with the object of and engaged in the business of financing industrial enterprises, or of providing infrastructural facilities;*

(b) *to any investment—*

(i) *made by an investment company;*

(ii) *made in shares allotted in pursuance of clause* (a) *of sub-section (1) of section 62 or in shares allotted in pursuance of rights issues made by a body corporate;*

(iii) *made, in respect of investment or lending activities, by a non-banking financial company registered under Chapter III-B of the Reserve Bank of India Act, 1934 (2 of 1934) and whose principal business is acquisition of securities.***]**

(12) The Central Government may make rules for the purposes of this section.

(13) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to two years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.

Explanation.—For the purposes of this section,—

(*a*) the expression "investment company" means a company whose principal business is the acquisition of shares, debentures or other securities **[***and a company will be deemed to be principally engaged in the business of acquisition of shares, debentures or other securities, if its assets in the form of investment in shares, debentures or other securities constitute not less than fifty per cent of its total assets, or if its income derived from investment business constitutes not less than fifty per cent as a proportion of its gross income***]**;

(*i*) the expression "infrastructure facilities" means the facilities specified in Schedule VI.

Investments of company to be held in its own name.

187. (1) All investments made or held by a company in any property, security or other asset shall be made and held by it in its own name:

Provided that the company may hold any shares in its subsidiary company in the name of any nominee or nominees of the company, if it is necessary to do so, to ensure that the number of members of the subsidiary company is not reduced below the statutory limit.

(2) Nothing in this section shall be deemed to prevent a company—

(*a*) from depositing with a bank, being the bankers of the company, any shares or securities for the collection of any dividend or interest payable thereon; or

(*b*) from depositing with, or transferring to, or holding in the name of, the State Bank of India or a scheduled bank, being the bankers of the company, shares or securities, in order to facilitate the transfer thereof:
Provided that if within a period of six months from the date on which the shares or securities are transferred by the company to, or are first held by the company in the name of, the State Bank of India or a scheduled bank as aforesaid, no transfer of such shares or securities takes place, the company shall, as soon as practicable after the expiry of that period, have the shares or securities re-transferred to it from the State Bank of India or the scheduled bank or, as the case may be, again hold the shares or securities in its own name; or

(*c*) from depositing with, or transferring to, any person any shares or securities, by way of security for the repayment of any loan advanced to the company or the performance of any obligation undertaken by it;

(*d*) from holding investments in the name of a depository when such investments are in the form of securities held by the company as a beneficial owner.

(3) Where in pursuance of clause (*d*) of sub-section (2), any shares or securities in which investments have been made by a company are not held by it in its own name, the company shall maintain a register which shall contain such particulars as may be prescribed and such register shall be open to inspection by any member or debenture-holder of the company without any charge during business hours subject to such reasonable restrictions as the company may by its articles or in general meeting impose.

[*(4) If a company is in default in complying with the provisions of this section, the company shall be liable to a penalty of five lakh rupees and every officer of the company who is in default shall be liable to a penalty of fifty thousand rupees.***]**

---

4. Corresponds to section 49 of the 1956 Act.
5. *See* also SS-1 - Secretarial Standard on Meetings of Board of Directors.
6. Enforced with effect from 1-4-2014.
7. *See* rule 14 and Form No. MBP 3 of the Companies (Meetings of Board and its Powers) Rules, 2014 (**Division Two**).
7a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (4) read as under :

"(4) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both."

संबंधित पार्टी लेनदेन

188. (1) निदेशक मंडल की बैठक में प्रस्ताव द्वारा दी गई सहमति के अलावा और निर्धारित शर्तों के अधीन , कोई भी कंपनी निम्नलिखित के संबंध में किसी संबंधित पक्ष के साथ कोई अनुबंध या व्यवस्था नहीं करेगी-

(*क*) किसी भी सामान या सामग्री की बिक्री, खरीद या आपूर्ति;

(*ख*) किसी भी प्रकार की संपत्ति को बेचना या अन्यथा निपटाना, या खरीदना;

(*ग*) किसी भी प्रकार की संपत्ति को पट्टे पर देना;

(*घ*) किसी भी सेवा का लाभ उठाना या प्रदान करना;

(*ड़*) माल, सामग्री, सेवाओं या संपत्ति की खरीद या बिक्री के लिए किसी एजेंट की नियुक्ति;

(*च*) ऐसे संबंधित पक्ष की कंपनी, उसकी सहायक कंपनी या सहयोगी कंपनी में किसी पद या लाभ के स्थान पर नियुक्ति; तथा

(*छ*) कंपनी की किसी भी प्रतिभूति या उसके व्युत्पन्न की सदस्यता का हामीदारी करना:

बशर्ते कि किसी कंपनी के मामले में, जिसकी चुकता शेयर पूंजी ऐसी राशि से कम नहीं है, या लेन-देन ऐसी राशियों से अधिक नहीं है, जो निर्धारित की जा सकती है , कोई भी अनुबंध या व्यवस्था कंपनी के [***] संकल्प द्वारा पूर्व अनुमोदन के बिना नहीं की जाएगी:

आगे यह भी प्रावधान है कि कंपनी का कोई भी सदस्य किसी संविदा या व्यवस्था को अनुमोदित करने के लिए ऐसे [***] प्रस्ताव पर मतदान नहीं करेगा, जो कंपनी द्वारा की जा सकती है, यदि ऐसा सदस्य संबद्ध पक्षकार है:

[**यह भी प्रावधान है कि** दूसरे परन्तुक में अन्तर्विष्ट कोई बात उस कंपनी पर लागू नहीं होगी, जिसके नब्बे प्रतिशत या उससे अधिक सदस्य, प्रवर्तकों के रिश्तेदार या सम्बद्ध पक्षकार हों:]

यह भी प्रावधान है कि इस उपधारा की कोई बात कंपनी द्वारा अपने सामान्य कारोबार के दौरान किए गए किसी लेनदेन पर लागू नहीं होगी, सिवाय उन लेनदेन के जो एक दूसरे से दूरी के आधार पर नहीं किए गए हैं:

[**यह भी प्रावधान है कि** प्रथम परंतुक के अधीन संकल्प पारित करने की अपेक्षा, किसी धारक कंपनी और उसकी पूर्ण स्वामित्व वाली सहायक कंपनी के बीच किए गए लेन-देनों पर लागू नहीं होगी, जिसके खाते ऐसी धारक कंपनी के साथ समेकित हैं और अनुमोदन के लिए आम बैठक में शेयरधारकों के समक्ष रखे गए हैं।]

स्पष्टीकरण.- इस उपधारा में,-

(*क*) "लाभ का कार्यालय या स्थान" से तात्पर्य किसी ऐसे कार्यालय या स्थान से है-

(*झ*) जहां ऐसा पद या स्थान किसी निदेशक द्वारा धारण किया जाता है, यदि उसे धारण करने वाला निदेशक कंपनी से वेतन, शुल्क, कमीशन, अनुलाभ, किसी किराया-मुक्त आवास या अन्यथा के रूप में निदेशक के रूप में अपने हकदार पारिश्रमिक के अतिरिक्त कुछ भी प्राप्त करता है;

(*ii*) जहां ऐसा कार्यालय या स्थान निदेशक के अलावा किसी व्यक्ति या किसी फर्म, निजी कंपनी या अन्य निगमित निकाय द्वारा धारण किया जाता है, यदि उसे धारण करने वाला व्यक्ति, फर्म, निजी कंपनी या निगमित निकाय कंपनी से पारिश्रमिक, वेतन, शुल्क, कमीशन, अनुलाभ, कोई किराया-मुक्त आवास या अन्यथा के रूप में कुछ प्राप्त करता है;

(*ख*) अभिव्यक्ति "आर्म्स लेंथ ट्रांजेक्शन" का अर्थ है दो संबंधित पक्षों के बीच ऐसा लेनदेन जो इस प्रकार संचालित किया जाता है मानो वे असंबंधित हों, ताकि हितों का कोई टकराव न हो।

(2) उप-धारा (1) के अधीन किए गए प्रत्येक अनुबंध या व्यवस्था का उल्लेख शेयरधारकों को भेजी जाने वाली बोर्ड की रिपोर्ट में किया जाएगा, साथ ही ऐसी अनुबंध या व्यवस्था करने का औचित्य भी बताया जाएगा।

(3) जहां कोई संविदा या ठहराव किसी निदेशक या किसी अन्य कर्मचारी द्वारा, बोर्ड की सहमति प्राप्त किए बिना या उपधारा (1) के अधीन आम बैठक में [***] संकल्प द्वारा अनुमोदन प्राप्त किए बिना किया जाता है और यदि उसका बोर्ड द्वारा या, यथास्थिति, शेयरधारकों द्वारा, ऐसी संविदा या ठहराव किए जाने की तारीख से तीन मास के भीतर बैठक में अनुसमर्थन नहीं किया जाता है, तो ऐसी संविदा या ठहराव [बोर्ड या, यथास्थिति, शेयरधारकों के विकल्प पर शून्यकरणीय होगी] और यदि संविदा या ठहराव किसी निदेशक से संबंधित पक्षकार के साथ है या किसी अन्य निदेशक द्वारा प्राधिकृत है, तो संबंधित निदेशक कंपनी को उसके द्वारा उठाए गए किसी नुकसान के विरुद्ध क्षतिपूर्ति करेंगे।

(4) उपधारा (3) में अंतर्विष्ट किसी बात पर प्रतिकूल प्रभाव डाले बिना, कंपनी को यह स्वतंत्रता होगी कि वह किसी निदेशक या किसी अन्य कर्मचारी के विरुद्ध, जिसने इस धारा के उपबंधों के उल्लंघन में ऐसा अनुबंध या इंतजाम किया हो, कार्यवाही करे, ताकि ऐसे अनुबंध या इंतजाम के परिणामस्वरूप उसे हुई किसी हानि की वसूली की जा सके।

(5) किसी कंपनी का कोई निदेशक या कोई अन्य कर्मचारी, जिसने इस धारा के प्रावधानों का उल्लंघन करते हुए अनुबंध या व्यवस्था में प्रवेश किया है या उसे अधिकृत किया है,—

(*झ*) सूचीबद्ध कंपनी के मामले में, **[** *पच्चीस लाख रुपये के जुर्माने के लिए उत्तरदायी होगा* **]** ; और

(*ii*) किसी अन्य कंपनी के मामले में, **[** *पांच लाख रुपये के जुर्माने के लिए उत्तरदायी होगा* **]** ।

8.1956 अधिनियम की धारा 294, 294क, 297 और 314 के अनुरूप है।
9.सेबी (सूचीबद्धता दायित्व और प्रकटीकरण आवश्यकताएं) विनियम, 2015 और एसएस-1 - निदेशक मंडल की बैठकों पर सचिवीय मानक भी *देखें*।
10.1-4-2014 के प्रभाव से लागू किया गया।
11.संबंधित पक्ष लेनदेन पर स्पष्टीकरण के लिए परिपत्र 30/2014, दिनांक 17-7-2014 *देखें*। *विस्तृत जानकारी के लिए प्रभाग तीन* देखें।
12.निजी कंपनियों के मामले में धारा 188(1) का दूसरा प्रावधान लागू नहीं होगा - *अधिसूचना संख्या जीएसआर 464(ड), दिनांक 5-6-2015* ।

सरकारी कंपनियों के मामले में, धारा 188(1) का पहला और दूसरा प्रावधान निम्नलिखित पर लागू नहीं होगा -

(*क*) किसी सरकारी कंपनी द्वारा किसी अन्य सरकारी कंपनी, या केन्द्रीय सरकार या किसी राज्य सरकार या इनके किसी संयोजन के साथ किए गए अनुबंधों या व्यवस्थाओं के संबंध में;

(*ख*) खंड (*क*) में निर्दिष्ट अनुबंधों या व्यवस्थाओं के अलावा किसी सूचीबद्ध कंपनी के अलावा किसी सरकारी कंपनी के साथ, यदि ऐसी कंपनी ऐसी अनुबंध या व्यवस्था में प्रवेश करने से पहले केंद्रीय सरकार के मंत्रालय या विभाग, जो कंपनी का प्रशासनिक प्रभारी है, या, जैसा भी मामला हो, राज्य सरकार का अनुमोदन प्राप्त करती है - *अधिसूचना संख्या जीएसआर 463 (ङ), दिनांक 5-6-2015* ।

13."सहमति" शब्द के अर्थ के लिए *परिशिष्ट II* **देखें** ।

14.कंपनी (बोर्ड की बैठकें और उसकी शक्तियां) नियम, 2014 (*प्रभाग दो*) का नियम 15 **देखें** ।

15.कंपनी (बोर्ड की बैठकें और उसकी शक्तियां) नियम, 2014 (*प्रभाग दो*) का नियम 15 **देखें** ।

16.कंपनी (संशोधन) अधिनियम, 2015 द्वारा 1.4.2015 से शब्द "विशेष" का लोप किया गया। 29-5-2015.

17.किसी गैर-सूचीबद्ध सार्वजनिक कंपनी के मामले में, जिसे एसईजेड अधिनियम के तहत अनुमोदित बहु सेवा एसईजेड सेट-अप में स्थित अंतर्राष्ट्रीय वित्तीय सेवा केंद्र से आरबीआई या सेबी या आईआरडीए द्वारा संचालित करने के लिए लाइसेंस प्राप्त है, धारा 188 की उप-धारा (1) का दूसरा प्रावधान लागू नहीं होगा। - *अधिसूचना संख्या जीएसआर 8 (ङ), दिनांक 4-1-2017* ।

18.कंपनी (संशोधन) अधिनियम, 2015 द्वारा 1.4.2015 से शब्द "विशेष" का लोप किया गया। 29-5-2015.

19.कंपनी (संशोधन) अधिनियम, 2017 द्वारा सम्मिलित, प्रभावी 9-2-2018.

20.कंपनी (संशोधन) अधिनियम, 2015 द्वारा 1.4.2015 से सम्मिलित। 29-5-2015.

21."लाभ का पद या स्थान" अभिव्यक्ति के अर्थ के लिए *परिशिष्ट II* **देखें** ।

22.कंपनी (संशोधन) अधिनियम, 2015 द्वारा 1.4.2015 से शब्द "विशेष" का लोप किया गया। 29-5-2015.

23.कंपनी (संशोधन) अधिनियम, 2017 द्वारा 1.4.2017 से "बोर्ड के विकल्प पर शून्यकरणीय होगा" के स्थान पर प्रतिस्थापित। 9-2-2018.

23क I कंपनी (संशोधन) अधिनियम, 2020 द्वारा "एक वर्ष तक के कारावास से दंडनीय या पच्चीस हजार रुपये से कम नहीं, बल्कि पांच लाख रुपये तक का जुर्माना, या दोनों से दंडनीय" शब्दों के स्थान पर प्रतिस्थापित, जो अभी अधिसूचित होने वाली तारीख से प्रभावी होगा।

23ख I कंपनी (संशोधन) अधिनियम, 2020 द्वारा "जुर्माने से दंडनीय जो पच्चीस हजार रुपये से कम नहीं होगा, लेकिन जो पांच लाख रुपये तक बढ़ाया जा सकता है" के स्थान पर प्रतिस्थापित, जो अभी अधिसूचित होने वाली तारीख से प्रभावी होगा।

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Register of contracts or arrangements in which directors are interested .

189. (1) Every company shall keep one or more registers giving separately the particulars of all contracts or arrangements to which sub-section (2) of or applies, in such manner and containing such particulars as may be prescribed and after entering the particulars, such register or registers shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

(2) Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office, as the case may be, disclose to the company the particulars specified in sub-section (1) of relating to his concern or interest in the other associations which are required to be included in the register under that sub-section or such other information relating to himself as may be prescribed.

(3) The register referred to in sub-section (1) shall be kept at the registered office of the company and it shall be open for inspection at such office during business hours and extracts may be taken therefrom, and copies thereof as may be required by any member of the company shall be furnished by the company to such extent, in such manner, and on payment of such fees as may be prescribed.

(4) The register to be kept under this section shall also be produced at the commencement of every annual general meeting of the company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

(5) Nothing contained in sub-section (1) shall apply to any contract or arrangement—

(*a*) for the sale, purchase or supply of any goods, materials or services if the value of such goods and materials or the cost of such services does not exceed five lakh rupees in the aggregate in any year; or

(*b*) by a banking company for the collection of bills in the ordinary course of its business.

(6) Every director who fails to comply with the provisions of this section and the rules made thereunder shall be liable to a penalty of twenty-five thousand rupees.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Contract of employment with managing or whole-time directors.

190. (1) Every company shall keep at its registered office,—

(*a*) where a contract of service with a managing or whole-time director is in writing, a copy of the contract; or

(*b*) where such a contract is not in writing, a written memorandum setting out its terms.

(2) The copies of the contract or the memorandum kept under sub-section (1) shall be open to inspection by any member of the company without payment of fee.

(3) If any default is made in complying with the provisions of sub-section (1) or sub-section (2), the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees for each default.

(4) The provisions of this section shall not apply to a private company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Payment to director for loss of office, etc., in connection with transfer of undertaking, property or shares.

191. (1) No director of a company shall, in connection with—

(*a*) the transfer of the whole or any part of any undertaking or property of the company; or

(*b*) the transfer to any person of all or any of the shares in a company being a transfer resulting from—

(*i*) an offer made to the general body of shareholders;

(*ii*) an offer made by or on behalf of some other body corporate with a view to a company becoming a subsidiary company of such body corporate or a subsidiary company of its holding company;

(*iii*) an offer made by or on behalf of an individual with a view to his obtaining the right to exercise, or control the exercise of, not less than one-third of the total voting power at any general meeting of the company; or

(*iv*) any other offer which is conditional on acceptance to a given extent,

receive any payment by way of compensation for loss of office or as consideration for retirement from office, or in connection with such loss or retirement from such company or from the transferee of such undertaking or property, or from the transferees of shares or from any other person, not being such company, unless particulars as may be prescribed with respect to the payment proposed to be made by such transferee or person, including the amount thereof, have been disclosed to the members of the company and the proposal has been approved by the company in general meeting.

(2) Nothing in sub-section (1) shall affect any payment made by a company to a managing director or whole-time director or manager of the company by way of compensation for loss of office or as consideration for retirement from office or in connection with such loss or retirement subject to limits or priorities, as may be prescribed.

(3) If the payment under sub-section (1) or sub-section (2) is not approved for want of quorum either in a meeting or an adjourned meeting, the proposal shall not be deemed to have been approved.

(4) Where a director of a company receives payment of any amount in contravention of sub-section (1) or the proposed payment is made before it is approved in the meeting, the amount so received by the director shall be deemed to have been received by him in trust for the company.

[*(5) If a director of the company makes any default in complying with the provisions of this section, such director shall be liable to a penalty of one lakh rupees.***]**

(6) Nothing in this section shall be taken to prejudice the operation of any law requiring disclosure to be made with respect to any payment received under this section or such other like payments made to a director.

---

17. Corresponds to sections 318, 319, 320 and 321(4) of the 1956 Act.

18. Enforced with effect from 1-4-2014. *See* also SS-1 - Secretarial Standard on Meetings of Board of Directors.

19.*See* rule 17 of the Companies (Meetings of Board and its Powers) Rules, 2014 (**Division Two**).

19a. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, sub-section (5) read as under :

"(5) If a director of the company contravenes the provisions of this section, such director shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees."

Restriction on non-cash transactions involving directors.

192. (1) No company shall enter into an arrangement by which—

(*a*) a director of the company or its holding, subsidiary or associate company or a person connected with him acquires or is to acquire assets for consideration other than cash, from the company; or

(*b*) the company acquires or is to acquire assets for consideration other than cash, from such director or person so connected,

unless prior approval for such arrangement is accorded by a resolution of the company in general meeting and if the director or connected person is a director of its holding company, approval under this sub-section shall also be required to be obtained by passing a resolution in general meeting of the holding company.

(2) The notice for approval of the resolution by the company or holding company in general meeting under sub-section (1) shall include the particulars of the arrangement along with the value of the assets involved in such arrangement duly calculated by a registered valuer.

(3) Any arrangement entered into by a company or its holding company in contravention of the provisions of this section shall be voidable at the instance of the company unless—

(*a*) the restitution of any money or other consideration which is the subject-matter of the arrangement is no longer possible and the company has been indemnified by any other person for any loss or damage caused to it; or

(*b*) any rights are acquired *bona fide* for value and without notice of the contravention of the provisions of this section by any other person.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Contract by One Person Company.

193. (1) Where One Person Company limited by shares or by guarantee enters into a contract with the sole member of the company who is also the director of the company, the company shall, unless the contract is in writing, ensure that the terms of the contract or offer are contained in a memorandum or are recorded in the minutes of the first meeting of the Board of Directors of the company held next after entering into contract:

Provided that nothing in this sub-section shall apply to contracts entered into by the company in the ordinary course of its business.

(2) The company shall inform the Registrar about every contract entered into by the company and recorded in the minutes of the meeting of its Board of Directors under sub-section (1) within a period of fifteen days of the date of approval by the Board of Directors.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Prohibition on forward dealings in securities of company by director or key managerial personnel.

194.[***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Prohibition on insider trading of securities.

195.[***]

CHAPTER XIII

APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL

Appointment of managing director, whole-time director or manager.

196. (1) No company shall appoint or employ at the same time a managing director and a manager.

(2) No company shall appoint or re-appoint any person as its managing director, whole-time director or manager for a term exceeding five years at a time:

Provided that no re-appointment shall be made earlier than one year before the expiry of his term.

(3) No company shall appoint or continue the employment of any person as managing director, whole-time director or manager who —

(*a*) is below the age of twenty-one years or has attained the age of seventy years:

Provided that appointment of a person who has attained the age of seventy years may be made by passing a special resolution in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such person:

[Provided further *that where no such special resolution is passed but votes cast in favour of the motion exceed the votes, if any, cast against the motion and the Central Government is satisfied, on an application made by the Board, that such appointment is most beneficial to the company, the appointment of the person who has attained the age of seventy years may be made;***]**

(*b*) is an undischarged insolvent or has at any time been adjudged as an insolvent;

(*c*) has at any time suspended payment to his creditors or makes, or has at any time made, a composition with them; or

(*d*) has at any time been convicted by a court of an offence and sentenced for a period of more than six months.

(4) Subject to the provisions of section 197 and Schedule V, a managing director, whole-time director or manager shall be appointed and the terms and conditions of such appointment and remuneration payable be approved by the Board of Directors at a meeting which shall be subject to approval by a resolution at the next general meeting of the company and by the Central Government in case such appointment is at variance to the conditions **[***specified in Part I of that Schedule***]**:

Provided that a notice convening Board or general meeting for considering such appointment shall include the terms and conditions of such appointment, remuneration payable and such other matters including interest, of a director or directors in such appointments, if any:

Provided further that a return in the prescribed form shall be filed within sixty days of such appointment with the Registrar.

(5) Subject to the provisions of this Act, where an appointment of a managing director, whole-time director or manager is not approved by the company at a general meeting, any act done by him before such approval shall not be deemed to be invalid.

---

25. Corresponds to sections 197A, 267, 317, 384, 385 and 388 of the 1956 Act.
26. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.
27. Enforced with effect from 1-4-2014.
28. In case of Government Companies, section 196(2), (4) and (5) shall not apply - *Notification No. GSR 463(E), dated 5-6-2015*.
28a. Inserted by the Companies (Amendment) Act, 2017, with effect from **12-9-2018**.
29. In case of private companies section 196(4)/(5) shall not apply - *Notification No. GSR 464(E), dated 5-6-2015*.

In case of Government Companies, section 196(2), (4) and (5) shall not apply - *Notification No. GSR 463(E), dated 5-6-2015*.

In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (4) of section 196 shall not apply. —*Notification No. GSR 8(E), dated 4-1-2017*.

29a. Substituted for "specified in that Schedule" by the Companies (Amendment) Act, 2017, with effect from **12-9-2018**.
30.*See* rule 3 and Form No. MR 1 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 (**Division Two**).
30a. In case of private companies section 196(4)/(5) shall not apply - *Notification No. GSR 464(E), dated 5-6-2015*.

In case of Government Companies, section 196(2), (4) and (5) shall not apply - *Notification No. GSR 463(E), dated 5-6-2015*.

In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (4) of section 196 shall not apply. —*Notification No. GSR 8(E), dated 4-1-2017*.

Overall maximum managerial remuneration and managerial remuneration in case of absence or inadequacy of profits.

197. (1) The total managerial remuneration payable by a public company, to its directors, including managing director and whole-time director, and its manager in respect of any financial year shall not exceed eleven per cent of the net profits of that company for that financial year computed in the manner laid down in section 198 except that the remuneration of the directors shall not be deducted from the gross profits:

Provided that the company in general meeting may, [***] authorise the payment of remuneration exceeding eleven per cent of the net profits of the company, subject to the provisions of Schedule V:

Provided further that, except with the approval of the company in general meeting, [by a special resolution,]—

(*i*) the remuneration payable to any one managing director; or whole-time director or manager shall not exceed five per cent of the net profits of the company and if there is more than one such director remuneration shall not exceed ten per cent of the net profits to all such directors and manager taken together;

(*ii*) the remuneration payable to directors who are neither managing directors nor whole-time directors shall not exceed,—

(*A*) one per cent of the net profits of the company, if there is a managing or whole-time director or manager;

(*B*) three per cent of the net profits in any other case:

[**Provided also** that, where the company has defaulted in payment of dues to any bank or public financial institution or non-convertible debenture holders or any other secured creditor, the prior approval of the bank or public financial institution concerned or the non-convertible debenture holders or other secured creditor, as the case may be, shall be obtained by the company before obtaining the approval in the general meeting.]

(2) The percentages aforesaid shall be exclusive of any fees payable to directors under sub-section (5).

(3) Notwithstanding anything contained in sub-sections (1) and (2), but subject to the provisions of Schedule V, if, in any financial year, a company has no profits or its profits are inadequate, the company shall not pay to its directors, including any managing or whole-time director or manager, **[***or any other non-executive director, including an independent director***]** by way of remuneration any sum exclusive of any fees payable to directors under sub-section (5) hereunder except in accordance with the provisions of Schedule V [***].

(4) The remuneration payable to the directors of a company, including any managing or whole-time director or manager, shall be determined, in accordance with and subject to the provisions of this section, either by the articles of the company, or by a resolution or, if the articles so require, by a special resolution, passed by the company in general meeting and the remuneration payable to a director determined aforesaid shall be inclusive of the remuneration payable to him for the services rendered by him in any other capacity:

Provided that any remuneration for services rendered by any such director in other capacity shall not be so included if—

(*a*) the services rendered are of a professional nature; and

(*b*) in the opinion of the Nomination and Remuneration Committee, if the company is covered under sub-section (1) of section 178, or the Board of Directors in other cases, the director possesses the requisite qualification for the practice of the profession.

(5) A director may receive remuneration by way of fee for attending meetings of the Board or Committee thereof or for any other purpose whatsoever as may be decided by the Board:

Provided that the amount of such fees shall not exceed the amount as may be prescribed:

Provided further that different fees for different classes of companies and fees in respect of independent director may be such as may be prescribed.

(6) A director or manager may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the company or partly by one way and partly by the other.

(7) [***]

(8) The net profits for the purposes of this section shall be computed in the manner referred to in section 198.

[(9) If any director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limit prescribed by this section or without approval required under this section, he shall refund such sums to the company, within two years or such lesser period as may be allowed by the company, and until such sum is refunded, hold it in trust for the company.]

(10) The company shall not waive the recovery of any sum refundable to it under sub-section (9) unless [approved by the company by special resolution within two years from the date the sum becomes refundable]:

[**Provided** that where the company has defaulted in payment of dues to any bank or public financial institution or non-convertible debenture holders or any other secured creditor, the prior approval of the bank or public financial institution concerned or the non-convertible debenture holders or other secured creditor, as the case may be, shall be obtained by the company before obtaining approval of such waiver.]

(11) In cases where Schedule V is applicable on grounds of no profits or inadequate profits, any provision relating to the remuneration of any director which purports to increase or has the effect of increasing the amount thereof, whether the provision be contained in the company's memorandum or articles, or in an agreement entered into by it, or in any resolution passed by the company in general meeting or its Board, shall not have any effect unless such increase is in accordance with the conditions specified in that Schedule [***].

(12) Every listed company shall disclose in the Board's report, the ratio of the remuneration of each director to the median employee's remuneration and such other details as may be prescribed.

(13) Where any insurance is taken by a company on behalf of its managing director, whole-time director, manager, Chief Executive Officer, Chief Financial Officer or Company Secretary for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the company, the premium paid on such insurance shall not be treated as part of the remuneration payable to

any such personnel:

Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

(14) Subject to the provisions of this section, any director who is in receipt of any commission from the company and who is a managing or whole-time director of the company shall not be disqualified from receiving any remuneration or commission from any holding company or subsidiary company of such company subject to its disclosure by the company in the Board's report.

[(15) If any person makes any default in complying with the provisions of this section, he shall be liable to a penalty of one lakh rupees and where any default has been made by a company, the company shall be liable to a penalty of five lakh rupees.]

[(16) The auditor of the company shall, in his report under section 143, make a statement as to whether the remuneration paid by the company to its directors is in accordance with the provisions of this section, whether remuneration paid to any director is in excess of the limit laid down under this section and give such other details as may be prescribed.

(17) On and from the commencement of the Companies (Amendment) Act, 2017, any application made to the Central Government under the provisions of this section [as it stood before such commencement], which is pending with that Government shall abate, and the company shall, within one year of such commencement, obtain the approval in accordance with the provisions of this section, as so amended.]

---

49. Corresponds to sections 198, 201, 309, 310 and 387 of the 1956 Act. *See* also Circular No. 7/2015, dated 10-4-2015 [Schedule XIII of the 1956 Act *vs.* Section V of the 2013 Act]. For details, *see* **Division Three**.
50. Enforced with effect from 1-4-2014.
51. *See* also Table F of Schedule I.
52. In case of Government Companies, section 197 shall not apply - *Notification No. GSR 463(E), dated 5-6-2015*.

    In case of Nidhis, second proviso to sub-section (1) of section 197 shall apply with the modification that the remuneration of a director who is neither managing director nor whole-time director or manager for performing special services to the Nidhis specified in the articles of association may be paid by way of monthly payment subject to the approval of the company in general meeting and also to the provisions of section 197 :

    Provided that no approval of the company in general meeting shall be required where,—

    (*a*) a Nidhi does not have a managing director or a whole-time director or a manager;
    (*b*) the remuneration payable during a financial year to all the directors of the Nidhi does not exceed ten per cent of the net profits of such Nidhi or fifteen lakh rupees, whichever is less; and
    (*c*) a remuneration payable under clause (*b*) is approved by a special resolution passed in this behalf by the Nidhi - *Notification No. GSR 465(E), dated 5-6-2015*.

    In case of an unlisted public company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, section 197 shall not apply.—*Notification No. GSR 8(E), dated 4-1-2017*.

53. Words "with the approval of the Central Government," omitted by the Companies (Amendment) Act, 2017, w.e.f. 12-9-2018.
54. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 12-9-2018.

54a. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

55. Words "and if it is not able to comply with such provisions, with the previous approval of the Central Government" omitted by the Companies (Amendment) Act, 2017, w.e.f. 12-9-2018.
56. For meaning of the term "services", *see* **Appendix II**.
57. *See* rule 4 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 (**Division Two**).
58. Omitted by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018. Prior to its omission, sub-section (7) read as under :

    "(7) Notwithstanding anything contained in any other provision of this Act but subject to the provisions of this section, an independent director shall not be entitled to any stock option and may receive remuneration by way of fees provided under sub-section (5), reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members."

59. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 12-9-2018. Prior to its substitution, sub-section (9) read as under :

    "(9) If any director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the limit prescribed by this section or without the prior sanction of the Central Government, where it is required, he shall refund such sums to the company and until such sum is refunded, hold it in trust for the company."

60. Substituted for "permitted by the Central Government" by the Companies (Amendment) Act, 2017, w.e.f. 12-9-2018.
61. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 12-9-2018.
62. Words "and if such conditions are not being complied, the approval of the Central Government had been obtained" omitted by the Companies (Amendment) Act, 2017, w.e.f. 12-9-2018.

63. *See* rule 5 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 (**Division Two**).
64. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018. Prior to its substitution, sub-section (15) read as under :

"(15) If any person contravenes the provisions of this section, he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees."

65. Inserted by the Companies (Amendment) Act, 2017, w.e.f. 12-9-2018.

Calculation of profits.

198. (1) In computing the net profits of a company in any financial year for the purpose of section 197,—

(*a*) credit shall be given for the sums specified in sub-section (2), and credit shall not be given for those specified in sub-section (3); and

(*b*) the sums specified in sub-section (4) shall be deducted, and those specified in sub-section (5) shall not be deducted.

(2) In making the computation aforesaid, credit shall be given for the bounties and subsidies received from any Government, or any public authority constituted or authorised in this behalf, by any Government, unless and except in so far as the Central Government otherwise directs.

(3) In making the computation aforesaid, credit shall not be given for the following sums, namely:—

(*a*) profits, by way of premium on shares or debentures of the company, which are issued or sold by the company **[***unless the company is an investment company as referred to in clause (*a*) of the* Explanation *to section 186***]**;

(*b*) profits on sales by the company of forfeited shares;

(*c*) profits of a capital nature including profits from the sale of the undertaking or any of the undertakings of the company or of any part thereof;

(*d*) profits from the sale of any immovable property or fixed assets of a capital nature comprised in the undertaking or any of the undertakings of the company, unless the business of the company consists, whether wholly or partly, of buying and selling any such property or assets:
Provided that where the amount for which any fixed asset is sold exceeds the written-down value thereof, credit shall be given for so much of the excess as is not higher than the difference between the original cost of that fixed asset and its written down value;

(*e*) any change in carrying amount of an asset or of a liability recognised in equity reserves including surplus in profit and loss account on measurement of the asset or the liability at fair value;

[(*f*) *any amount representing unrealised gains, notional gains or revaluation of assets.***]**

(4) In making the computation aforesaid, the following sums shall be deducted, namely:—

(*a*) all the usual working charges;

(*b*) directors' remuneration;

(*c*) bonus or commission paid or payable to any member of the company's staff, or to any engineer, technician or person employed or engaged by the company, whether on a whole-time or on a part-time basis;

(*d*) any tax notified by the Central Government as being in the nature of a tax on excess or abnormal profits;

(*e*) any tax on business profits imposed for special reasons or in special circumstances and notified by the Central Government in this behalf;

(*f*) interest on debentures issued by the company;

(*g*) interest on mortgages executed by the company and on loans and advances secured by a charge on its fixed or floating assets;

(*h*) interest on unsecured loans and advances;

(*i*) expenses on repairs, whether to immovable or to movable property, provided the repairs are not of a capital nature;

(*j*) outgoings inclusive of contributions made under section 181;

(*k*) depreciation to the extent specified in section 123;

(*l*) the excess of expenditure over income, which had arisen in computing the net profits in accordance with this section in any year **[*****]**, in so far as such excess has not been deducted in any subsequent year preceding the year in respect of which the net profits have to be ascertained;

(*m*) any compensation or damages to be paid in virtue of any legal liability including a liability arising from a breach of contract;

(*n*) any sum paid by way of insurance against the risk of meeting any liability such as is referred to in clause (*m*);

(*o*) debts considered bad and written off or adjusted during the year of account.

(5) In making the computation aforesaid, the following sums shall not be deducted, namely:—

(*a*) income-tax and super-tax payable by the company under the Income-tax Act, 1961 (43 of 1961), or any other tax on the income of the company not falling under clauses (*d*) and (*e*) of sub-section (4);

(*b*) any compensation, damages or payments made voluntarily, that is to say, otherwise than in virtue of a liability such as is referred to in clause (*m*) of sub-section (4);

(*c*) loss of a capital nature including loss on sale of the undertaking or any of the undertakings of the company or of any part thereof not including any excess of the written-down value of any asset which is sold, discarded, demolished or destroyed over its sale proceeds or its scrap value;

(*d*) any change in carrying amount of an asset or of a liability recognised in equity reserves including surplus in profit and loss account on measurement of the asset or the liability at fair value.

---

38. Corresponds to section 349 of the 1956 Act.

39. Enforced with effect from 1-4-2014.

39a. Inserted by the Companies (Amendment) Act, 2017, with effect from **12-9-2018**.

39b. Words "which begins at or after the commencement of this Act" omitted by the Companies (Amendment) Act, 2017, with effect from **12-9-2018**.

Recovery of remuneration in certain cases.

199. Without prejudice to any liability incurred under the provisions of this Act or any other law for the time being in force, where a company is required to re-state its financial statements due to fraud or non-compliance with any requirement under this Act and the rules made thereunder, the company shall recover from any past or present managing director or whole-time director or manager or Chief Executive Officer (by whatever name called) who, during the period for which the financial statements are required to be re-stated, received the remuneration (including stock option) in excess of what would have been payable to him as per restatement of financial statements.

Central Government or company to fix limit with regard to remuneration.

200. Notwithstanding anything contained in this Chapter, **[***]** a company may, while according its approval under section 196, to any appointment or to any remuneration under section 197 in respect of cases where the company has inadequate or no profits, fix the remuneration within the limits specified in this Act, at such amount or percentage of profits of the company, as it may deem fit and while fixing the remuneration, **[***]** the company shall have regard to—

(*a*) the financial position of the company;
(*b*) the remuneration or commission drawn by the individual concerned in any other capacity;
(*c*) the remuneration or commission drawn by him from any other company;
(*d*) professional qualifications and experience of the individual concerned;
(*e*) such other matters as may be prescribed.

---

41. Corresponds to section 637AA of the 1956 Act.
42. Enforced with effect from 1-4-2014.
42a. Words "the Central Government or" omitted by the Companies (Amendment) Act, 2017, with effect from **12-9-2018**.
43.*See* rule 6 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 (**Division Two**).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Forms of, and procedure in relation to, certain applications.

201. (1) Every application made to the Central Government under **[***section 196***]** shall be in such form as may be prescribed.

(2) (*a*) Before any application is made by a company to the Central Government under **[***section 196***]**, there shall be issued by or on behalf of the company a general notice to the members thereof, indicating the nature of the application proposed to be made.

(*b*) Such notice shall be published at least once in a newspaper in the principal language of the district in which the registered office of the company is situate and circulating in that district, and at least once in English in an English newspaper circulating in that district.

(*c*) The copies of the notices, together with a certificate by the company as to the due publication thereof, shall be attached to the application.

---

44. Corresponds to section 640B of the 1956 Act.
45. Enforced with effect from 1-4-2014.
45a. Substituted for "this Chapter" by the Companies (Amendment) Act, 2017, with effect from **12-9-2018**.
46.*See* rule 7 and Form No. MR 2 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 (**Division Two**).
46a. Substituted for "any of the sections aforesaid" by the Companies (Amendment) Act, 2017, with effect from **12-9-2018**.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Compensation for loss of office of managing or whole-time director or manager .

202. (1) A company may make payment to a managing or whole-time director or manager, but not to any other director, by way of compensation for loss of office, or as consideration for retirement from office or in connection with such loss or retirement.

(2) No payment shall be made under sub-section (1) in the following cases, namely:—

(*a*) where the director resigns from his office as a result of the reconstruction of the company, or of its amalgamation with any other body corporate or bodies corporate, and is appointed as the managing or whole-time director, manager or other officer of the reconstructed company or of the body corporate resulting from the amalgamation;

(*b*) where the director resigns from his office otherwise than on the reconstruction of the company or its amalgamation as aforesaid;

(*c*) where the office of the director is vacated under sub-section (1) of ;

(*d*) where the company is being wound up, whether by an order of the Tribunal or voluntarily, provided the winding up was due to the negligence or default of the director;

(*e*) where the director has been guilty of fraud or breach of trust in relation to, or of gross negligence in or gross mismanagement of, the conduct of the affairs of the company or any subsidiary company or holding company thereof; and

(*f*) where the director has instigated, or has taken part directly or indirectly in bringing about, the termination of his office.

(3) Any payment made to a managing or whole-time director or manager in pursuance of sub-section (1) shall not exceed the remuneration which he would have earned if he had been in office for the remainder of his term or for three years, whichever is shorter, calculated on the basis of the average remuneration actually earned by him during a period of three years immediately preceding the date on which he ceased to hold office, or where he held the office for a lesser period than three years, during such period:

Provided that no such payment shall be made to the director in the event of the commencement of the winding up of the company, whether before or at any time within twelve months after, the date on which he ceased to hold office, if the assets of the company on the winding up, after deducting the expenses thereof, are not sufficient to repay to the shareholders the share capital, including the premiums, if any, contributed by them.

(4) Nothing in this section shall be deemed to prohibit the payment to a managing or whole-time director, or manager, of any remuneration for services rendered by him to the company in any other capacity.

Appointment of key managerial personnel.

203. (1) Every company belonging to such class or classes of companies as may be prescribed shall have the following whole-time key managerial personnel, —

(*i*) managing director, or Chief Executive Officer or manager and in their absence, a whole-time director;

(*ii*) company secretary; and

(*iii*) Chief Financial Officer :

Provided that an individual shall not be appointed or reappointed as the chairperson of the company, in pursuance of the articles of the company, as well as the managing director or Chief Executive Officer of the company at the same time after the date of commencement of this Act unless,—

(*a*) the articles of such a company provide otherwise; or

(*b*) the company does not carry multiple businesses:

Provided further that nothing contained in the first proviso shall apply to such class of companies engaged in multiple businesses and which has appointed one or more Chief Executive Officers for each such business as may be notified by the Central Government.

(2) Every whole-time key managerial personnel of a company shall be appointed by means of a resolution of the Board containing the terms and conditions of the appointment including the remuneration.

(3) A whole-time key managerial personnel shall not hold office in more than one company except in its subsidiary company at the same time:

Provided that nothing contained in this sub-section shall disentitle a key managerial personnel from being a director of any company with the permission of the Board:

Provided further that whole-time key managerial personnel holding office in more than one company at the same time on the date of commencement of this Act, shall, within a period of six months from such commencement, choose one company, in which he wishes to continue to hold the office of key managerial personnel:

Provided also that a company may appoint or employ a person as its managing director, if he is the managing director or manager of one, and of not more than one, other company and such appointment or employment is made or approved by a resolution passed at a meeting of the Board with the consent of all the directors present at the meeting and of which meeting, and of the resolution to be moved thereat, specific notice has been given to all the directors then in India.

(4) If the office of any whole-time key managerial personnel is vacated, the resulting vacancy shall be filled-up by the Board at a meeting of the Board within a period of six months from the date of such vacancy.

[*(5) If any company makes any default in complying with the provisions of this section, such company shall be liable to a penalty of five lakh rupees and every director and key managerial personnel of the company who is in default shall be liable to a penalty of fifty thousand rupees and where the default is a continuing one, with a further penalty of one thousand rupees for each day after the first during which such default continues but not exceeding five lakh rupees.***]**

---

50. Corresponds to sections 269, 316 and 386 of the 1956 Act.

51. *See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Table F of Schedule I.

52. Enforced with effect from 1-4-2014.

53. *See* rules 8 and 8A of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 (**Division Two**).

54. *Notification No. SO 1913(E), dated 25-7-2014 [Notified Company under Second Proviso to section 203(1) :* Public companies having paid-up share capital of rupees one hundred crore or more and annual turnover of rupees one thousand crore or more which are engaged in multiple businesses and have appointed Chief Executive Officer for each such business]. For details, *see* **Division Three**.

55. In case of Government Companies, after sub-section (4), the following sub-section shall be inserted, namely :—

"(4A) The provisions of sub-sections (1), (2), (3) and (4) of this section shall not apply to a managing director or Chief Executive Officer or manager and in their absence, a whole-time director of the Government Company." - Notification No. GSR 463(E), dated 5-6-2015.

55a. Sub-section (5) substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, sub-section (5) read as under :

"(5) If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every director and key managerial personnel of the company who is in default shall be punishable with fine which may extend to fifty thousand rupees and where the contravention is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the contravention continues."

Secretarial audit for bigger companies.

204. (1) Every listed company and a company belonging to other class of companies as may be prescribed shall annex with its Board's report made in terms of sub-section (3) of section 134, a secretarial audit report, given by a company secretary in practice, in such form as may be prescribed.

(2) It shall be the duty of the company to give all assistance and facilities to the company secretary in practice, for auditing the secretarial and related records of the company.

(3) The Board of Directors, in their report made in terms of sub-section (3) of section 134, shall explain in full any qualification or observation or other remarks made by the company secretary in practice in his report under sub-section (1).

(4) If a company or any officer of the company or the company secretary in practice, contravenes the provisions of this section, the company, every officer of the company or the company secretary in practice, who is in default, shall be **[***liable to a penalty of two lakh rupees***]**.

---

89. Enforced with effect from 1-4-2014.
90. *See* also SS-2 - Secretarial Standard on General Meetings (*see* **Division Three**).
91. Public company having paid up share capital of Rs. 50 crore or more; or having turnover of Rs. 250 crore or more. *See* rule 9 and Form No. MR 3 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 (**Division Two**).

91a. Substituted for "punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Functions of company secretary.

205. (1) The functions of the company secretary shall include,—

(*a*) to report to the Board about compliance with the provisions of this Act, the rules made thereunder and other laws applicable to the company;

(*b*) to ensure that the company complies with the applicable secretarial standards;

(*c*) to discharge such other duties as may be prescribed.

Explanation.—For the purpose of this section, the expression "secretarial standards" means secretarial standards issued by the Institute of Company Secretaries of India constituted under section 3 of the Company Secretaries Act, 1980 (56 of 1980) and approved by the Central Government.

(2) The provisions contained in and shall not affect the duties and functions of the Board of Directors, chairperson of the company, managing director or whole-time director under this Act, or any other law for the time being in force.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER XIV

INSPECTION, INQUIRY AND INVESTIGATION

Power to call for information, inspect books and conduct inquiries .

206. (1) Where on a scrutiny of any document filed by a company or on any information received by him, the Registrar is of the opinion that any further information or explanation or any further documents relating to the company is necessary, he may by a written notice require the company—

(*a*) to furnish in writing such information or explanation; or

(*b*) to produce such documents,

within such reasonable time, as may be specified in the notice.

(2) On the receipt of a notice under sub-section (1), it shall be the duty of the company and of its officers concerned to furnish such information or explanation to the best of their knowledge and power and to produce the documents to the Registrar within the time specified or extended by the Registrar:

Provided that where such information or explanation relates to any past period, the officers who had been in the employment of the company for such period, if so called upon by the Registrar through a notice served on them in writing, shall also furnish such information or explanation to the best of their knowledge.

(3) If no information or explanation is furnished to the Registrar within the time specified under sub-section (1) or if the Registrar on an examination of the documents furnished is of the opinion that the information or explanation furnished is inadequate or if the Registrar is satisfied on a scrutiny of the documents furnished that an unsatisfactory state of affairs exists in the company and does not disclose a full and fair statement of the information required, he may, by another written notice, call on the company to produce for his inspection such further books of account, books, papers and explanations as he may require at such place and at such time as he may specify in the notice:

Provided that before any notice is served under this sub-section, the Registrar shall record his reasons in writing for issuing such notice.

(4) If the Registrar is satisfied on the basis of information available with or furnished to him or on a representation made to him by any person that the business of a company is being carried onfor a fraudulent or unlawful purpose or not in compliance with the provisions of this Act or if the grievances of investors are not being addressed, the Registrar may, after informing the company of the allegations made against it by a written order, call on the company to furnish in writing any information or explanation on matters specified in the order within such time as he may specify therein and carry out such inquiry as he deems fit after providing the company a reasonable opportunity of being heard:

Provided that the Central Government may, if it is satisfied that the circumstances so warrant, direct the Registrar or an inspector appointed by it for the purpose to carry out the inquiry under this sub-section:

Provided further that where business of a company has been or is being carried on for a fraudulent or unlawful purpose, every officer of the company who is in default shall be punishable for fraud in the manner as provided in .

(5) Without prejudice to the foregoing provisions of this section, the Central Government may, if it is satisfied that the circumstances so warrant, direct inspection of books and papers of a company by an inspector appointed by it for the purpose.

(6) The Central Government may, having regard to the circumstances by general or special order, authorise any statutory authority to carry out the inspection of books of account of a company or class of companies.

(7) If a company fails to furnish any information or explanation or produce any document required under this section, the company and every officer of the company, who is in default shall be punishable with a fine which may extend to one lakh rupees and in the case of a continuing failure, with an additional fine which may extend to five hundred rupees for every day after the first during which the failure continues.

Conduct of inspection and inquiry .

207. (1) Where a Registrar or inspector calls for the books of account and other books and papers under , it shall be the duty of every director, officer or other employee of the company to produce all such documents to the Registrar or inspector and furnish him with such statements, information or explanations in such form as the Registrar or inspector may require and shall render all assistance to the Registrar or inspector in connection with such inspection.

(2) The Registrar or inspector, making an inspection or inquiry under may, during the course of such inspection or inquiry, as the case may be,—

(*a*) make or cause to be made copies of books of account and other books and papers; or

(*b*) place or cause to be placed any marks of identification in such books in token of the inspection having been made.

(3) Notwithstanding anything contained in any other law for the time being in force or in any contract to the contrary, the Registrar or inspector making an inspection or inquiry shall have all the powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908), while trying a suit in respect of the following matters, namely:—

(*a*) the discovery and production of books of account and other documents, at such place and time as may be specified by such Registrar or inspector making the inspection or inquiry;

(*b*) summoning and enforcing the attendance of persons and examining them on oath; and

(*c*) inspection of any books, registers and other documents of the company at any place.

(4) (*i*) If any director or officer of the company disobeys the direction issued by the Registrar or the inspector under this section, the director or the officer shall be punishable with imprisonment which may extend to one year and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.

(*ii*) If a director or an officer of the company has been convicted of an offence under this section, the director or the officer shall, on and from the date on which he is so convicted, be deemed to have vacated his office as such and on such vacation of office, shall be disqualified from holding an office in any company.

Report on inspection made.

208 . The Registrar or inspector shall, after the inspection of the books of account or an inquiry under and other books and papers of the company under , submit a report in writing to the Central Government along with such documents, if any, and such report may, if necessary, include a recommendation that further investigation into the affairs of the company is necessary giving his reasons in support.

Search and seizure.

209 . (1) Where, upon information in his possession or otherwise, the Regis- trar or inspector has reasonable ground to believe that the books and papers of a company, or relating to the key managerial personnel or any director or auditor or company secretary in practice if the company has not appointed a company secretary, are likely to be destroyed, mutilated, altered, falsified or secreted, he may, after obtaining an order from the Special Court for the seizure of such books and papers,—

(*a*) enter, with such assistance as may be required, and search, the place or places where such books or papers are kept; and

(*b*) seize such books and papers as he considers necessary after allowing the company to take copies of, or extracts from, such books or papers at its cost.

(2) The Registrar or inspector shall return the books and papers seized under sub-section (1), as soon as may be, and in any case not later than one hundred and eightieth day after such seizure, to the company from whose custody or power such books or papers were seized :

Provided that the books and papers may be called for by the Registrar or inspector for a further period of one hundred and eighty days by an order in writing if they are needed again :

Provided further that the Registrar or inspector may, before returning such books and papers as aforesaid, take copies of, or extracts from them or place identification marks on them or any part thereof or deal with the same in such other manner as he considers necessary.

(3) The provisions of the Code of Criminal Procedure, 1973 (2 of 1974) relating to searches or seizures shall apply, *mutatis mutandis*, to every search and seizure made under this section.

Investigation into affairs of company .

210. (1) Where the Central Government is of the opinion, that it is necessary to investigate into the affairs of a company,—

(*a*) on the receipt of a report of the Registrar or inspector under ;

(*b*) on intimation of a special resolution passed by a company that the affairs of the company ought to be investigated; or

(*c*) in public interest,

it may order an investigation into the affairs of the company.

(2) Where an order is passed by a court or the Tribunal in any proceedings before it that the affairs of a company ought to be investigated, the Central Government shall order an investigation into the affairs of that company.

(3) For the purposes of this section, the Central Government may appoint one or more persons as inspectors to investigate into the affairs of the company and to report thereon in such manner as the Central Government may direct.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Establishment of Serious Fraud Investigation Office.

211. (1) The Central Government shall, by notification, establish an office to be called the Serious Fraud Investigation Office to investigate frauds relating to a company:

Provided that until the Serious Fraud Investigation Office is established under sub-section (1), the Serious Fraud Investigation Office set-up by the Central Government in terms of the Government of India Resolution No. 45011/16/2003-Adm-I, dated the 2nd July, 2003 shall be deemed to be the Serious Fraud Investigation Office for the purpose of this section.

(2) The Serious Fraud Investigation Office shall be headed by a Director and consist of such number of experts from the following fields to be appointed by the Central Government from amongst persons of ability, integrity and experience in,—

(*i*) banking;
(*ii*) corporate affairs;
(*iii*) taxation;
(*iv*) forensic audit;
(*v*) capital market;
(*vi*) information technology;
(*vii*) law; or
(*viii*) such other fields as may be prescribed.

(3) The Central Government shall, by notification, appoint a Director in the Serious Fraud Investigation Office, who shall be an officer not below the rank of a Joint Secretary to the Government of India having knowledge and experience in dealing with matters relating to corporate affairs.

(4) The Central Government may appoint such experts and other officers and employees in the Serious Fraud Investigation Office as it considers necessary for the efficient discharge of its functions under this Act.

(5) The terms and conditions of service of Director, experts, and other officers and employees of the Serious Fraud Investigation Office shall be such as may be prescribed.

Investigation into affairs of Company by Serious Fraud Investigation Office.

212. (1) Without prejudice to the provisions of section 210, where the Central Government is of the opinion, that it is necessary to investigate into the affairs of a company by the Serious Fraud Investigation Office—

(*a*) on receipt of a report of the Registrar or inspector under section 208;

(*b*) on intimation of a special resolution passed by a company that its affairs are required to be investigated;

(*c*) in the public interest; or

(*d*) on request from any Department of the Central Government or a State Government,

the Central Government may, by order, assign the investigation into the affairs of the said company to the Serious Fraud Investigation Office and its Director, may designate such number of inspectors, as he may consider necessary for the purpose of such investigation.

(2) Where any case has been assigned by the Central Government to the Serious Fraud Investigation Office for investigation under this Act, no other investigating agency of Central Government or any State Government shall proceed with investigation in such case in respect of any offence under this Act and in case any such investigation has already been initiated, it shall not be proceeded further with and the concerned agency shall transfer the relevant documents and records in respect of such offences under this Act to Serious Fraud Investigation Office.

(3) Where the investigation into the affairs of a company has been assigned by the Central Government to Serious Fraud Investigation Office, it shall conduct the investigation in the manner and follow the procedure provided in this Chapter; and submit its report to the Central Government within such period as may be specified in the order.

(4) The Director, Serious Fraud Investigation Office shall cause the affairs of the company to be investigated by an Investigating Officer who shall have the power of the inspector under section 217.

(5) The company and its officers and employees, who are or have been in employment of the company shall be responsible to provide all information, explanation, documents and assistance to the Investigating Officer as he may require for conduct of the investigation.

(6) Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), [offence covered under section 447] of this Act shall be cognizable and no person accused of any offence under those sections shall be released on bail or on his own bond unless—

(*i*) the Public Prosecutor has been given an opportunity to oppose the application for such release; and

(*ii*) where the Public Prosecutor opposes the application, the court is satisfied that there are reasonable grounds for believing that he is not guilty of such offence and that he is not likely to commit any offence while on bail:

Provided that a person, who, is under the age of sixteen years or is a woman or is sick or infirm, may be released on bail, if the Special Court so directs:

Provided further that the Special Court shall not take cognizance of any offence referred to in this sub-section except upon a complaint in writing made by—

(*i*) the Director, Serious Fraud Investigation Office; or

(*ii*) any officer of the Central Government authorised, by a general or special order in writing in this behalf by that Government.

(7) The limitation on granting of bail specified in sub-section (6) is in addition to the limitations under the Code of Criminal Procedure, 1973 (2 of 1974) or any other law for the time being in force on granting of bail.

(8)**[***If any officer not below the rank of Assistant Director***]** of Serious Frauds Investigation Office authorised in this behalf by the Central Government by general or special order, has on the basis of material in his possession reason to believe (the reason for such belief to be recorded in writing) that any person has been guilty of any offence punishable under sections referred to in sub-section (6), he may arrest such person and shall, as soon as may be, inform him of the grounds for such arrest.

(9)**[***The officer authorised under sub-section (8) shall, immediately after arrest of such person under such sub-section***]** (8), forward a copy of the order, along with the material in his possession, referred to in that sub-section, to the Serious Fraud Investigation Office in a sealed envelope, in such manner as may be prescribed and the Serious Fraud Investigation Office shall keep such order and material for such period as may be prescribed.

(10) Every person arrested under sub-section (8) shall within twenty-four hours, be taken to a **[***Special Court or Judicial Magistrate***]** or a Metropolitan Magistrate, as the case may be, having jurisdiction:

Provided that the period of twenty-four hours shall exclude the time necessary for the journey from the place of arrest to the **[***Special Court or Magistrate's court***]**.

(11) The Central Government if so directs, the Serious Fraud Investigation Office shall submit an interim report to the Central Government.

(12) On completion of the investigation, the Serious Fraud Investigation Office shall submit the investigation report to the Central Government.

(13) Notwithstanding anything contained in this Act or in any other law for the time being in force, a copy of the investigation report may be obtained by any person concerned by making an application in this regard to the court.

(14) On receipt of the investigation report, the Central Government may, after examination of the report (and after taking such legal advice, as it may think fit), direct the Serious Fraud Investigation Office to initiate prosecution against the company and its officers or employees, who are or have been in employment of the company or any other person directly or indirectly connected with the affairs of the company.

[*(14A) Where the report under sub-section (11) or sub-section (12) states that fraud has taken place in a company and due to such fraud any director, key managerial personnel, other officer of the company or any other person or entity, has taken undue advantage or benefit, whether in the form of any asset, property or cash or in any other manner, the Central Government may file an application before the Tribunal for appropriate orders with regard to disgorgement of such asset, property or cash and also for holding such director, key managerial personnel, other officer or any other person liable personally without any limitation of liability***.]**

(15) Notwithstanding anything contained in this Act or in any other law for the time being in force, the investigation report filed with the Special Court for framing of charges shall be deemed to be a report filed by a police officer under section 173 of the Code of Criminal Procedure, 1973 (2 of 1974).

(16) Notwithstanding anything contained in this Act, any investigation or other action taken or initiated by Serious Fraud Investigation Office under the provisions of the Companies Act, 1956 (1 of 1956) shall continue to be proceeded with under that Act as if this Act had not been passed.

(17) (*a*) In case Serious Fraud Investigation Office has been investigating any offence under this Act, any other investigating agency, State Government, police authority, income-tax authorities having any information or documents in respect of such offence shall provide all such information or documents available with it to the Serious Fraud Investigation Office;

(*b*) The Serious Fraud Investigation Office shall share any information or documents available with it, with any investigating agency, State Government, police authority or income-tax authorities, which may be relevant or useful for such investigating agency, State Government, police authority or income-tax authorities in respect of any offence or matter being investigated or examined by it under any other law.

---

79. Enforced with effect from 1-4-2014 [except references of sub-section (10) of section 66 sub-section (5) of section 140, section 213, sub-section (1) of section 251 and sub-section (3) of section 339 made in sub-section (6) and also sub-sections (8) to (10)].

79a. Enforced with effect from 1-4-2014 [except references of sub-section (10) of section 66, sub-section (5) of section 140, section 213, sub-section (1) of section 251 and sub-section (3) of section 339 made in sub-section (6) and also sub-sections (8) to (10)].

80. Substituted for "the offences covered under sub-sections (5) and (6) of section 7, section 34, section 36, sub-section (1) of section 38, sub-section (5) of section 46, sub-section (7) of section 56, sub-section (10) of section 66, sub-section (5) of section 140, sub-section (4) of section 206, section 213, section 229, sub-section (1) of section 251, sub-section (3) of section 339 and section 448 which attract the punishment for fraud provided in section 447" by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015.

*Enforced w.e.f. **24-8-2017**†

†**NOTIFICATION NO. SO 2751(E)[F.No.1/12/2013 CL-V], dated 24-8-2017.—**In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 24th day of August, 2017 as the date on which the provisions of sub-sections (8), (9) and sub-section (10) of section 212 of the said Act shall come into force.

80a. Substituted for "If the Director, Additional Director or Assistant Director" by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

80aa. Substituted for "the Director, Additional Director or Assistant Director of Serious Fraud Investigation Office shall, immediately after arrest of such person under sub-section (8)" by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

80ab. Substituted for "Judicial Magistrate" by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

80ac. Substituted for "Magistrate's court" by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

80ad. Inserted by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

81. For text of section 173 of the Code of Criminal Procedure, 1973, *see* **Appendix I**.

Investigation into company's affairs in other cases .

213. The Tribunal may,—

(*a*) on an application made by—

(*i*) not less than one hundred members or members holding not less than one-tenth of the total voting power, in the case of a company having a share capital; or

(*ii*) not less than one-fifth of the persons on the company's register of members, in the case of a company having no share capital,

and supported by such evidence as may be necessary for the purpose of showing that the applicants have good reasons for seeking an order for conducting an investigation into the affairs of the company; or

(*b*) on an application made to it by any other person or otherwise, if it is satisfied that there are circumstances suggesting that—

(*i*) the business of the company is being conducted with intent to defraud its creditors, members or any other person or otherwise for a fraudulent or unlawful purpose, or in a manner oppressive to any of its members or that the company was formed for any fraudulent or unlawful purpose;

(*ii*) persons concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud, misfeasance or other misconduct towards the company or towards any of its members; or

(*iii*) the members of the company have not been given all the information with respect to its affairs which they might reasonably expect, including information relating to the calculation of the commission payable to a managing or other director, or the manager, of the company,

order, after giving a reasonable opportunity of being heard to the parties concerned, that the affairs of the company ought to be investigated by an inspector or inspectors appointed by the Central Government and where such an order is passed, the Central Government shall appoint one or more competent persons as inspectors to investigate into the affairs of the company in respect of such matters and to report thereupon to it in such manner as the Central Government may direct:

Provided that if after investigation it is proved that—

(*i*) the business of the company is being conducted with intent to defraud its creditors, members or any other persons or otherwise for a fraudulent or unlawful purpose, or that the company was formed for any fraudulent or unlawful purpose; or

(*ii*) any person concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud,

then, every officer of the company who is in default and the person or persons concerned in the formation of the company or the management of its affairs shall be punishable for fraud in the manner as provided in .

Security for payment of costs and expenses of investigation.

214. Where an investigation is ordered by the Central Government in pursu- ance of clause (*b*) of sub-section (1) of , or in pursuance of an order made by the Tribunal under , the Central Government may before appointing an inspector under sub-section (3) of or clause (*b*) of , require the applicant to give such security not exceeding twenty-five thousand rupees as may be prescribed, as it may think fit, for payment of the costs and expenses of the investigation and such security shall be refunded to the applicant if the investigation results in prosecution.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Firm, body corporate or association not to be appointed as inspector.

215. No firm, body corporate or other association shall be appointed as an inspector.

Investigation of ownership of company.

216. (1) Where it appears to the Central Government that there is a reason so to do, it may appoint one or more inspectors to investigate and report on matters relating to the company, and its membership for the purpose of determining the true persons—

(*a*) who are or have been financially interested in the success or failure, whether real or apparent, of the company; or

(*b*) who are or have been able to control or to materially influence the policy of the **[***company; or***]**

[(*c*) *who have or had beneficial interest in shares of a company or who are or have been beneficial owners or significant beneficial owner of a company.***]**

(2) Without prejudice to its powers under sub-section (1), the Central Government shall appoint one or more inspectors under that sub-section, if the Tribunal, in the course of any proceeding before it, directs by an order that the affairs of the company ought to be investigated as regards the membership of the company and other matters relating to the company, for the purposes specified in sub-section (1).

(3) While appointing an inspector under sub-section (1), the Central Government may define the scope of the investigation, whether as respects the matters or the period to which it is to extend or otherwise, and in particular, may limit the investigation to matters connected with particular shares or debentures.

(4) Subject to the terms of appointment of an inspector, his powers shall extend to the investigation of any circumstances suggesting the existence of any arrangement or understanding which, though not legally binding, is or was observed or is likely to be observed in practice and which is relevant for the purposes of his investigation.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Procedure, powers, etc., of inspectors .

217. (1) It shall be the duty of all officers and other employees and agents including the former officers, employees and agents of a company which is under investigation in accordance with the provisions contained in this Chapter, and where the affairs of any other body corporate or a person are investigated under , of all officers and other employees and agents including former officers, employees and agents of such body corporate or a person—

(*a*) to preserve and to produce to an inspector or any person authorised by him in this behalf all books and papers of, or relating to, the company or, as the case may be, relating to the other body corporate or the person, which are in their custody or power; and

(*b*) otherwise to give to the inspector all assistance in connection with the investigation which they are reasonably able to give.

(2) The inspector may require any body corporate, other than a body corporate referred to in sub-section (1), to furnish such information to, or produce such books and papers before him or any person authorised by him in this behalf as he may consider necessary, if the furnishing of such information or the production of such books and papers is relevant or necessary for the purposes of his investigation.

(3) The inspector shall not keep in his custody any books and papers produced under sub-section (1) or sub-section (2) for more than one hundred and eighty days and return the same to the company, body corporate, firm or individual by whom or on whose behalf the books and papers were produced:

Provided that the books and papers may be called for by the inspector if they are needed again for a further period of one hundred and eighty days by an order in writing.

(4) An inspector may examine on oath—

(*a*) any of the persons referred to in sub-section (1); and

(*b*) with the prior approval of the Central Government, any other person,

in relation to the affairs of the company, or other body corporate or person, as the case may be, and for that purpose may require any of those persons to appear before him personally:

Provided that in case of an investigation under , the prior approval of Director, Serious Fraud Investigation Office shall be sufficient under clause (*b*).

(5) Notwithstanding anything contained in any other law for the time being in force or in any contract to the contrary, the inspector, being an officer of the Central Government, making an investigation under this Chapter shall have all the powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908), while trying a suit in respect of the following matters, namely:—

(*a*) the discovery and production of books of account and other documents, at such place and time as may be specified by such person;

(*b*) summoning and enforcing the attendance of persons and examining them on oath; and

(*c*) inspection of any books, registers and other documents of the company at any place.

(6) (*i*) If any director or officer of the company disobeys the direction issued by the Registrar or the inspector under this section, the director or the officer shall be punishable with imprisonment which may extend to one year and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.

(*ii*) If a director or an officer of the company has been convicted of an offence under this section, the director or the officer shall, on and from the date on which he is so convicted, be deemed to have vacated his office as such and on such vacation of office, shall be disqualified from holding an office in any company.

(7) The notes of any examination under sub-section (4) shall be taken down in writing and shall be read over to, or by, and signed by, the person examined, and may thereafter be used in evidence against him.

(8) If any person fails without reasonable cause or refuses—

(*a*) to produce to an inspector or any person authorised by him in this behalf any book or paper which is his duty under sub-section (1) or sub-section (2) to produce;

(*b*) to furnish any information which is his duty under sub-section (2) to furnish;

(*c*) to appear before the inspector personally when required to do so under sub-section (4) or to answer any question which is put to him by the inspector in pursuance of that sub-section; or

(*d*) to sign the notes of any examination referred to in sub-section (7),

he shall be punishable with imprisonment for a term which may extend to six months and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, and also with a further fine which may extend to two thousand rupees for every day after the first during which the failure or refusal continues.

(9) The officers of the Central Government, State Government, police or statutory authority shall provide assistance to the inspector for the purpose of inspection, inquiry or investigation, which the inspector may, with the prior approval of the Central Government, require.

(10) The Central Government may enter into an agreement with the Government of a foreign State for reciprocal arrangements to assist in any inspection, inquiry or investigation under this Act or under the corresponding law in force in that State and may, by notification, render the application of this Chapter in relation to a foreign State with which reciprocal arrangements have been made subject to such modifications, exceptions, conditions and qualifications as may be deemed expedient for implementing the agreement with that State.

(11) Notwithstanding anything contained in this Act or in the Code of Criminal Procedure, 1973 (2 of 1974) if, in the course of an investigation into the affairs of the company, an application is made to the competent court in India by the inspector stating that evidence is, or may be, available in a country or place outside India, such court may issue a letter of request to a court or an authority in such country or place, competent to deal with such request, to examine orally, or otherwise, any person, supposed to be acquainted with the facts and circumstances of the case, to record his statement made in the course of such

examination and also to require such person or any other person to produce any document or thing, which may be in his possession pertaining to the case, and to forward all the evidence so taken or collected or the authenticated copies thereof or the things so collected to the court in India which had issued such letter of request:

Provided that the letter of request shall be transmitted in such manner as the Central Government may specify in this behalf:

Provided further that every statement recorded or document or thing received under this sub-section shall be deemed to be the evidence collected during the course of investigation.

(12) Upon receipt of a letter of request from a court or an authority in a country or place outside India, competent to issue such letter in that country or place for the examination of any person or production of any document or thing in relation to affairs of a company under investigation in that country or place, the Central Government may, if it thinks fit, forward such letter of request to the court concerned, which shall thereupon summon the person before it and record his statement or cause any document or thing to be produced, or send the letter to any inspector for investigation, who shall thereupon investigate into the affairs of company in the same manner as the affairs of a company are investigated under this Act and the inspector shall submit the report to such court within thirty days or such extended time as the court may allow for further action:

Provided that the evidence taken or collected under this sub-section or authenticated copies thereof or the things so collected shall be forwarded by the court, to the Central Government for transmission, in such manner as the Central Government may deem fit, to the court or the authority in country or place outside India which had issued the letter of request.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Protection of employees during investigation.

218. (1) Notwithstanding anything contained in any other law for the time being in force, if—

(*a*) during the course of any investigation of the affairs and other matters of or relating to a company, other body corporate or person under , , or or of the membership and other matters of or relating to a company, or the ownership of shares in or debentures of a company or body corporate, or the affairs and other matters of or relating to a company, other body corporate or person, under ; or

(*b*) during the pendency of any proceeding against any person concerned in the conduct and management of the affairs of a company under Chapter XVI,

such company, other body corporate or person proposes—

(*i*) to discharge or suspend any employee; or

(*ii*) to punish him, whether by dismissal, removal, reduction in rank or otherwise; or

(*iii*) to change the terms of employment to his disadvantage,

the company, other body corporate or person, as the case may be, shall obtain approval of the Tribunal of the action proposed against the employee and if the Tribunal has any objection to the action proposed, it shall send by post notice thereof in writing to the company, other body corporate or person concerned.

(2) If the company, other body corporate or person concerned does not receive within thirty days of making of application under sub-section (1), the approval of the Tribunal, then and only then, the company, other body corporate or person concerned may proceed to take against the employee, the action proposed.

(3) If the company, other body corporate or person concerned is dissatisfied with the objection raised by the Tribunal, it may, within a period of thirty days of the receipt of the notice of the objection, prefer an appeal to the Appellate Tribunal in such manner and on payment of such fees as may be prescribed.

(4) The decision of the Appellate Tribunal on such appeal shall be final and binding on the Tribunal and on the company, other body corporate or person concerned.

(5) For the removal of doubts, it is hereby declared that the provisions of this section shall have effect without prejudice to the provisions of any other law for the time being in force.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power of inspector to conduct investigation into affairs of related companies, etc.

219. If an inspector appointed under or or to investigate into the affairs of a company considers it necessary for the purposes of the investigation, to investigate also the affairs of—

(*a*) any other body corporate which is, or has at any relevant time been the company's subsidiary company or holding company, or a subsidiary company of its holding company;

(*b*) any other body corporate which is, or has at any relevant time been managed by any person as managing director or as manager, who is, or was, at the relevant time, the managing director or the manager of the company;

(*c*) any other body corporate whose Board of Directors comprises nominees of the company or is accustomed to act in accordance with the directions or instructions of the company or any of its directors; or

(*d*) any person who is or has at any relevant time been the company's managing director or manager or employee,

he shall, subject to the prior approval of the Central Government, investigate into and report on the affairs of the other body corporate or of the managing director or manager, in so far as he considers that the results of his investigation are relevant to the investigation of the affairs of the company for which he is appointed.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Seizure of documents by inspector.

220. (1) Where in the course of an investigation under this Chapter, the inspector has reasonable grounds to believe that the books and papers of, or relating to, any company or other body corporate or managing director or manager of such company are likely to be destroyed, mutilated, altered, falsified or secreted, the inspector may—

(*a*) enter, with such assistance as may be required, the place or places where such books and papers are kept in such manner as may be required; and

(*b*) seize books and papers as he considers necessary after allowing the company to take copies of, or extracts from, such books and papers at its cost for the purposes of his investigation.

(2) The inspector shall keep in his custody the books and papers seized under this section for such a period not later than the conclusion of the investigation as he considers necessary and thereafter shall return the same to the company or the other body corporate, or, as the case may be, to the managing director or the manager or any other person from whose custody or power they were seized:

Provided that the inspector may, before returning such books and papers as aforesaid, take copies of, or extracts from them or place identification marks on them or any part thereof or deal with the same in such manner as he considers necessary.

(3) The provisions of the Code of Criminal Procedure, 1973 (2 of 1974), relating to searches or seizures shall apply *mutatis mutandis* to every search or seizure made under this section.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Freezing of assets of company on inquiry and investigation.

221. (1) Where it appears to the Tribunal, on a reference made to it by the Central Government or in connection with any inquiry or investigation into the affairs of a company under this Chapter or on any complaint made by such number of members as specified under sub-section (1) of section 244 or a creditor having one lakh amount outstanding against the company or any other person having a reasonable ground to believe that the removal, transfer or disposal of funds, assets, properties of the company is likely to take place in a manner that is prejudicial to the interests of the company or its shareholders or creditors or in public interest, it may by order direct that such transfer, removal or disposal shall not take place during such period not exceeding three years as may be specified in the order or may take place subject to such conditions and restrictions as the Tribunal may deem fit.

(2) In case of any removal, transfer or disposal of funds, assets, or properties of the company in contravention of the order of the Tribunal under sub-section (1), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Imposition of restrictions upon securities .

222. (1) Where it appears to the Tribunal, in connection with any investiga- tion under or on a complaint made by any person in this behalf, that there is good reason to find out the relevant facts about any securities issued or to be issued by a company and the Tribunal is of the opinion that such facts cannot be found out unless certain restrictions, as it may deem fit, are imposed, the Tribunal may, by order, direct that the securities shall be subject to such restrictions as it may deem fit for such period not exceeding three years as may be specified in the order.

(2) Where securities in any company are issued or transferred or acted upon in contravention of an order of the Tribunal under sub-section (1), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both.

Inspector's report.

223. (1) An inspector appointed under this Chapter may, and if so directed by the Central Government shall, submit interim reports to that Government, and on the conclusion of the investigation, shall submit a final report to the Central Government.

(2) Every report made under sub-section (1) shall be in writing or printed as the Central Government may direct.

(3) A copy of the report made under sub-section (1) may be obtained **[***by members, creditors or any other person whose interest is likely to be affected***]** by making an application in this regard to the Central Government.

(4) The report of any inspector appointed under this Chapter shall be authenticated either—

(*a*) by the seal [, if any,] of the company whose affairs have been investi-gated; or

(*b*) by a certificate of a public officer having the custody of the report, as provided under section 76 of the Indian Evidence Act, 1872 (1 of 1872), and such report shall be admissible in any legal proceeding as evidence in relation to any matter contained in the report.

(5) Nothing in this section shall apply to the report referred to in section 212.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Actions to be taken in pursuance of inspector's report .

224. (1) If, from an inspector's report, made under , it appears to the Central Government that any person has, in relation to the company or in relation to any other body corporate or other person whose affairs have been investigated under this Chapter been guilty of any offence for which he is criminally liable, the Central Government may prosecute such person for the offence and it shall be the duty of all officers and other employees of the company or body corporate to give the Central Government the necessary assistance in connection with the prosecution.

(2) If any company or other body corporate is liable to be wound up under this Act **[***or under the Insolvency and Bankruptcy Code, 2016***]** and it appears to the Central Government from any such report made under that it is expedient so to do by reason of any such circumstances as are referred to in , the Central Government may, unless the company or body corporate is already being wound up by the Tribunal, cause to be presented to the Tribunal by any person authorised by the Central Government in this behalf—

(*a*) a petition for the winding up of the company or body corporate on the ground that it is just and equitable that it should be wound up;

(*b*) an application under ; or

(*c*) both.

(3) If from any such report as aforesaid, it appears to the Central Government that proceedings ought, in the public interest, to be brought by the company or any body corporate whose affairs have been investigated under this Chapter—

(*a*) for the recovery of damages in respect of any fraud, misfeasance or other misconduct in connection with the promotion or formation, or the management of the affairs, of such company or body corporate; or

(*b*) for the recovery of any property of such company or body corporate which has been misapplied or wrongfully retained,

*the Central Government may itself bring proceedings for winding up (*sic*) in the name of such company or body corporate.*

(4) The Central Government, shall be indemnified by such company or body corporate against any costs or expenses incurred by it in, or in connection with, any proceedings brought by virtue of sub-section (3).

(5) Where the report made by an inspector states that fraud has taken place in a company and due to such fraud any director, key managerial personnel, other officer of the company or any other person or entity, has taken undue advantage or benefit, whether in the form of any asset, property or cash or in any other manner, the Central Government may file an application before the Tribunal for appropriate orders with regard to disgorgement of such asset, property, or cash, as the case may be, and also for holding such director, key managerial personnel, officer or other person liable personally without any limitation of liability.

Expenses of investigation.

225. (1) The expenses of, and incidental to, an investigation by an inspector appointed by the Central Government under this Chapter other than expenses of inspection under shall be defrayed in the first instance by the Central Government, but shall be reimbursed by the following persons to the extent mentioned below, namely:—

(*a*) any person who is convicted on a prosecution instituted, or who is ordered to pay damages or restore any property in proceedings brought, under , to the extent that he may in the same proceedings be ordered to pay the said expenses as may be specified by the court convicting such person, or ordering him to pay such damages or restore such property, as the case may be;

(*b*) any company or body corporate in whose name proceedings are brought as aforesaid, to the extent of the amount or value of any sums or property recovered by it as a result of such proceedings;

(*c*) unless, as a result of the investigation, a prosecution is instituted under,—

(*i*) any company, body corporate, managing director or manager dealt with by the report of the inspector; and

(*ii*) the applicants for the investigation, where the inspector was appointed under ,

to such extent as the Central Government may direct.

(2) Any amount for which a company or body corporate is liable under clause (*b*) of sub-section (1) shall be a first charge on the sums or property mentioned in that clause.

Voluntary winding up of company, etc., not to stop investigation proceedings.

226. An investigation under this Chapter may be initiated notwithstanding, and no such investigation shall be stopped or suspended by reason only of, the fact that—

(*a*) an application has been made under ;

(*b*) the company has passed a special resolution for voluntary winding up; or

(*c*) any other proceeding for the winding up of the company is pending before the Tribunal:

Provided that where a winding up order is passed by the Tribunal in a proceeding referred to in clause (*c*), the inspector shall inform the Tribunal about the pendency of the investigation proceedings before him and the Tribunal shall pass such order as it may deem fit:

Provided further that nothing in the winding up order shall absolve any director or other employee of the company from participating in the proceedings before the inspector or any liability as a result of the finding by the inspector.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Legal advisers and bankers not to disclose certain information.

227. Nothing in this Chapter shall require the disclosure to the Tribunal or to the Central Government or to the Registrar or to an inspector appointed by the Central Government—

(*a*) by a legal adviser, of any privileged communication made to him in that capacity, except as respects the name and address of his client; or

(*b*) by the bankers of any company, body corporate, or other person, of any information as to the affairs of any of their customers, other than such company, body corporate, or person.

Investigation, etc., of foreign companies.

228. The provisions of this Chapter shall apply *mutatis mutandis* to inspec- tion, inquiry or investigation in relation to foreign companies.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Penalty for furnishing false statement, mutilation, destruction of documents.

229. Where a person who is required to provide an explanation or make a statement during the course of inspection, inquiry or investigation, or an officer or other employee of a company or other body corporate which is also under investigation,—

(*a*) destroys, mutilates or falsifies, or conceals or tampers or unauthorisedly removes, or is a party to the destruction, mutilation or falsification or concealment or tampering or unauthorised removal of, documents relating to the property, assets or affairs of the company or the body corporate;

(*b*) makes, or is a party to the making of, a false entry in any document concerning the company or body corporate; or

(*c*) provides an explanation which is false or which he knows to be false,

he shall be punishable for fraud in the manner as provided in .

CHAPTER XV

COMPROMISES, ARRANGEMENTS AND AMALGAMATIONS

Power to compromise or make arrangements with creditors and members.

230.(1) Where a compromise or arrangement is proposed—

(*a*) between a company and its creditors or any class of them; or

(*b*) between a company and its members or any class of them,

the Tribunal may, on the application of the company or of any creditor or member of the company, or in the case of a company which is being wound up, of the liquidator, [appointed under this Act or under the Insolvency and Bankruptcy Code, 2016, as the case may be,] order a meeting of the creditors or class of creditors, or of the members or class of members, as the case may be, to be called, held and conducted in such manner as the Tribunal directs.

Explanation.—For the purposes of this sub-section, arrangement includes a reorganisation of the company's share capital by the consolidation of shares of different classes or by the division of shares into shares of different classes, or by both of those methods.

(2) The company or any other person, by whom an application is made under sub-section (1), shall disclose to the Tribunal by affidavit—

(*a*) all material facts relating to the company, such as the latest financial position of the company, the latest auditor's report on the accounts of the company and the pendency of any investigation or proceedings against the company;

(*b*) reduction of share capital of the company, if any, included in the compromise or arrangement;

(*c*) any scheme of corporate debt restructuring consented to by not less than seventy-five per cent of the secured creditors in value, including—

(*i*) a creditor's responsibility statement in the prescribed form;

(*ii*) safeguards for the protection of other secured and unsecured creditors;

(*iii*) report by the auditor that the fund requirements of the company after the corporate debt restructuring as approved shall conform to the liquidity test based upon the estimates provided to them by the Board;

(*iv*) where the company proposes to adopt the corporate debt restructuring guidelines specified by the Reserve Bank of India, a statement to that effect; and

(*v*) a valuation report in respect of the shares and the property and all assets, tangible and intangible, movable and immovable, of the company by a registered valuer.

(3) Where a meeting is proposed to be called in pursuance of an order of the Tribunal under sub-section (1), a notice of such meeting shall be sent to all the creditors or class of creditors and to all the members or class of members and the debenture-holders of the company, individually at the address registered with the company which shall be accompanied by a statement disclosing the details of the compromise or arrangement, a copy of the valuation report, if any, and explaining their effect on creditors, key managerial personnel, promoters and non-promoter members, and the debenture-holders and the effect of the compromise or arrangement on any material interests of the directors of the company or the debenture trustees, and such other matters as may be prescribed:

Provided that such notice and other documents shall also be placed on the website of the company, if any, and in case of a listed company, these documents shall be sent to the Securities and Exchange Board and stock exchange where the securities of the companies are listed, for placing on their website and shall also be published in newspapers in such manner as may be prescribed:

Provided further that where the notice for the meeting is also issued by way of an advertisement, it shall indicate the time within which copies of the compromise or arrangement shall be made available to the concerned persons free of charge from the registered office of the company.

(4) A notice under sub-section (3) shall provide that the persons to whom the notice is sent may vote in the meeting either themselves or through proxies or by postal ballot to the adoption of the compromise or arrangement within one month from the date of receipt of such notice:

Provided that any objection to the compromise or arrangement shall be made only by persons holding not less than ten per cent of the shareholding or having outstanding debt amounting to not less than five per cent of the total outstanding debt as per the latest audited financial statement.

(5) A notice under sub-section (3) along with all the documents in such form as may be prescribed shall also be sent to the Central Government, the income-tax authorities, the Reserve Bank of India, the Securities and Exchange Board, the Registrar, the respective stock exchanges, the Official Liquidator, the Competition Commission of India established under sub-section (1) of section 7 of the Competition Act, 2002 (12 of 2003), if necessary, and such other sectoral regulators or authorities which are likely to be affected by the compromise or arrangement and shall require that representations, if any, to be made by them shall be made within a period of thirty days from the date of receipt of such notice, failing which, it shall be presumed that they have no representations to make on the proposals.

(6) Where, at a meeting held in pursuance of sub-section (1), majority of persons representing three-fourths in value of the creditors, or class of creditors or members or class of members, as the case may be, voting in person or by proxy or by postal ballot, agree to any compromise or arrangement and if such compromise or arrangement is sanctioned by the Tribunal by an order, the same shall be binding on the company, all the creditors, or class of creditors or members or class of members, as the case may be, or, in case of a company being wound up, on the liquidator [appointed under this Act or under the Insolvency and Bankruptcy Code, 2016, as the case may be,] and the contributories of the company.

(7) An order made by the Tribunal under sub-section (6) shall provide for all or any of the following matters, namely:—

(*a*) where the compromise or arrangement provides for conversion of preference shares into equity shares, such preference shareholders shall be given an option to either obtain arrears of dividend in cash or accept equity shares equal to the value of the dividend payable;

(*b*) the protection of any class of creditors;

(*c*) if the compromise or arrangement results in the variation of the shareholders' rights, it shall be given effect to under the provisions of section 48;

(*d*) if the compromise or arrangement is agreed to by the creditors under sub-section (6), any proceedings pending before the Board for Industrial and Financial Reconstruction established under section 4 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986) shall abate;

(*e*) such other matters including exit offer to dissenting shareholders, if any, as are in the opinion of the Tribunal necessary to effectively implement the terms of the compromise or arrangement:

Provided that no compromise or arrangement shall be sanctioned by the Tribunal unless a certificate by the company's auditor has been filed with the Tribunal to the effect that the accounting treatment, if any, proposed in the scheme of compromise or arrangement is in conformity with the accounting standards prescribed under 102120000000029678.

(8) The order of the Tribunal shall be filed with the Registrar by the company within a period of thirty days of the receipt of the order.

(9) The Tribunal may dispense with calling of a meeting of creditor or class of creditors where such creditors or class of creditors, having at least ninety per cent value, agree and confirm, by way of affidavit, to the scheme of compromise or arrangement.

(10) No compromise or arrangement in respect of any buy-back of securities under this section shall be sanctioned by the Tribunal unless such buy-back is in accordance with the provisions of section 68.

(11) Any compromise or arrangement may include takeover offer made in such manner as may be prescribed:

Provided that in case of listed companies, takeover offer shall be as per the regulations framed by the Securities and Exchange Board.

(12) An aggrieved party may make an application to the Tribunal in the event of any grievances with respect to the takeover offer of companies other than listed companies in such manner as may be prescribed and the Tribunal may, on application, pass such order as it may deem fit.

Explanation.—For the removal of doubts, it is hereby declared that the provisions of shall not apply to the reduction of share capital effected in pursuance of the order of the Tribunal under this section.

---

30. Corresponds to sections 390, 391, 393 and 394A of the 1956 Act.
31. *See* Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (**Division Two**). For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act. *See* also SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
32. Except sub-sections (11) and (12), section 230 enforced with effect from 15-12-2016.
33. *See* Circular No. 1/2014, dated 15-1-2014 [Taking Accounts of Comments/Inputs from Income-tax Department and other Sectoral Regulators while filing reports by RDs]. For details, *see* **Division Three**.
34. For meaning of the terms/expressions "arrangement", "as the case may be", "class", "company", "creditor" and "may", *see* **Appendix II**.
34a. Prescribed fees is Rs. 5000.
34b. Inserted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016.
35. For meaning of the terms/expressions "latest", "latest auditor's report" and "interests", *see* **Appendix II**.
35a. Powers are delegated to Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Shillong.
36. For text of section 7(1) of the Competition Act, 2002, *see* **Appendix I**.
37. For meaning of the expressions "as the case may be" and "voting in person", *see* **Appendix II**.
37a. Inserted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016.
38. For text of section 4 of the Sick Industrial Companies (Special Provisions) Act, 1985, *see* **Appendix I**.
38a. Enforced with effect from **3-2-2020**.

Power of Tribunal to enforce compromise or arrangement .

231. (1) Where the Tribunal makes an order under sanctioning a compromise or an arrangement in respect of a company, it—

(*a*) shall have power to supervise the implementation of the compromise or arrangement; and

(*b*) may, at the time of making such order or at any time thereafter, give such directions in regard to any matter or make such modifications in the compromise or arrangement as it may consider necessary for the proper implementation of the compromise or arrangement.

(2) If the Tribunal is satisfied that the compromise or arrangement sanctioned under cannot be implemented satisfactorily with or without modifications, and the company is unable to pay its debts as per the scheme, it may make an order for winding up the company and such an order shall be deemed to be an order made under .

(3) The provisions of this section shall, so far as may be, also apply to a company in respect of which an order has been made before the commencement of this Act sanctioning a compromise or an arrangement.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Merger and amalgamation of companies.

232. (1) Where an application is made to the Tribunal under section 230 for the sanctioning of a compromise or an arrangement proposed between a company and any such persons as are mentioned in that section, and it is shown to the Tribunal—

(*a*) that the compromise or arrangement has been proposed for the purposes of, or in connection with, a scheme for the reconstruction of the company or companies involving merger or the amalgamation of any two or more companies; and

(*b*) that under the scheme, the whole or any part of the undertaking, property or liabilities of any company (hereinafter referred to as the transferor company) is required to be transferred to another company (hereinafter referred to as the transferee company), or is proposed to be divided among and transferred to two or more companies,

the Tribunal may on such application, order a meeting of the creditors or class of creditors or the members or class of members, as the case may be, to be called, held and conducted in such manner as the Tribunal may direct and the provisions of sub-sections (3) to (6) of section 230 shall apply *mutatis mutandis*.

(2) Where an order has been made by the Tribunal under sub-section (1), merging companies or the companies in respect of which a division is proposed, shall also be required to circulate the following for the meeting so ordered by the Tribunal, namely:—

(*a*) the draft of the proposed terms of the scheme drawn up and adopted by the directors of the merging company;

(*b*) confirmation that a copy of the draft scheme has been filed with the Registrar;

(*c*) a report adopted by the directors of the merging companies explaining effect of compromise on each class of shareholders, key managerial personnel, promotors and non-promoter shareholders laying out in particular the share exchange ratio, specifying any special valuation difficulties;

(*d*) the report of the expert with regard to valuation, if any;

(*e*) a supplementary accounting statement if the last annual accounts of any of the merging company relate to a financial year ending more than six months before the first meeting of the company summoned for the purposes of approving the scheme.

(3) The Tribunal, after satisfying itself that the procedure specified in sub-sections (1) and (2) has been complied with, may, by order, sanction the compromise or arrangement or by a subsequent order, make provision for the following matters, namely:—

(*a*) the transfer to the transferee company of the whole or any part of the undertaking, property or liabilities of the transferor company from a date to be determined by the parties unless the Tribunal, for reasons to be recorded by it in writing, decides otherwise;

(*b*) the allotment or appropriation by the transferee company of any shares, debentures, policies or other like instruments in the company which, under the compromise or arrangement, are to be allotted or appropriated by that company to or for any person:
Provided that a transferee company shall not, as a result of the compromise or arrangement, hold any shares in its own name or in the name of any trust whether on its behalf or on behalf of any of its subsidiary or associate companies and any such shares shall be cancelled or extinguished;

(*c*) the continuation by or against the transferee company of any legal proceedings pending by or against any transferor company on the date of transfer;

(*d*) dissolution, without winding-up, of any transferor company;

(*e*) the provision to be made for any persons who, within such time and in such manner as the Tribunal directs, dissent from the compromise or arrangement;

(*f*) where share capital is held by any non-resident shareholder under the foreign direct investment norms or guidelines specified by the Central Government or in accordance with any law for the time being in force, the allotment of shares of the transferee company to such shareholder shall be in the manner specified in the order;

(*g*) the transfer of the employees of the transferor company to the transferee company;

(*h*) where the transferor company is a listed company and the transferee company is an unlisted company,—

(*A*) the transferee company shall remain an unlisted company until it becomes a listed company;

(*B*) if shareholders of the transferor company decide to opt out of the transferee company, provision shall be made for payment of the value of shares held by them and other benefits in accordance with a pre-determined price formula or after a valuation is made, and the arrangements under this provision may be made by the Tribunal:

Provided that the amount of payment or valuation under this clause for any share shall not be less than what has been specified by the Securities and Exchange Board under any regulations framed by it;

(*i*) where the transferor company is dissolved, the fee, if any, paid by the transferor company on its authorised capital shall be set-off against any fees payable by the transferee company on its authorised capital subsequent to the amalgamation; and

(*j*) such incidental, consequential and supplemental matters as are deemed necessary to secure that the merger or amalgamation is fully and effectively carried out:

Provided that no compromise or arrangement shall be sanctioned by the Tribunal unless a certificate by the company's auditor has been filed with the Tribunal to the effect that the accounting treatment, if any, proposed in the scheme of compromise or arrangement is in conformity with the accounting standards prescribed under section 133.

(4) Where an order under this section provides for the transfer of any property or liabilities, then, by virtue of the order, that property shall be transferred to the transferee company and the liabilities shall be transferred to and become the liabilities of the transferee company and any property may, if the order so directs, be freed from any charge which shall by virtue of the compromise or arrangement, cease to have effect.

(5) Every company in relation to which the order is made shall cause a certified copy of the order to be filed with the Registrar for registration within thirty days of the receipt of certified copy of the order.

(6) The scheme under this section shall clearly indicate an appointed date from which it shall be effective and the scheme shall be deemed to be effective from such date and not at a date subsequent to the appointed date.

(7) Every company in relation to which the order is made shall, until the completion of the scheme, file a statement in such form and within such time as may be prescribed with the Registrar every year duly certified by a chartered accountant or a cost accountant or a company secretary in practice indicating whether the scheme is being complied with in accordance with the orders of the Tribunal or not.

[*(8) If a company fails to comply with sub-section (5), the company and every officer of the company who is in default shall be liable to a penalty of twenty thousand rupees, and where the failure is a continuing one, with a further penalty of one thousand rupees for each day after the first during which such failure continues, subject to a maximum of three lakh rupees.***]**

Explanation.—For the purposes of this section,—

(*i*) in a scheme involving a merger, whereunder the scheme the undertaking, property and liabilities of one or more companies, including the company in respect of which the compromise or arrangement is proposed, are to be transferred to another existing company, it is a merger by absorption, or where the undertaking, property and liabilities of two or more companies, including the company in respect of which the compromise or arrangement is proposed, are to be transferred to a new company, whether or not a public company, it is a merger by formation of a new company;

(*ii*) references to merging companies are in relation to a merger by absorption, to the transferor and transferee companies, and, in relation to a merger by formation of a new company, to the transferor companies;

(*iii*) a scheme involves a division, whereunder the scheme the undertaking, property and liabilities of the company in respect of which the compromise or arrangement is proposed are to be divided among and transferred to two or more companies each of which is either an existing company or a new company; and

(*iv*) property includes assets, rights and interests of every description and liabilities include debts and obligations of every description.

---

97. Corresponds to section 394 of the 1956 Act.

98. Enforced with effect from 15-12-2016. *See* also Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (**Division Two**).

99. In case of Government Companies, in sections 230 to 232 for the word "Tribunal", wherever it occurs, the words "Central Government" shall be substituted.—*Notification No. GSR 463(E), dated 5-6-2015, as amended by, Notification No. GSR 582(E), dated 13-6-2017.*

1. For meaning of the expression "reconstruction/amalgamation", *see* **Appendix II**.

1a. *See* General Circular No. 9/2019, dated 21-8-2019 [Specification of Specific Calendar date as 'appointed date' in the Schemes]. (*See* **Division Three**)

1b. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (8) read as under :

"(8) If a transferor company or a transferee company contravenes the provisions of this section, the transferor company or the transferee company, as the case may be, shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of such transferor or transferee company who is in default, shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees, or with both."

2. For meaning of the term "property", *see* **Appendix II**.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Merger or amalgamation of certain companies.

233. (1) Notwithstanding the provisions of and , a scheme of merger or amalgamation may be entered into between two or more small companies or between a holding company and its wholly-owned subsidiary company or such other class or classes of companies as may be prescribed, subject to the following, namely:—

(*a*) a notice of the proposed scheme inviting objections or suggestions, if any, from the Registrar and Official Liquidators where registered office of the respective companies are situated or persons affected by the scheme within thirty days is issued by the transferor company or companies and the transferee company;

(*b*) the objections and suggestions received are considered by the companies in their respective general meetings and the scheme is approved by the respective members or class of members at a general meeting holding at least ninety per cent of the total number of shares;

(*c*) each of the companies involved in the merger files a declaration of solvency, in the prescribed form, with the Registrar of the place where the registered office of the company is situated; and

(*d*) the scheme is approved by majority representing nine-tenths in value of the creditors or class of creditors of respective companies indicated in a meeting convened by the company by giving a notice of twenty-one days along with the scheme to its creditors for the purpose or otherwise approved in writing.

(2) The transferee company shall file a copy of the scheme so approved in the manner as may be prescribed, with the Central Government, Registrar and the Official Liquidator where the registered office of the company is situated.

(3) On the receipt of the scheme, if the Registrar or the Official Liquidator has no objections or suggestions to the scheme, the Central Government shall register the same and issue a confirmation thereof to the companies.

(4) If the Registrar or Official Liquidator has any objections or suggestions, he may communicate the same in writing to the Central Government within a period of thirty days:

Provided that if no such communication is made, it shall be presumed that he has no objection to the scheme.

(5) If the Central Government after receiving the objections or suggestions or for any reason is of the opinion that such a scheme is not in public interest or in the interest of the creditors, it may file an application before the Tribunal within a period of sixty days of the receipt of the scheme under sub-section (2) stating its objections and requesting that the Tribunal may consider the scheme under .

(6) On receipt of an application from the Central Government or from any person, if the Tribunal, for reasons to be recorded in writing, is of the opinion that the scheme should be considered as per the procedure laid down in , the Tribunal may direct accordingly or it may confirm the scheme by passing such order as it deems fit:

Provided that if the Central Government does not have any objection to the scheme or it does not file any application under this section before the Tribunal, it shall be deemed that it has no objection to the scheme.

(7) A copy of the order under sub-section (6) confirming the scheme shall be communicated to the Registrar having jurisdiction over the transferee company and the persons concerned and the Registrar shall register the scheme and issue a confirmation thereof to the companies and such confirmation shall be communicated to the Registrars where transferor company or companies were situated.

(8) The registration of the scheme under sub-section (3) or sub-section (7) shall be deemed to have the effect of dissolution of the transferor company without process of winding up.

(9) The registration of the scheme shall have the following effects, namely:—

(*a*) transfer of property or liabilities of the transferor company to the transferee company so that the property becomes the property of the transferee company and the liabilities become the liabilities of the transferee company;

(*b*) the charges, if any, on the property of the transferor company shall be applicable and enforceable as if the charges were on the property of the transferee company;

(*c*) legal proceedings by or against the transferor company pending before any court of law shall be continued by or against the transferee company; and

(*d*) where the scheme provides for purchase of shares held by the dissenting shareholders or settlement of debt due to dissenting creditors, such amount, to the extent it is unpaid, shall become the liability of the transferee company.

(10) A transferee company shall not on merger or amalgamation, hold any shares in its own name or in the name of any trust either on its behalf or on behalf of any of its subsidiary or associate company and all such shares shall be cancelled or extinguished on the merger or amalgamation.

(11) The transferee company shall file an application with the Registrar along with the scheme registered, indicating the revised authorised capital and pay the prescribed fees due on revised capital:

Provided that the fee, if any, paid by the transferor company on its authorised capital prior to its merger or amalgamation with the transferee company shall be set-off against the fees payable by the transferee company on its authorised capital enhanced by the merger or amalgamation.

(12) The provisions of this section shall *mutatis mutandis* apply to a company or companies specified in sub-section (1) in respect of a scheme of compromise or arrangement referred to in or division or transfer of a company referred to clause (*b*) of sub-section (1) of .

(13) The Central Government may provide for the merger or amalgamation of companies in such manner as may be prescribed.

(14) A company covered under this section may use the provisions of for the approval of any scheme for merger or amalgamation.

Merger or amalgamation of company with foreign company.

234. (1) The provisions of this Chapter unless otherwise provided under any other law for the time being in force, shall apply *mutatis mutandis* to schemes of mergers and amalgamations between companies registered under this Act and companies incorporated in the jurisdictions of such countries as may be notified from time to time by the Central Government:

Provided that the Central Government may make rules, in consultation with the Reserve Bank of India, in connection with mergers and amalgamations provided under this section.

(2) Subject to the provisions of any other law for the time being in force, a foreign company, may with the prior approval of the Reserve Bank of India, merge into a company registered under this Act or *vice versa* and the terms and conditions of the scheme of merger may provide, among other things, for the payment of consideration to the shareholders of the merging company in cash, or in Depository Receipts, or partly in cash and partly in Depository Receipts, as the case may be, as per the scheme to be drawn up for the purpose.

Explanation.—For the purposes of sub-section (2), the expression "foreign company" means any company or body corporate incorporated outside India whether having a place of business in India or not.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power to acquire shares of shareholders dissenting from scheme or contract approved by majority .

235. (1) Where a scheme or contract involving the transfer of shares or any class of shares in a company (the transferor company) to another company (the transferee company) has, within four months after making of an offer in that behalf by the transferee company, been approved by the holders of not less than nine-tenths in value of the shares whose transfer is involved, other than shares already held at the date of the offer by, or by a nominee of the transferee company or its subsidiary companies, the transferee company may, at any time within two months after the expiry of the said four months, give notice in the prescribed manner to any dissenting shareholder that it desires to acquire his shares.

(2) Where a notice under sub-section (1) is given, the transferee company shall, unless on an application made by the dissenting shareholder to the Tribunal, within one month from the date on which the notice was given and the Tribunal thinks fit to order otherwise, be entitled to and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee company.

(3) Where a notice has been given by the transferee company under sub-section (1) and the Tribunal has not, on an application made by the dissenting shareholder, made an order to the contrary, the transferee company shall, on the expiry of one month from the date on which the notice has been given, or, if an application to the Tribunal by the dissenting shareholder is then pending, after that application has been disposed of, send a copy of the notice to the transferor company together with an instrument of transfer, to be executed on behalf of the shareholder by any person appointed by the transferor company and on its own behalf by the transferee company, and pay or transfer to the transferor company the amount or other consideration representing the price payable by the transferee company for the shares which, by virtue of this section, that company is entitled to acquire, and the transferor company shall—

(*a*) thereupon register the transferee company as the holder of those shares; and

(*b*) within one month of the date of such registration, inform the dissenting shareholders of the fact of such registration and of the receipt of the amount or other consideration representing the price payable to them by the transferee company.

(4) Any sum received by the transferor company under this section shall be paid into a separate bank account, and any such sum and any other consideration so received shall be held by that company in trust for the several persons entitled to the shares in respect of which the said sum or other consideration were respectively received and shall be disbursed to the entitled shareholders within sixty days.

(5) In relation to an offer made by a transferee company to shareholders of a transferor company before the commencement of this Act, this section shall have effect with the following modifications, namely:—

(*a*) in sub-section (1), for the words "the shares whose transfer is involved other than shares already held at the date of the offer by, or by a nominee of, the transferee company or its subsidiaries,", the words "the shares affected" shall be substituted; and

(*b*) in sub-section (3), the words "together with an instrument of transfer, to be executed on behalf of the shareholder by any person appointed by the transferee company and on its own behalf by the transferor company" shall be omitted.

Explanation.—For the purposes of this section, "dissenting shareholder" includes a shareholder who has not assented to the scheme or contract and any shareholder who has failed or refused to transfer his shares to the transferee company in accordance with the scheme or contract.

Purchase of minority shareholding.

236. (1) In the event of an acquirer, or a person acting in concert with such acquirer, becoming registered holder of ninety per cent or more of the issued equity share capital of a company, or in the event of any person or group of persons becoming ninety per cent majority or holding ninety per cent of the issued equity share capital of a company, by virtue of an amalgamation, share exchange, conversion of securities or for any other reason, such acquirer, person or group of persons, as the case may be, shall notify the company of their intention to buy the remaining equity shares.

(2) The acquirer, person or group of persons under sub-section (1) shall offer to the minority shareholders of the company for buying the equity shares held by such shareholders at a price determined on the basis of valuation by a registered valuer in accordance with such rules as may be prescribed.

(3) Without prejudice to the provisions of sub-sections (1) and (2), the minority shareholders of the company may offer to the majority shareholders to purchase the minority equity shareholding of the company at the price determined in accordance with such rules as may be prescribed under sub-section (2).

(4) The majority shareholders shall deposit an amount equal to the value of shares to be acquired by them under sub-section (2) or sub-section (3), as the case may be, in a separate bank account to be operated by the **[***company whose shares are being transferred***]** for at least one year for payment to the minority shareholders and such amount shall be disbursed to the entitled shareholders within sixty days:

Provided that such disbursement shall continue to be made to the entitled shareholders for a period of one year, who for any reason had not been made disbursement within the said period of sixty days or if the disbursement have been made within the aforesaid period of sixty days, fail to receive or claim payment arising out of such disbursement.

(5) In the event of a purchase under this section, the **[***company whose shares are being transferred***]** shall act as a transfer agent for receiving and paying the price to the minority shareholders and for taking delivery of the shares and delivering such shares to the majority, as the case may be.

(6) In the absence of a physical delivery of shares by the shareholders within the time specified by the company, the share certificates shall be deemed to be cancelled, and the **[***company whose shares are being transferred***]** shall be authorised to issue shares in lieu of the cancelled shares and complete the transfer in accordance with law and make payment of the price out of deposit made under sub-section (4) by the majority in advance to the minority by despatch of such payment.

(7) In the event of a majority shareholder or shareholders requiring a full purchase and making payment of price by deposit with the company for any shareholder or shareholders who have died or ceased to exist, or whose heirs, successors, administrators or assignees have not been brought on record by transmission, the right of such shareholders to make an offer for sale of minority equity shareholding shall continue and be available for a period of three years from the date of majority acquisition or majority shareholding.

(8) Where the shares of minority shareholders have been acquired in pursuance of this section and as on or prior to the date of transfer following such acquisition, the shareholders holding seventy-five per cent or more minority equity shareholding negotiate or reach an understanding on a higher price for any transfer, proposed or agreed upon, of the shares held by them without disclosing the fact or likelihood of transfer taking place on the basis of such negotiation, understanding or agreement, the majority shareholders shall share the additional compensation so received by them with such minority shareholders on a *pro rata* basis.

Explanation.—For the purposes of this section, the expressions "acquirer" and "person acting in concert" shall have the meanings respectively assigned to them in clause (*b*) and clause (*e*) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

(9) When a shareholder or the majority equity shareholder fails to acquire full purchase of the shares of the minority equity shareholders, then, the provisions of this section shall continue to apply to the residual minority equity shareholders, even though,—

(*a*) the shares of the company of the residual minority equity shareholder had been delisted; and

(*b*) the period of one year or the period specified in the regulations made by the Securities and Exchange Board under the Securities and Exchange Board of India Act, 1992 (15 of 1992), had elapsed.

Power of Central Government to provide for amalgamation of companies in public interest .

237. (1) Where the Central Government is satisfied that it is essential in the public interest that two or more companies should amalgamate, the Central Government may, by order notified in the Official Gazette, provide for the amalgamation of those companies into a single company with such constitution, with such property, powers, rights, interests, authorities and privileges, and with such liabilities, duties and obligations, as may be specified in the order.

(2) The order under sub-section (1) may also provide for the continuation by or against the transferee company of any legal proceedings pending by or against any transferor company and such consequential, incidental and supplemental provisions as may, in the opinion of the Central Government, be necessary to give effect to the amalgamation.

(3) Every member or creditor, including a debenture holder, of each of the transferor companies before the amalgamation shall have, as nearly as may be, the same interest in or rights against the transferee company as he had in the company of which he was originally a member or creditor, and in case the interest or rights of such member or creditor in or against the transferee company are less than his interest in or rights against the original company, he shall be entitled to compensation to that extent, which shall be assessed by such authority as may be prescribed and every such assessment shall be published in the Official Gazette, and the compensation so assessed shall be paid to the member or creditor concerned by the transferee company.

(4) Any person aggrieved by any assessment of compensation made by the prescribed authority under sub-section (3) may, within a period of thirty days from the date of publication of such assessment in the Official Gazette, prefer an appeal to the Tribunal and thereupon the assessment of the compensation shall be made by the Tribunal.

(5) No order shall be made under this section unless—

(*a*) a copy of the proposed order has been sent in draft to each of the companies concerned;

(*b*) the time for preferring an appeal under sub-section (4) has expired, or where any such appeal has been preferred, the appeal has been finally disposed of; and

(*c*) the Central Government has considered, and made such modifications, if any, in the draft order as it may deem fit in the light of suggestions and objections which may be received by it from any such company within such period as the Central Government may fix in that behalf, not being less than two months from the date on which the copy aforesaid is received by that company, or from any class of shareholders therein, or from any creditors or any class of creditors thereof.

(6) The copies of every order made under this section shall, as soon as may be after it has been made, be laid before each House of Parliament.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Registration of offer of schemes involving transfer of shares.

238. (1) In relation to every offer of a scheme or contract involving the transfer of shares or any class of shares in the transferor company to the transferee company under section 235,—

(*a*) every circular containing such offer and recommendation to the members of the transferor company by its directors to accept such offer shall be accompanied by such information and in such manner as may be prescribed;

(*b*) every such offer shall contain a statement by or on behalf of the transferee company, disclosing the steps it has taken to ensure that necessary cash will be available; and

(*c*) every such circular shall be presented to the Registrar for registration and no such circular shall be issued until it is so registered:

Provided that the Registrar may refuse, for reasons to be recorded in writing, to register any such circular which does not contain the information required to be given under clause (*a*) or which sets out such information in a manner likely to give a false impression, and communicate such refusal to the parties within thirty days of the application.

(2) An appeal shall lie to the Tribunal against an order of the Registrar refusing to register any circular under sub-section (1).

(3) The director who issues a circular which has not been presented for registration and registered under clause (*c*) of sub-section (1), shall be **[***liable to a penalty of one lakh rupees***]**.

---

58. Enforced with effect from 15-12-2016. *See* also Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (**Division Two**).

58a. Prescribed fees is Rs. 2,000 under Companies (Compromises, Arrangements and Amalga-mations) Rules, 2016.

58b. Substituted for "punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees" by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

Preservation of books and papers of amalgamated companies.

239. The books and papers of a company which has been amalgamated with, or whose shares have been acquired by, another company under this Chapter shall not be disposed of without the prior permission of the Central Government and before granting such permission, that Government may appoint a person to examine the books and papers or any of them for the purpose of ascertaining whether they contain any evidence of the commission of an offence in connection with the promotion or formation, or the management of the affairs, of the transferor company or its amalgamation or the acquisition of its shares.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Liability of officers in respect of offences committed prior to merger, amalgamation, etc.

240. Notwithstanding anything in any other law for the time being in force, the liability in respect of offences committed under this Act by the officers in default, of the transferor company prior to its merger, amalgamation or acquisition shall continue after such merger, amalgamation or acquisition.

CHAPTER XVI

PREVENTION OF OPPRESSION AND MISMANAGEMENT

Application to Tribunal for relief in cases of oppression, etc.

241. (1) Any member of a company who complains that—

(*a*) the affairs of the company have been or are being conducted in a manner prejudicial to public interest or in a manner prejudicial or oppressive to him or any other member or members or in a manner prejudicial to the interests of the company; or

(*b*) the material change, not being a change brought about by, or in the interests of, any creditors, including debenture holders or any class of shareholders of the company, has taken place in the management or control of the company, whether by an alteration in the Board of Directors, or manager, or in the ownership of the company's shares, or if it has no share capital, in its membership, or in any other manner whatsoever, and that by reason of such change, it is likely that the affairs of the company will be conducted in a manner prejudicial to its interests or its members or any class of members,

may apply to the Tribunal, provided such member has a right to apply under section 244, for an order under this Chapter.

(2) The Central Government, if it is of the opinion that the affairs of the company are being conducted in a manner prejudicial to public interest, it may itself apply to the Tribunal for an order under this Chapter.

[Provided *that the applications under this sub-section, in respect of such company or class of companies, as may be prescribed, shall be made before the Principal Bench of the Tribunal which shall be dealt with by such Bench*.**]**

[(3) Where in the opinion of the Central Government there exist circumstances suggesting that—

(a) *any person concerned in the conduct and management of the affairs of a company is or has been in connection therewith guilty of fraud, misfeasance, persistent negligence or default in carrying out his obligations and functions under the law or of breach of trust;*

(b) *the business of a company is not or has not been conducted and managed by such person in accordance with sound business principles or prudent commercial practices;*

(c) *a company is or has been conducted and managed by such person in a manner which is likely to cause, or has caused, serious injury or damage to the interest of the trade, industry or business to which such company pertains; or*

(d) *the business of a company is or has been conducted and managed by such person with intent to defraud its creditors, members or any other person or otherwise for a fraudulent or unlawful purpose or in a manner prejudicial to public interest,*

the Central Government may initiate a case against such person and refer the same to the Tribunal with a request that the Tribunal may inquire into the case and record a decision as to whether or not such person is a fit and proper person to hold the office of director or any other office connected with the conduct and management of any company.

(4) The person against whom a case is referred to the Tribunal under sub-section (3), shall be joined as a respondent to the application.

(5) Every application under sub-section (3)--

(a) *shall contain a concise statement of such circumstances and materials as the Central Government may consider necessary for the purposes of the inquiry; and*

(b) *shall be signed and verified in the manner laid down in the Code of Civil Procedure, 1908, for the signature and verification of a plaint in a suit by the Central Government*.**]**

---

61. Corresponds to sections 397, 398, 401, 402, 403 and 404 of the 1956 Act.

62.*See* also SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.

63. Enforced with effect from 1-6-2016.

64. For meaning of the expressions "any member of a company", "public interest" and "the affairs of the company", *see* **Appendix II**.

64a. Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 10,000 (Application in cases of oppression and mismanagement).

64aa. Inserted by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

64ab. Inserted by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

Powers of Tribunal.

242. (1) If, on any application made under section 241, the Tribunal is of the opinion—

(*a*) that the company's affairs have been or are being conducted in a manner prejudicial or oppressive to any member or members or prejudicial to public interest or in a manner prejudicial to the interests of the company; and

(*b*) that to wind up the company would unfairly prejudice such member or members, but that otherwise the facts would justify the making of a winding up order on the ground that it was just and equitable that the company should be wound up,

the Tribunal may, with a view to bringing to an end the matters complained of, make such order as it thinks fit.

(2) Without prejudice to the generality of the powers under sub-section (1), an order under that sub-section may provide for—

(*a*) the regulation of conduct of affairs of the company in future;

(*b*) the purchase of shares or interests of any members of the company by other members thereof or by the company;

(*c*) in the case of a purchase of its shares by the company as aforesaid, the consequent reduction of its share capital;

(*d*) restrictions on the transfer or allotment of the shares of the company;

(*e*) the termination, setting aside or modification, of any agreement, howsoever arrived at, between the company and the managing director, any other director or manager, upon such terms and conditions as may, in the opinion of the Tribunal, be just and equitable in the circumstances of the case;

(*f*) the termination, setting aside or modification of any agreement between the company and any person other than those referred to in clause (*e*):

Provided that no such agreement shall be terminated, set aside or modified except after due notice and after obtaining the consent of the party concerned;

(*g*) the setting aside of any transfer, delivery of goods, payment, execution or other act relating to property made or done by or against the company within three months before the date of the application under this section, which would, if made or done by or against an individual, be deemed in his insolvency to be a fraudulent preference;

(*h*) removal of the managing director, manager or any of the directors of the company;

(*i*) recovery of undue gains made by any managing director, manager or director during the period of his appointment as such and the manner of utilisation of the recovery including transfer to Investor Education and Protection Fund or repayment to identifiable victims;

(*j*) the manner in which the managing director or manager of the company may be appointed subsequent to an order removing the existing managing director or manager of the company made under clause (*h*);

(*k*) appointment of such number of persons as directors, who may be required by the Tribunal to report to the Tribunal on such matters as the Tribunal may direct;

(*l*) imposition of costs as may be deemed fit by the Tribunal;

(*m*) any other matter for which, in the opinion of the Tribunal, it is just and equitable that provision should be made.

(3) A certified copy of the order of the Tribunal under sub-section (1) shall be filed by the company with the Registrar within thirty days of the order of the Tribunal.

(4) The Tribunal may, on the application of any party to the proceeding, make any interim order which it thinks fit for regulating the conduct of the company's affairs upon such terms and conditions as appear to it to be just and equitable.

[(4A) At the conclusion of the hearing of the case in respect of sub-section (3) of section 241, the Tribunal shall record its decision stating therein specifically as to whether or not the respondent is a fit and proper person to hold the office of director or any other office connected with the conduct and management of any company.]

(5) Where an order of the Tribunal under sub-section (1) makes any alteration in the memorandum or articles of a company, then, notwithstanding any other provision of this Act, the company shall not have power, except to the extent, if any, permitted in the order, to make, without the leave of the Tribunal, any alteration whatsoever which is inconsistent with the order, either in the memorandum or in the articles.

(6) Subject to the provisions of sub-section (1), the alterations made by the order in the memorandum or articles of a company shall, in all respects, have the same effect as if they had been duly made by the company in accordance with the provisions of this Act and the said provisions shall apply accordingly to the memorandum or articles so altered.

(7) A certified copy of every order altering, or giving leave to alter, a company's memorandum or articles, shall within thirty days after the making thereof, be filed by the company with the Registrar who shall register the same.

(8) If a company contravenes the provisions of sub-section (5), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable **[*******]** with fine which shall not be less than twenty-five thousand rupees but which may extend to **[***one lakh rupees***]**.

---

29. Corresponds to sections 397, 398, 401, 402, 403 and 404 of the 1956 Act.
30. Section 242 [except clause (*b*) of sub-section (1), clauses (*c*) and (*g*) of sub-section (2)] enforced with effect from 1-6-2016. Clause (*b*) of sub-section (1) and clauses (*c*) and (*g*) of sub-section (2) enforced with effect from 9-9-2016.
31. For meaning of the expressions "matters" and "public interest", *see* **Appendix II**.
32. For meaning of the expression "an order .... sub-section", *see* **Appendix II**.
33. For meaning of the expression "before the date of the application", *see* **Appendix II**.
34. Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 2,500 (Application for regulating the conduct of company).

35. Inserted by the Companies (Amendment) Act, 2019, w.e.f. 15-8-2019.

35a. Words "with imprisonment for a term which may extend to six months or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

35b. Substituted for "one lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Consequence of termination or modification of certain agreements.

243. (1) Where an order made under section 242 terminates, sets aside or modifies an agreement such as is referred to in sub-section (2) of that section,—

(*a*) such order shall not give rise to any claims whatever against the company by any person for damages or for compensation for loss of office or in any other respect either in pursuance of the agreement or otherwise;

(*b*) no managing director or other director or manager whose agreement is so terminated or set aside shall, for a period of five years from the date of the order terminating or setting aside the agreement, without the leave of the Tribunal, be appointed, or act, as the managing director or other director or manager of the company:

Provided that the Tribunal shall not grant leave under this clause unless notice of the intention to apply for leave has been served on the Central Government and that Government has been given a reasonable opportunity of being heard in the matter.

[(1A) The person who is not a fit and proper person pursuant to sub-section (4A) of section 242 shall not hold the office of a director or any other office connected with the conduct and management of the affairs of any company for a period of five years from the date of the said decision:

Provided that the Central Government may, with the leave of the Tribunal, permit such person to hold any such office before the expiry of the said period of five years.

(1B) Notwithstanding anything contained in any other provision of this Act, or any other law for the time being in force, or any contract, memorandum or articles, on the removal of a person from the office of a director or any other office connected with the conduct and management of the affairs of the company, that person shall not be entitled to, or be paid, any compensation for the loss or termination of office.]

(2) Any person who knowingly acts as a managing director or other director or manager of a company in contravention of clause (*b*) of sub-section (1) [or sub-section (1A)], and every other director of the company who is knowingly a party to such contravention, shall be punishable **[*******]** with fine which may extend to **[***five lakh rupees***]**.

---

36. Corresponds to section 407 of the 1956 Act.
37. Enforced with effect from 1-6-2016.
38. *See* rule 83 and Form No. NCLT-1 and Annexure B of the NCLT Rules, 2016 (**Division Two**). Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 5,000 (Application for appointment as Managing Director)
39. Inserted by the Companies (Amendment) Act, 2019, w.e.f. 15-8-2019.
39a. Words "with imprisonment for a term which may extend to six months or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
39b. Substituted for "five lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Right to apply under .

244. (1) The following members of a company shall have the right to apply under , namely:—

(*a*) in the case of a company having a share capital, not less than one hundred members of the company or not less than one-tenth of the total number of its members, whichever is less, or any member or members holding not less than one-tenth of the issued share capital of the company, subject to the condition that the applicant or applicants has or have paid all calls and other sums due on his or their shares;

(*b*) in the case of a company not having a share capital, not less than one-fifth of the total number of its members:

Provided that the Tribunal may, on an application made to it in this behalf, waive all or any of the requirements specified in clause (*a*) or clause (*b*) so as to enable the members to apply under .

Explanation.—For the purposes of this sub-section, where any share or shares are held by two or more persons jointly, they shall be counted only as one member.

(2) Where any members of a company are entitled to make an application under sub-section (1), any one or more of them having obtained the consent in writing of the rest, may make the application on behalf and for the benefit of all of them.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Class action.

245. (1) Such number of member or members, depositor or depositors or any class of them, as the case may be, as are indicated in sub-section (2) may, if they are of the opinion that the management or conduct of the affairs of the company are being conducted in a manner prejudicial to the interests of the company or its members or depositors, file an application before the Tribunal on behalf of the members or depositors for seeking all or any of the following orders, namely:—

(*a*) to restrain the company from committing an act which is *ultra vires* the articles or memorandum of the company;

(*b*) to restrain the company from committing breach of any provision of the company's memorandum or articles;

(*c*) to declare a resolution altering the memorandum or articles of the company as void if the resolution was passed by suppression of material facts or obtained by misstatement to the members or depositors;

(*d*) to restrain the company and its directors from acting on such resolution;

(*e*) to restrain the company from doing an act which is contrary to the provisions of this Act or any other law for the time being in force;

(*f*) to restrain the company from taking action contrary to any resolution passed by the members;

(*g*) to claim damages or compensation or demand any other suitable action from or against—

(*i*) the company or its directors for any fraudulent, unlawful or wrongful act or omission or conduct or any likely act or omission or conduct on its or their part;

(*ii*) the auditor including audit firm of the company for any improper or misleading statement of particulars made in his audit report or for any fraudulent, unlawful or wrongful act or conduct; or

(*iii*) any expert or advisor or consultant or any other person for any incorrect or misleading statement made to the company or for any fraudulent, unlawful or wrongful act or conduct or any likely act or conduct on his part;

(*h*) to seek any other remedy as the Tribunal may deem fit.

(2) Where the members or depositors seek any damages or compensation or demand any other suitable action from or against an audit firm, the liability shall be of the firm as well as of each partner who was involved in making any improper or misleading statement of particulars in the audit report or who acted in a fraudulent, unlawful or wrongful manner.

(3) (*i*) The requisite number of members provided in sub-section (1) shall be as under:—

(*a*) in the case of a company having a share capital, not less than one hundred members of the company or not less than such percentage of the total number of its members as may be prescribed, whichever is less, or any member or members holding not less than such percentage of the issued share capital of the company as may be prescribed, subject to the condition that the applicant or applicants has or have paid all calls and other sums due on his or their shares;

(*b*) in the case of a company not having a share capital, not less than one-fifth of the total number of its members.

(*ii*) The requisite number of depositors provided in sub-section (1) shall not be less than one hundred depositors or not less than such percentage of the total number of depositors as may be prescribed, whichever is less, or any depositor or depositors to whom the company owes such percentage of total deposits of the company as may be prescribed.

(4) In considering an application under sub-section (1), the Tribunal shall take into account, in particular—

(*a*) whether the member or depositor is acting in good faith in making the application for seeking an order;

(*b*) any evidence before it as to the involvement of any person other than directors or officers of the company on any of the matters provided in clauses (*a*) to (*f*) of sub-section (1);

(*c*) whether the cause of action is one which the member or depositor could pursue in his own right rather than through an order under this section;

(*d*) any evidence before it as to the views of the members or depositors of the company who have no personal interest, direct or indirect, in the matter being proceeded under this section;

(*e*) where the cause of action is an act or omission that is yet to occur, whether the act or omission could be, and in the circumstances would be likely to be —

(*i*) authorised by the company before it occurs; or

(*ii*) ratified by the company after it occurs;

(*f*) where the cause of action is an act or omission that has already occurred, whether the act or omission could be, and in the circumstances would be likely to be, ratified by the company.

(5) If an application filed under sub-section (1) is admitted, then the Tribunal shall have regard to the following, namely:—

(*a*) public notice shall be served on admission of the application to all the members or depositors of the class in such manner as may be prescribed;

(*b*) all similar applications prevalent in any jurisdiction should be consolidated into a single application and the class members or depositors should be allowed to choose the lead applicant and in the event the members or depositors of the class are unable to come to a consensus, the Tribunal shall have the power to appoint a lead applicant, who shall be in charge of the proceedings from the applicant's side;

(*c*) two class action applications for the same cause of action shall not be allowed;

(*d*) the cost or expenses connected with the application for class action shall be defrayed by the company or any other person responsible for any oppressive act.

(6) Any order passed by the Tribunal shall be binding on the company and all its members, depositors and auditor including audit firm or expert or consultant or advisor or any other person associated with the company.

(7) Any company which fails to comply with an order passed by the Tribunal under this section shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.

(8) Where any application filed before the Tribunal is found to be frivolous or vexatious, it shall, for reasons to be recorded in writing, reject the application and make an order that the applicant shall pay to the opposite party such cost, not exceeding one lakh rupees, as may be specified in the order.

(9) Nothing contained in this section shall apply to a banking company.

(10) Subject to the compliance of this section, an application may be filed or any other action may be taken under this section by any person, group of persons or any association of persons representing the persons affected by any act or omission, specified in sub-section (1).

Application of certain provisions to proceedings under or .

246. The provisions of to (both inclusive) shall apply *mutatis mutandis*, in relation to an application made to the Tribunal under or .

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER XVII

REGISTERED VALUERS

Valuation by registered valuers.

247. (1) Where a valuation is required to be made in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the provision of this Act, it shall be valued by [a person having such qualifications and experience, registered as a valuer and being a member of an organisation recognised, in such manner, on such terms and conditions as may be prescribed] and appointed by the audit committee or in its absence by the Board of Directors of that company.

(2) The valuer appointed under sub-section (1) shall,—

(*a*) make an impartial, true and fair valuation of any assets which may be required to be valued;

(*b*) exercise due diligence while performing the functions as valuer;

(*c*) make the valuation in accordance with such rules as may be prescribed; and

(*d*) not undertake valuation of any assets in which he has a direct or indirect interest or becomes so interested at any time [during a period of three years prior to his appointment as valuer or three years after the valuation of assets was conducted by him].

(3) If a valuer contravenes the provisions of this section or the rules made thereunder, the valuer shall be **[***liable to a penalty of fifty thousand rupees***]**:

Provided that if the valuer has contravened such provisions with the intention to defraud the company or its members, he shall be punishable with imprisonment for a term which may extend to one year and with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

(4) Where a valuer has been convicted under sub-section (3), he shall be liable to—

(*i*) refund the remuneration received by him to the company; and

(*ii*) pay for damages to the company or to any other person for loss arising out of incorrect or misleading statements of particulars made in his report.

---

50. Enforced with effect from 18-10-2017.
51. Powers of Central Government are delegated to Insolvency and Bankruptcy Board of India.
52. Substituted for "a person having such qualifications and experience and registered as a valuer in such manner, on such terms and conditions as may be prescribed" by the Companies (Removal of Difficulties) Second Order, 2017, w.e.f. 23-10-2017.
53. *See* Companies (Registered Valuers & Valuation) Rules, 2017 (**Division Two**).
54. Substituted for "during or after the valuation of assets" by the Companies (Amendment) Act, 2017, w.e.f. 9-2-2018.

54a. Substituted for "punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

CHAPTER XVIII

REMOVAL OF NAMES OF COMPANIES FROM THE REGISTER OF COMPANIES

Power of Registrar to remove name of company from register of companies.

248. (1) Where the Registrar has reasonable cause to believe that—

(*a*) a company has failed to commence its business within one year of its incorporation; [or]

(*b*) [***]

(*c*) a company is not carrying on any business or operation for a period of two immediately preceding financial years and has not made any application within such period for obtaining the status of a dormant company under **[***section 455; or***]**

[(d) *the subscribers to the memorandum have not paid the subscription which they had undertaken to pay at the time of incorporation of a company and a declaration to this effect has not been filed within one hundred and eighty days of its incorporation under sub-section (1) of section 10A; or*

(e) *the company is not carrying on any business or operations, as revealed after the physical verification carried out under sub-section (9) of section 12.****]***

he shall send a notice to the company and all the directors of the company, of his intention to remove the name of the company from the register of companies and requesting them to send their representations along with copies of the relevant documents, if any, within a period of thirty days from the date of the notice.

(2) Without prejudice to the provisions of sub-section (1), a company may, after extinguishing all its liabilities, by a special resolution or consent of seventy-five per cent members in terms of paid-up share capital, file an application in the prescribed manner to the Registrar for removing the name of the company from the register of companies on all or any of the grounds specified in sub-section (1) and the Registrar shall, on receipt of such application, cause a public notice to be issued in the prescribed manner:

Provided that in the case of a company regulated under a special Act, approval of the regulatory body constituted or established under that Act shall also be obtained and enclosed with the application.

(3) Nothing in sub-section (2) shall apply to a company registered under section 8.

(4) A notice issued under sub-section (1) or sub-section (2) shall be published in the prescribed manner and also in the Official Gazette for the information of the general public.

(5) At the expiry of the time mentioned in the notice, the Registrar may, unless cause to the contrary is shown by the company, strike off its name from the register of companies, and shall publish notice thereof in the Official Gazette, and on the publication in the Official Gazette of this notice, the company shall stand dissolved.

(6) The Registrar, before passing an order under sub-section (5), shall satisfy himself that sufficient provision has been made for the realisation of all amount due to the company and for the payment or discharge of its liabilities and obligations by the company within a reasonable time and, if necessary, obtain necessary undertakings from the managing director, director or other persons in charge of the management of the company:

Provided that notwithstanding the undertakings referred to in this sub-section, the assets of the company shall be made available for the payment or discharge of all its liabilities and obligations even after the date of the order removing the name of the company from the register of companies.

(7) The liability, if any, of every director, manager or other officer who was exercising any power of management, and of every member of the company dissolved under sub-section (5), shall continue and may be enforced as if the company had not been dissolved.

(8) Nothing in this section shall affect the power of the Tribunal to wind up a company the name of which has been struck off from the register of companies.

---

81. Corresponds to section 560 of the 1956 Act.

81a.*See* Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 (**Division Two**).

82. Enforced with effect from 26-12-2016.

83. Inserted by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015.

84. Omitted by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015. Prior to its omission, clause (*b*) read as under :

"(*b*) the subscribers to the memorandum have not paid the subscription which they had undertaken to pay within a period of one hundred and eighty days from the date of incorporation of a company and a declaration under sub-section (1) of section 11 to this effect has not been filed within one hundred and eighty days of its incorporation; or"

84a. Substituted for "section 455," by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

84b. Clauses (*d*) and (*e*) inserted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

84c.*See* Form No. STK 5 or STK 6 of Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 (**Division Two**).

84d.*See* Form No. STK 7 of Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016 (**Division Two**).

Restrictions on making application under in certain situations.

249. (1) An application under sub-section (2) of on behalf of a company shall not be made if, at any time in the previous three months, the company—

(*a*) has changed its name or shifted its registered office from one State to another;

(*b*) has made a disposal for value of property or rights held by it, immediately before cesser of trade or otherwise carrying on of business, for the purpose of disposal for gain in the normal course of trading or otherwise carrying on of business;

(*c*) has engaged in any other activity except the one which is necessary or expedient for the purpose of making an application under that section, or deciding whether to do so or concluding the affairs of the company, or complying with any statutory requirement;

(*d*) has made an application to the Tribunal for the sanctioning of a compromise or arrangement and the matter has not been finally concluded; or

[(*e*) *is being wound up under Chapter XX of this Act or under the Insolvency and Bankruptcy Code, 2016.* **]**

(2) If a company files an application under sub-section (2) of in violation of sub-section (1), it shall be punishable with fine which may extend to one lakh rupees.

(3) An application filed under sub-section (2) of shall be withdrawn by the company or rejected by the Registrar as soon as conditions under sub-section (1) are brought to his notice.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Effect of company notified as dissolved.

250. Where a company stands dissolved under , it shall on and from the date mentioned in the notice under sub-section (5) of that section cease to operate as a company and the Certificate of Incorporation issued to it shall be deemed to have been cancelled from such date except for the purpose of realising the amount due to the company and for the payment or discharge of the liabilities or obligations of the company.

Fraudulent application for removal of name.

251. (1) Where it is found that an application by a company under sub- section (2) of has been made with the object of evading the liabilities of the company or with the intention to deceive the creditors or to defraud any other persons, the persons in charge of the management of the company shall, notwithstanding that the company has been notified as dissolved—

(*a*) be jointly and severally liable to any person or persons who had incurred loss or damage as a result of the company being notified as dissolved; and

(*b*) be punishable for fraud in the manner as provided in .

(2) Without prejudice to the provisions contained in sub-section (1), the Registrar may also recommend prosecution of the persons responsible for the filing of an application under sub-section (2) of .

Appeal to Tribunal .

252. (1) Any person aggrieved by an order of the Registrar, notifying a company as dissolved under , may file an appeal to the Tribunal within a period of three years from the date of the order of the Registrar and if the Tribunal is of the opinion that the removal of the name of the company from the register of companies is not justified in view of the absence of any of the grounds on which the order was passed by the Registrar, it may order restoration of the name of the company in the register of companies:

Provided that before passing any order under this section, the Tribunal shall give a reasonable opportunity of making representations and of being heard to the Registrar, the company and all the persons concerned:

Provided further that if the Registrar is satisfied, that the name of the company has been struck off from the register of companies either inadvertently or on the basis of incorrect information furnished by the company or its directors, which requires restoration in the register of companies, he may within a period of three years from the date of passing of the order dissolving the company under , file an application before the Tribunal seeking restoration of name of such company.

(2) A copy of the order passed by the Tribunal shall be filed by the company with the Registrar within thirty days from the date of the order and on receipt of the order, the Registrar shall cause the name of the company to be restored in the register of companies and shall issue a fresh certificate of incorporation.

(3) If a company, or any member or creditor or workman thereof feels aggrieved by the company having its name struck off from the register of companies, the Tribunal on an application made by the company, member, creditor or workman before the expiry of twenty years from the publication in the Official Gazette of the notice under sub-section (5) of may, if satisfied that the company was, at the time of its name being struck off, carrying on business or in operation or otherwise it is just that the name of the company be restored to the register of companies, order the name of the company to be restored to the register of companies, and the Tribunal may, by the order, give such other directions and make such provisions as deemed just for placing the company and all other persons in the same position as nearly as may be as if the name of the company had not been struck off from the register of companies.

[*CHAPTER XIX*

REVIVAL AND REHABILITATION OF SICK COMPANIES

253. [***]

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

254 . [***]

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

255 . [***]

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

256 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

257 . [***]

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

258 . [***]

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

259 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

260 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

261 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

262 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

263 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

264 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

265 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

266 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

267 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

268 . [***]

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

269 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER XX

WINDING UP

[Winding up by Tribunal.

270. *The provisions of Part I shall apply to the winding up of a company by the Tribunal under this Act.* **]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

PART I

WINDING UP BY THE TRIBUNAL

[Circumstances in which company may be wound up by Tribunal.

271. *A company may , on a petition under , be wound up by the Tribunal,—*

(a) *if the company has, by special resolution, resolved that the company be wound up by the Tribunal;*

(b) *if the company has acted against the interests of the sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, decency or morality;*

(c) *if on an application made by the Registrar or any other person authorised by the Central Government by notification under this Act, the Tribunal is of the opinion that the affairs of the company have been conducted in a fraudulent manner or the company was formed for fraudulent and unlawful purpose or the persons concerned in the formation or management of its affairs have been guilty of fraud, misfeasance or misconduct in connection therewith and that it is proper that the company be wound up;*

(d) *if the company has made a default in filing with the Registrar its financial statements or annual returns for immediately preceding five consecutive financial years; or*

(e) *if the Tribunal is of the opinion that it is just and equitable that the company should be wound up.* **]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[**Petition for winding up.**

272. (1) Subject to the provisions of this section, a petition to the Tribunal for the winding up of a company shall be presented by—

(*a*) the company;
(*b*) any contributory or contributories;
(*c*) all or any of the persons specified in clauses (*a*) and (*b*);
(*d*) the Registrar;
(*e*) any person authorised by the Central Government in that behalf; or
(*f*) in a case falling under clause (*b*) of section 271, by the Central Government or a State Government.

(2) A contributory shall be entitled to present a petition for the winding up of a company, notwithstanding that he may be the holder of fully paid-up shares, or that the company may have no assets at all or may have no surplus assets left for distribution among the shareholders after the satisfaction of its liabilities, and shares in respect of which he is a contributory or some of them were either originally allotted to him or have been held by him, and registered in his name, for at least six months during the eighteen months immediately before the commencement of the winding up or have devolved on him through the death of a former holder.

(3) The Registrar shall be entitled to present a petition for winding up under section 271, except on the grounds specified in clause (*a*) or **[***of that section***]**:

Provided that the Registrar shall obtain the previous sanction of the Central Government to the presentation of a petition:

Provided further that the Central Government shall not accord its sanction unless the company has been given a reasonable opportunity of making representations.

(4) A petition presented by the company for winding up before the Tribunal shall be admitted only if accompanied by a statement of affairs in such form and in such manner as may be prescribed.

(5) A copy of the petition made under this section shall also be filed with the Registrar and the Registrar shall, without prejudice to any other provisions, submit his views to the Tribunal within sixty days of receipt of such petition.]

---

21. Enforced with effect from 15-12-2016. Substituted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016. Prior to its substitution, section 272 read as under :

"272. *Petition for winding up.*—(1) Subject to the provisions of this section, a petition to the Tribunal for the winding up of a company shall be presented by—

(*a*) the company;
(*b*) any creditor or creditors, including any contingent or prospective creditor or creditors;
(*c*) any contributory or contributories;
(*d*) all or any of the persons specified in clauses (*a*), (*b*) and (*c*) together;
(*e*) the Registrar;
(*f*) any person authorised by the Central Government in that behalf; or
(*g*) in a case falling under clause (*c*) of sub-section (1) of section 271, by the Central Government or a State Government.

(2) A secured creditor, the holder of any debentures, whether or not any trustee or trustees have been appointed in respect of such and other like debentures, and the trustee for the holders of debentures shall be deemed to be creditors within the meaning of clause (*b*) of sub-section (1).

(3) A contributory shall be entitled to present a petition for the winding up of a company, notwithstanding that he may be the holder of fully paid-up shares, or that the company may have no assets at all or may have no surplus assets left for distribution among the shareholders after the satisfaction of its liabilities, and shares in respect of which he is a contributory or some of them were either originally allotted to him or have been held by him, and registered in his name, for at least six months during the eighteen months immediately before the commencement of the winding up or have devolved on him through the death of a former holder.

(4) The Registrar shall be entitled to present a petition for winding up under sub-section (1) on any of the grounds specified in sub-section (1) of section 271, except on the grounds specified in clause (*b*), clause (*d*) or clause (*g*) of that sub-section:

Provided that the Registrar shall not present a petition on the ground that the company is unable to pay its debts unless it appears to him either from the financial condition of the company as disclosed in its balance sheet or from the report of an inspector appointed under section 210 that the company is unable to pay its debts:

Provided further that the Registrar shall obtain the previous sanction of the Central Government to the presentation of a petition:

Provided also that the Central Government shall not accord its sanction unless the company has been given a reasonable opportunity of making representations.

(5) A petition presented by the company for winding up before the Tribunal shall be admitted only if accompanied by a statement of affairs in such form and in such manner as may be prescribed.

(6) Before a petition for winding up of a company presented by a contingent or prospective creditor is admitted, the leave of the Tribunal shall be obtained for the admission of the petition and such leave shall not be granted, unless in the opinion of the Tribunal there is a *prima facie* case for the winding up of the company and until such security for costs has been given as the Tribunal thinks reasonable.

(7) A copy of the petition made under this section shall also be filed with the Registrar and the Registrar shall, without prejudice to any other provisions, submit his views to the Tribunal within sixty days of receipt of such petition."

22. Corresponds to sections 439 and 439A of the 1956 Act.
23. For relevant Case Laws, *see* Taxmann's Master Guide to Companies Act.
24. For meaning of the term/expression "contributory/contributories" and "death", *see* **Appendix II**.
24a. Substituted for "or clause (*e*) of that sub-section" by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.
25. Powers are delegated to Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Shillong.
26. Powers are delegated to Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Shillong.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Powers of Tribunal.

273. (1) The Tribunal may, on receipt of a petition for winding up under pass any of the following orders, namely:—

(*a*) dismiss it, with or without costs;
(*b*) make any interim order as it thinks fit;
(*c*) appoint a provisional liquidator of the company till the making of a winding up order;
(*d*) make an order for the winding up of the company with or without costs; or
(*e*) any other order as it thinks fit:

Provided that an order under this sub-section shall be made within ninety days from the date of presentation of the petition:

Provided further that before appointing a provisional liquidator under clause (*c*), the Tribunal shall give notice to the company and afford a reasonable opportunity to it to make its representations, if any, unless for special reasons to be recorded in writing, the Tribunal thinks fit to dispense with such notice:

Provided also that the Tribunal shall not refuse to make a winding up order on the ground only that the assets of the company have been mortgaged for an amount equal to or in excess of those assets, or that the company has no assets.

(2) Where a petition is presented on the ground that it is just and equitable that the company should be wound up, the Tribunal may refuse to make an order of winding up, if it is of the opinion that some other remedy is available to the petitioners and that they are acting unreasonably in seeking to have the company wound up instead of pursuing the other remedy.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Directions for filing statement of affairs.

274. (1) Where a petition for winding up is filed before the Tribunal by any person other than the company, the Tribunal shall, if satisfied that a *prima facie* case for winding up of the company is made out, by an order direct the company to file its objections along with a statement of its affairs within thirty days of the order in such form and in such manner as may be prescribed:

Provided that the Tribunal may allow a further period of thirty days in a situation of contingency or special circumstances:

Provided further that the Tribunal may direct the petitioner to deposit such security for costs as it may consider reasonable as a precondition to issue directions to the company.

(2) A company, which fails to file the statement of affairs as referred to in sub-section (1), shall forfeit the right to oppose the petition and such directors and officers of the company as found responsible for such non-compliance, shall be liable for punishment under sub-section (4).

(3) The directors and other officers of the company, in respect of which an order for winding up is passed by the Tribunal under clause (*d*) of sub-section (1) of , shall, within a period of thirty days of such order, submit, at the cost of the company, the books of account of the company completed and audited up to the date of the order, to such liquidator and in the manner specified by the Tribunal.

(4) If any director or officer of the company contravenes the provisions of this section, the director or the officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both.

(5) The complaint may be filed in this behalf before the Special Court by Registrar, provisional liquidator, Company Liquidator or any person authorised by the Tribunal.

Company Liquidators and their appointments.

275. (1) For the purposes of winding up of a company by the Tribunal, the Tribunal at the time of the passing of the order of winding up, shall appoint an Official Liquidator or a liquidator from the panel maintained under sub-section (2) as the Company Liquidator.

[*(2) The provisional liquidator or the Company Liquidator, as the case may, shall be appointed by the Tribunal from amongst the insolvency professionals registered under the Insolvency and Bankruptcy Code, 2016.* **]**

(3) Where a provisional liquidator is appointed by the Tribunal, the Tribunal may limit and restrict his powers by the order appointing him or it or by a subsequent order, but otherwise he shall have the same powers as a liquidator.

(4) **[*******]**

(5) The terms and conditions of appointment of a provisional liquidator or Company Liquidator and the fee payable to him or it shall be specified by the Tribunal on the basis of task required to be performed, experience, qualification of such liquidator and size of the company.

(6) On appointment as provisional liquidator or Company Liquidator, as the case may be, such liquidator shall file a declaration within seven days from the date of appointment in the prescribed form disclosing conflict of interest or lack of independence in respect of his appointment, if any, with the Tribunal and such obligation shall continue throughout the term of his appointment.

(7) While passing a winding up order, the Tribunal may appoint a provisional liquidator, if any, appointed under clause (*c*) of sub-section (1) of , as the Company Liquidator for the conduct of the proceedings for the winding up of the company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Removal and replacement of liquidator.

276. (1) The Tribunal may, on a reasonable cause being shown and for reasons to be recorded in writing, remove the provisional liquidator or the Company Liquidator, as the case may be, as liquidator of the company on any of the following grounds, namely:—

(*a*) misconduct;
(*b*) fraud or misfeasance;
(*c*) professional incompetence or failure to exercise due care and diligence in performance of the powers and functions;
(*d*) inability to act as provisional liquidator or as the case may be, Company Liquidator;
(*e*) conflict of interest or lack of independence during the term of his appointment that would justify removal.

(2) In the event of death, resignation or removal of the provisional liquidator or as the case may be, Company Liquidator, the Tribunal may transfer the work assigned to him or it to another Company Liquidator for reasons to be recorded in writing.

(3) Where the Tribunal is of the opinion that any liquidator is responsible for causing any loss or damage to the company due to fraud or misfeasance or failure to exercise due care and diligence in the performance of his or its powers and functions, the Tribunal may recover or cause to be recovered such loss or damage from the liquidator and pass such other orders as it may think fit.

(4) The Tribunal shall, before passing any order under this section, provide a reasonable opportunity of being heard to the provisional liquidator or, as the case may be, Company Liquidator.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Intimation to Company Liquidator, provisional liquidator and Registrar.

277. (1) Where the Tribunal makes an order for appointment of provisional liquidator or for the winding up of a company, it shall, within a period not exceeding seven days from the date of passing of the order, cause intimation thereof to be sent to the Company Liquidator or provisional liquidator, as the case may be, and the Registrar.

(2) On receipt of the copy of order of appointment of provisional liquidator or winding up order, the Registrar shall make an endorsement to that effect in his records relating to the company and notify in the Official Gazette that such an order has been made and in the case of a listed company, the Registrar shall intimate about such appointment or order, as the case may be, to the stock exchange or exchanges where the securities of the company are listed.

(3) The winding up order shall be deemed to be a notice of discharge to the officers, employees and workmen of the company, except when the business of the company is continued.

(4) Within three weeks from the date of passing of winding up order, the Company Liquidator shall make an application to the Tribunal for constitution of a winding up committee to assist and monitor the progress of liquidation proceedings by the Company Liquidator in carrying out the function as provided in sub-section (5) and such winding up committee shall comprise of the following persons, namely:—

(*i*) Official Liquidator attached to the Tribunal;
(*ii*) nominee of secured creditors; and
(*iii*) a professional nominated by the Tribunal.

(5) The Company Liquidator shall be the convener of the meetings of the winding up committee which shall assist and monitor the liquidation proceedings in following areas of liquidation functions, namely:—

(*i*) taking over assets;
(*ii*) examination of the statement of affairs;
(*iii*) recovery of property, cash or any other assets of the company including benefits derived therefrom;
(*iv*) review of audit reports and accounts of the company;
(*v*) sale of assets;
(*vi*) finalisation of list of creditors and contributories;
(*vii*) compromise, abandonment and settlement of claims;
(*viii*) payment of dividends, if any; and
(*ix*) any other function, as the Tribunal may direct from time to time.

(6) The Company Liquidator shall place before the Tribunal a report along with minutes of the meetings of the committee on monthly basis duly signed by the members present in the meeting for consideration till the final report for dissolution of the company is submitted before the Tribunal.

(7) The Company Liquidator shall prepare the draft final report for consideration and approval of the winding up committee.

(8) The final report so approved by the winding up committee shall be submitted by the Company Liquidator before the Tribunal for passing of a dissolution order in respect of the company.

Effect of winding up order.

278. The order for the winding up of a company shall operate in favour of all the creditors and all contributories of the company as if it had been made out on the joint petition of creditors and contributories.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Stay of suits, etc., on winding up order .

279. (1) When a winding up order has been passed or a provisional liquidator has been appointed, no suit or other legal proceeding shall be commenced, or if pending at the date of the winding up order, shall be proceeded with, by or against the company, except with the leave of the Tribunal and subject to such terms as the Tribunal may impose:

Provided that any application to the Tribunal seeking leave under this section shall be disposed of by the Tribunal within sixty days.

(2) Nothing in sub-section (1) shall apply to any proceeding pending in appeal before the Supreme Court or a High Court.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Jurisdiction of Tribunal.

280. *The Tribunal shall, notwithstanding anything contained in any other law for the time being in force, have jurisdiction to entertain, or dispose of,—*

(a) *any suit or proceeding by or against the company;*

(b) *any claim made by or against the company, including claims by or against any of its branches in India;*

(c) *any application made under ;*

(d) *any question of priorities or any other question whatsoever, whether of law or facts, including those relating to assets, business, actions, rights, entitlements, privileges, benefits, duties, responsibilities, obligations or in any matter arising out of, or in relation to winding up of the company,*

whether such suit or proceeding has been instituted , or is instituted , or such claim or question has arisen or arises or such application has been made or is made or such scheme has been submitted, or is submitted, before or after the order for the winding up of the company is made. **]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Submission of report by Company Liquidator.

281. (1) Where the Tribunal has made a winding up order or appointed a Company Liquidator, such liquidator shall, within sixty days from the order, submit to the Tribunal, a report containing the following particulars, namely:—

(*a*) the nature and details of the assets of the company including their location and value, stating separately the cash balance in hand and in the bank, if any, and the negotiable securities, if any, held by the company:
Provided that the valuation of the assets shall be obtained from registered valuers for this purpose;

(*b*) amount of capital issued, subscribed and paid-up;

(*c*) the existing and contingent liabilities of the company including names, addresses and occupations of its creditors, stating separately the amount of secured and unsecured debts, and in the case of secured debts, particulars of the securities given, whether by the company or an officer thereof, their value and the dates on which they were given;

(*d*) the debts due to the company and the names, addresses and occupations of the persons from whom they are due and the amount likely to be realised on account thereof;

(*e*) guarantees, if any, extended by the company;

(*f*) list of contributories and dues, if any, payable by them and details of any unpaid call;

(*g*) details of trade marks and intellectual properties, if any, owned by the company;

(*h*) details of subsisting contracts, joint ventures and collaborations, if any;

(*i*) details of holding and subsidiary companies, if any;

(*j*) details of legal cases filed by or against the company; and

(*k*) any other information which the Tribunal may direct or the Company Liquidator may consider necessary to include.

(2) The Company Liquidator shall include in his report the manner in which the company was promoted or formed and whether in his opinion any fraud has been committed by any person in its promotion or formation or by any officer of the company in relation to the company since the formation thereof and any other matters which, in his opinion, it is desirable to bring to the notice of the Tribunal.

(3) The Company Liquidator shall also make a report on the viability of the business of the company or the steps which, in his opinion, are necessary for maximising the value of the assets of the company.

(4) The Company Liquidator may also, if he thinks fit, make any further report or reports.

(5) Any person describing himself in writing to be a creditor or a contributory of the company shall be entitled by himself or by his agent at all reasonable times to inspect the report submitted in accordance with this section and take copies thereof or extracts therefrom on payment of the prescribed fees.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Directions of Tribunal on report of Company Liquidator.

282. (1) The Tribunal shall, on consideration of the report of the Company Liquidator, fix a time limit within which the entire proceedings shall be completed and the company be dissolved:

Provided that the Tribunal may, if it is of the opinion, at any stage of the proceedings, or on examination of the reports submitted to it by the Company Liquidator and after hearing the Company Liquidator, creditors or contributories or any other interested person, that it will not be advantageous or economical to continue the proceedings, revise the time limit within which the entire proceedings shall be completed and the company be dissolved.

(2) The Tribunal may, on examination of the reports submitted to it by the Company Liquidator and after hearing the Company Liquidator, creditors or contributories or any other interested person, order sale of the company as a going concern or its assets or part thereof:

Provided that the Tribunal may, where it considers fit, appoint a sale committee comprising such creditors, promoters and officers of the company as the Tribunal may decide to assist the Company Liquidator in sale under this sub-section.

(3) Where a report is received from the Company Liquidator or the Central Government or any person that a fraud has been committed in respect of the company, the Tribunal shall, without prejudice to the process of winding up, order for investigation under , and on consideration of the report of such investigation it may pass order and give directions under sections to or direct the Company Liquidator to file a criminal complaint against persons who were involved in the commission of fraud.

(4) The Tribunal may order for taking such steps and measures, as may be necessary, to protect, preserve or enhance the value of the assets of the company.

(5) The Tribunal may pass such other order or give such other directions as it considers fit.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Custody of company's properties.

283. (1) Where a winding up order has been made or where a provisional liquidator has been appointed, the Company Liquidator or the provisional liquidator, as the case may be, shall, on the order of the Tribunal, forthwith take into his or its custody or control all the property, effects and actionable claims to which the company is or appears to be entitled to and take such steps and measures, as may be necessary, to protect and preserve the properties of the company.

(2) Notwithstanding anything contained in sub-section (1), all the property and effects of the company shall be deemed to be in the custody of the Tribunal from the date of the order for the winding up of the company.

(3) On an application by the Company Liquidator or otherwise, the Tribunal may, at any time after the making of a winding up order, require any contributory for the time being on the list of contributories, and any trustee, receiver, banker, agent, officer or other employee of the company, to pay, deliver, surrender or transfer forthwith, or within such time as the Tribunal directs, to the Company Liquidator, any money, property or books and papers in his custody or under his control to which the company is or appears to be entitled.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Promoters, directors, etc., to co-operate with Company Liquidator.

284. (1) The promoters, directors, officers and employees, who are or have been in employment of the company or acting or associated with the company shall extend full co-operation to the Company Liquidator in discharge of his functions and duties.

[*(2) If any person required to assist or cooperate with the Company Liquidator under sub-section (1) does not assist or cooperate, the Company Liquidator may make an application to the Tribunal for necessary directions.*

*(3) On receiving an application under sub-section (2), the Tribunal shall, by an order, direct the person required to assist or co-operate with the Company Liquidator to comply with the instructions of the Company Liquidator and to co-operate with him in discharging his functions and duties.***]**

---

13. Enforced with effect from 15-12-2016.

13a. Sub-sections (2) and (3) substituted for sub-section (2) by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (2) read as under :

"(2) Where any person, without reasonable cause, fails to discharge his obligations under sub-section (1), he shall be punishable with imprisonment which may extend to six months or with fine which may extend to fifty thousand rupees, or with both."

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Settlement of list of contributories and application of assets.

285. (1) As soon as may be after the passing of a winding up order by the Tribunal, the Tribunal shall settle a list of contributories, cause rectification of register of members in all cases where rectification is required in pursuance of this Act and shall cause the assets of the company to be applied for the discharge of its liability:

Provided that where it appears to the Tribunal that it would not be necessary to make calls on or adjust the rights of contributories, the Tribunal may dispense with the settlement of a list of contributories.

(2) In settling the list of contributories, the Tribunal shall distinguish between those who are contributories in their own right and those who are contributories as being representatives of, or liable for the debts of, others.

(3) While settling the list of contributories, the Tribunal shall include every person, who is or has been a member, who shall be liable to contribute to the assets of the company an amount sufficient for payment of the debts and liabilities and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, subject to the following conditions, namely:—

(*a*) a person who has been a member shall not be liable to contribute if he has ceased to be a member for the preceding one year or more before the commencement of the winding up;

(*b*) a person who has been a member shall not be liable to contribute in respect of any debt or liability of the company contracted after he ceased to be a member;

(*c*) no person who has been a member shall be liable to contribute unless it appears to the Tribunal that the present members are unable to satisfy the contributions required to be made by them in pursuance of this Act;

(*d*) in the case of a company limited by shares, no contribution shall be required from any person, who is or has been a member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as such member;

(*e*) in the case of a company limited by guarantee, no contribution shall be required from any person, who is or has been a member exceeding the amount undertaken to be contributed by him to the assets of the company in the event of its being wound up but if the company has a share capital, such member shall be liable to contribute to the extent of any sum unpaid on any shares held by him as if the company were a company limited by shares.

Obligations of directors and managers.

286. In the case of a limited company, any person who is or has been a director or manager, whose liability is unlimited under the provisions of this Act, shall, in addition to his liability, if any, to contribute as an ordinary member, be liable to make a further contribution as if he were at the commencement of winding up, a member of an unlimited company:

Provided that—

(*a*) a person who has been a director or manager shall not be liable to make such further contribution, if he has ceased to hold office for a year or upwards before the commencement of the winding up;

(*b*) a person who has been a director or manager shall not be liable to make such further contribution in respect of any debt or liability of the company contracted after he ceased to hold office;

(*c*) subject to the articles of the company, a director or manager shall not be liable to make such further contribution unless the Tribunal deems it necessary to require the contribution in order to satisfy the debts and liabilities of the company, and the costs, charges and expenses of the winding up.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Advisory committee.

287. (1) The Tribunal may, while passing an order of winding up of a company, direct that there shall be, an advisory committee to advise the Company Liquidator and to report to the Tribunal on such matters as the Tribunal may direct.

(2) The advisory committee appointed by the Tribunal shall consist of not more than twelve members, being creditors and contributories of the company or such other persons in such proportion as the Tribunal may, keeping in view the circumstances of the company under liquidation, direct.

(3) The Company Liquidator shall convene a meeting of creditors and contributories, as ascertained from the books and documents, of the company within thirty days from the date of order of winding up for enabling the Tribunal to determine the persons who may be members of the advisory committee.

(4) The advisory committee shall have the right to inspect the books of account and other documents, assets and properties of the company under liquidation at a reasonable time.

(5) The provisions relating to the convening of the meetings, the procedure to be followed thereat and other matters relating to conduct of business by the advisory committee shall be such as may be prescribed.

(6) The meeting of advisory committee shall be chaired by the Company Liquidator.

Submission of periodical reports to Tribunal.

288. (1) The Company Liquidator shall make periodical reports to the Tribu- nal and in any case make a report at the end of each quarter with respect to the progress of the winding up of the company in such form and manner as may be prescribed.

(2) The Tribunal may, on an application by the Company Liquidator, review the orders made by it and make such modifications as it thinks fit.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power of Tribunal on application for stay of winding up.

289. [***]

Powers and duties of Company Liquidator.

290. (1) Subject to directions by the Tribunal, if any, in this regard, the Company Liquidator, in a winding up of a company by the Tribunal, shall have the power—

- (*a*) to carry on the business of the company so far as may be necessary for the beneficial winding up of the company;
- (*b*) to do all acts and to execute, in the name and on behalf of the company, all deeds, receipts and other documents, and for that purpose, to use, when necessary, the company's seal;
- (*c*) to sell the immovable and movable property and actionable claims of the company by public auction or private contract, with power to transfer such property to any person or body corporate, or to sell the same in parcels;
- (*d*) to sell the whole of the undertaking of the company as a going concern;
- (*e*) to raise any money required on the security of the assets of the company;
- (*f*) to institute or defend any suit, prosecution or other legal proceeding, civil or criminal, in the name and on behalf of the company;
- (*g*) to invite and settle claim of creditors, employees or any other claimant and distribute sale proceeds in accordance with priorities established under this Act;
- (*h*) to inspect the records and returns of the company on the files of the Registrar or any other authority;
- (*i*) to prove rank and claim in the insolvency of any contributory for any balance against his estate, and to receive dividends in the insolvency, in respect of that balance, as a separate debt due from the insolvent, and rateably with the other separate creditors;
- (*j*) to draw, accept, make and endorse any negotiable instruments including cheque, bill of exchange, hundi or promissory note in the name and on behalf of the company, with the same effect with respect to the liability of the company as if such instruments had been drawn, accepted, made or endorsed by or on behalf of the company in the course of its business;
- (*k*) to take out, in his official name, letters of administration to any deceased contributory, and to do in his official name any other act necessary for obtaining payment of any money due from a contributory or his estate which cannot be conveniently done in the name of the company, and in all such cases, the money due shall, for the purpose of enabling the Company Liquidator to take out the letters of administration or recover the money, be deemed to be due to the Company Liquidator himself;
- (*l*) to obtain any professional assistance from any person or appoint any professional, in discharge of his duties, obligations and responsibilities and for protection of the assets of the company, appoint an agent to do any business which the Company Liquidator is unable to do himself;
- (*m*) to take all such actions, steps, or to sign, execute and verify any paper, deed, document, application, petition, affidavit, bond or instrument as may be necessary,—
  - (*i*) for winding up of the company;
  - (*ii*) for distribution of assets;
  - (*iii*) in discharge of his duties and obligations and functions as Company Liquidator; and
- (*n*) to apply to the Tribunal for such orders or directions as may be necessary for the winding up of the company.

(2) The exercise of powers by the Company Liquidator under sub-section (1) shall be subject to the overall control of the Tribunal.

(3) Notwithstanding the provisions of sub-section (1), the Company Liquidator shall perform such other duties as the Tribunal may specify in this behalf.

Provision for professional assistance to Company Liquidator.

291. (1) The Company Liquidator may, with the sanction of the Tribunal, appoint one or more chartered accountants or company secretaries or cost accountants or legal practitioners or such other professionals on such terms and conditions, as may be necessary, to assist him in the performance of his duties and functions under this Act.

(2) Any person appointed under this section shall disclose forthwith to the Tribunal in the prescribed form any conflict of interest or lack of independence in respect of his appointment.

Exercise and control of Company Liquidator's powers.

292. (1) Subject to the provisions of this Act, the Company Liquidator shall, in the administration of the assets of the company and the distribution thereof among its creditors, have regard to any directions which may be given by the resolution of the creditors or contributories at any general meeting or by the advisory committee.

(2) Any directions given by the creditors or contributories at any general meeting shall, in case of conflict, be deemed to override any directions given by the advisory committee.

(3) The Company Liquidator—

(*a*) may summon meetings of the creditors or contributories, whenever he thinks fit, for the purpose of ascertaining their wishes; and

(*b*) shall summon such meetings at such times, as the creditors or contributories, as the case may be, may, by resolution, direct, or whenever requested in writing to do so by not less than one-tenth in value of the creditors or contributories, as the case may be.

(4) Any person aggrieved by any act or decision of the Company Liquidator may apply to the Tribunal, and the Tribunal may confirm, reverse or modify the act or decision complained of and make such further order as it thinks just and proper in the circumstances.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Books to be kept by Company Liquidator.

293. (1) The Company Liquidator shall keep proper books in such manner, as may be prescribed, in which he shall cause entries or minutes to be made of proceedings at meetings and of such other matters as may be prescribed.

(2) Any creditor or contributory may, subject to the control of the Tribunal, inspect any such books, personally or through his agent.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Audit of Company Liquidator's accounts.

294. (1) The Company Liquidator shall maintain proper and regular books of account including accounts of receipts and payments made by him in such form and manner as may be prescribed.

(2) The Company Liquidator shall, at such times as may be prescribed but not less than twice in each year during his tenure of office, present to the Tribunal an account of the receipts and payments as such liquidator in the prescribed form in duplicate, which shall be verified by a declaration in such form and manner as may be prescribed.

(3) The Tribunal shall cause the accounts to be audited in such manner as it thinks fit, and for the purpose of the audit, the Company Liquidator shall furnish to the Tribunal with such vouchers and information as the Tribunal may require, and the Tribunal may, at any time, require the production of, and inspect, any books of account kept by the Company Liquidator.

(4) When the accounts of the company have been audited, one copy thereof shall be filed by the Company Liquidator with the Tribunal, and the other copy shall be delivered to the Registrar which shall be open to inspection by any creditor, contributory or person interested.

(5) Where an account referred to in sub-section (4) relates to a Government company, the Company Liquidator shall forward a copy thereof—

(*a*) to the Central Government, if that Government is a member of the Government company; or

(*b*) to any State Government, if that Government is a member of the Government company; or

(*c*) to the Central Government and any State Government, if both the Governments are members of the Government company.

(6) The Company Liquidator shall cause the accounts when audited, or a summary thereof, to be printed, and shall send a printed copy of the accounts or summary thereof by post to every creditor and every contributory:

Provided that the Tribunal may dispense with the compliance of the provisions of this sub-section in any case it deems fit.

Payment of debts by contributory and extent of set-off.

295. (1) The Tribunal may, at any time after passing of a winding up order, pass an order requiring any contributory for the time being on the list of contributories to pay, in the manner directed by the order, any money due to the company, from him or from the estate of the person whom he represents, exclusive of any money payable by him or the estate by virtue of any call in pursuance of this Act.

(2) The Tribunal, in making an order, under sub-section (1), may,—

(*a*) in the case of an unlimited company, allow to the contributory, by way of set-off, any money due to him or to the estate which he represents, from the company, on any independent dealing or contract with the company, but not any money due to him as a member of the company in respect of any dividend or profit; and

(*b*) in the case of a limited company, allow to any director or manager whose liability is unlimited, or to his estate, such set-off.

(3) In the case of any company, whether limited or unlimited, when all the creditors have been paid in full, any money due on any account whatever to a contributory from the company may be allowed to him by way of set-off against any subsequent call.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power of Tribunal to make calls.

296. The Tribunal may, at any time after the passing of a winding up order, and either before or after it has ascertained the sufficiency of the assets of the company,—

(*a*) make calls on all or any of the contributories for the time being on the list of the contributories, to the extent of their liability, for payment of any money which the Tribunal considers necessary to satisfy the debts and liabilities of the company, and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves; and

(*b*) make an order for payment of any calls so made.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Adjustment of rights of contributories.

297. The Tribunal shall adjust the rights of the contributories among them- selves and distribute any surplus among the persons entitled thereto.

Power to order costs.

298. The Tribunal may, in the event of the assets of a company being insufficient to satisfy its liabilities, make an order for the payment out of the assets, of the costs, charges and expenses incurred in the winding up, in such order of priority *inter se* as the Tribunal thinks just and proper.

Power to summon persons suspected of having property of company, etc.

299. (1) The Tribunal may, at any time after the appointment of a provisional liquidator or the passing of a winding up order, summon before it any officer of the company or person known or suspected to have in his possession any property or books or papers, of the company, or known or suspected to be indebted to the company, or any person whom the Tribunal thinks to be capable of giving information concerning the promotion, formation, trade, dealings, property, books or papers, or affairs of the company.

(2) The Tribunal may examine any officer or person so summoned on oath concerning the matters aforesaid, either by word of mouth or on written interrogatories or on affidavit and may, in the first case, reduce his answers to writing and require him to sign them.

(3) The Tribunal may require any officer or person so summoned to produce any books and papers relating to the company in his custody or power, but, where he claims any lien on books or papers produced by him, the production shall be without prejudice to such lien, and the Tribunal shall have power to determine all questions relating to that lien.

(4) The Tribunal may direct the liquidator to file before it a report in respect of debt or property of the company in possession of other persons.

(5) If the Tribunal finds that—

(*a*) a person is indebted to the company, the Tribunal may order him to pay to the provisional liquidator or, as the case may be, the liquidator at such time and in such manner as the Tribunal may consider just, the amount in which he is indebted, or any part thereof, either in full discharge of the whole amount or not, as the Tribunal thinks fit, with or without costs of the examination;

(*b*) a person is in possession of any property belonging to the company, the Tribunal may order him to deliver to the provisional liquidator or, as the case may be, the liquidator, that property or any part thereof, at such time, in such manner and on such terms as the Tribunal may consider just.

(6) If any officer or person so summoned fails to appear before the Tribunal at the time appointed without a reasonable cause, the Tribunal may impose an appropriate cost.

(7) Every order made under sub-section (5) shall be executed in the same manner as decrees for the payment of money or for the delivery of property under the Code of Civil Procedure, 1908 (5 of 1908).

(8) Any person making any payment or delivery in pursuance of an order made under sub-section (5) shall by such payment or delivery be, unless otherwise directed by such order, discharged from all liability whatsoever in respect of such debt or property.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power to order examination of promoters, directors, etc.

300. (1) Where an order has been made for the winding up of a company by the Tribunal, and the Company Liquidator has made a report to the Tribunal under this Act, stating that in his opinion a fraud has been committed by any person in the promotion**,** formation, business or conduct of affairs of the company since its formation, the Tribunal may, after considering the report, direct that such person or officer shall attend before the Tribunal on a day appointed by it for that purpose, and be examined as to the promotion or formation or the conduct of the business of the company or as to his conduct and dealings as an officer thereof.

(2) The Company Liquidator shall take part in the examination, and for that purpose he or it may, if specially authorised by the Tribunal in that behalf, employ such legal assistance as may be sanctioned by the Tribunal.

(3) The person shall be examined on oath and shall answer all such questions as the Tribunal may put, or allow to be put, to him.

(4) A person ordered to be examined under this section—

(*a*) shall, before his examination, be furnished at his own cost with a copy of the report of the Company Liquidator; and

(*b*) may at his own cost employ chartered accountants or company secretaries or cost accountants or legal practitioners entitled to appear before the Tribunal under , who shall be at liberty to put to him such questions as the Tribunal may consider just for the purpose of enabling him to explain or qualify any answers given by him.

(5) If any such person applies to the Tribunal to be exculpated from any charges made or suggested against him, it shall be the duty of the Company Liquidator to appear on the hearing of such application and call the attention of the Tribunal to any matters which appear to the Company Liquidator to be relevant.

(6) If the Tribunal, after considering any evidence given or hearing witnesses called by the Company Liquidator, allows the application made under sub-section (5), the Tribunal may order payment to the applicant of such costs as it may think fit.

(7) Notes of the examination shall be taken down in writing, and shall be read over to or by, and signed by, the person examined, a copy be supplied to him and may thereafter be used in evidence against him, and shall be open to inspection by any creditor or contributory at all reasonable times.

(8) The Tribunal may, if it thinks fit, adjourn the examination from time to time.

(9) An examination under this section may, if the Tribunal so directs, be held before any person or authority authorised by the Tribunal.

(10) The powers of the Tribunal under this section as to the conduct of the examination, but not as to costs, may be exercised by the person or authority before whom the examination is held in pursuance of sub-section (9).

Arrest of person trying to leave India or abscond.

301. At any time either before or after passing a winding up order, if the Tribunal is satisfied that a contributory or a person having property, accounts or papers of the company in his possession is about to leave India or otherwise to abscond, or is about to remove or conceal any of his property, for the purpose of evading payment of calls or of avoiding examination respecting the affairs of the company, the Tribunal may cause—

(*a*) the contributory to be detained until such time as the Tribunal may order; and

(*b*) his books and papers and movable property to be seized and safely kept until such time as the Tribunal may order.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Dissolution of company by Tribunal.

302. (1) When the affairs of a company have been completely wound up, the Company Liquidator shall make an application to the Tribunal for dissolution of such company.

(2) The Tribunal shall on an application filed by the Company Liquidator under sub-section (1) or when the Tribunal is of the opinion that it is just and reasonable in the circumstances of the case that an order for the dissolution of the company should be made, make an order that the company be dissolved from the date of the order, and the company shall be dissolved accordingly.

[*(3) The Tribunal shall, within a period of thirty days from the date of the order,—*

(a) forward a copy of the order to the Registrar who shall record in the register relating to the company a minute of the dissolution of the company; and

*(b) direct the Company Liquidator to forward a copy of the order to the Registrar who shall record in the register relating to the company a minute of the dissolution of the company.***]**

(4) **[*******]**

---

54. Corresponds to section 481 of the 1956 Act.

55. Enforced with effect from 15-12-2016.

55a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (3) read as under :

"(3) A copy of the order shall, within thirty days from the date thereof, be forwarded by the Company Liquidator to the Registrar who shall record in the register relating to the company a minute of the dissolution of the company."

55b. Omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its omission, sub-section (4) read as under :

"(4) If the Company Liquidator makes a default in forwarding a copy of the order within the period specified in sub-section (3), the Company Liquidator shall be punishable with fine which may extend to five thousand rupees for every day during which the default continues."

Appeals from orders made before commencement of Act.

303. Nothing in this Chapter shall affect the operation or enforcement of any order made by any Court in any proceedings for the winding up of a company immediately before the commencement of this Act and an appeal against such order shall be filed before such authority competent to hear such appeals before such commencement.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[***]

304. to **323. [** *Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f.* **15-11-2016** . **]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

305 . [***]

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

306 . [***]

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

307 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

308 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

309 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

310 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

311 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

312 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

313 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

314 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

315 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

316 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

317 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

318 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

319 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

320 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

321 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

322 . [***]

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016]

323 . **[***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

PART III

PROVISIONS APPLICABLE TO EVERY MODE OF WINDING UP

Debts of all descriptions to be admitted to proof.

324. In every winding up (subject, in the case of insolvent companies, to the application in accordance with the provisions of this Act or of the law of insolvency), all debts payable on a contingency, and all claims against the company, present or future, certain or contingent, ascertained or sounding only in damages, shall be admissible to proof against the company, a just estimate being made, so far as possible, of the value of such debts or claims as may be subject to any contingency, or may sound only in damages, or for some other reason may not bear a certain value.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Application of insolvency rules in winding up of insolvent companies.

325. [***]

[Overriding preferential payments.

326. *(1) In the winding up of a company under this Act, the following debts shall be paid in priority to all other debts:*

(*a*) workmen's dues; and

(*b*) *where a secured creditor has realised a secured asset, so much of the debts due to such secured creditor as could not be realised by him or the amount of the workmen's portion in his security (if payable under the law), whichever is less,* pari passu *with the workmen's dues:*

Provided *that in case of the winding up of a company, the sums referred to in sub-clauses (*i*) and (*ii*) of clause (*b*) of the* Explanation, *which are payable for a period of two years preceding the winding up order or such other period as may be prescribed, shall be paid in priority to all other debts (including debts due to secured creditors), within a period of thirty days of sale of assets and shall be subject to such charge over the security of secured creditors as may be prescribed.*

(2) The debts payable under the proviso to sub-section (1) shall be paid in full before any payment is made to secured creditors and thereafter debts payable under that sub-section shall be paid in full, unless the assets are insufficient to meet them, in which case they shall abate in equal proportions.

Explanation. —*For the purposes of this section, and —*

(a) *"workmen", in relation to a company, means the employees of the company, being workmen within the meaning of clause (*s*) of section 2 of the Industrial Disputes Act, 1947 (14 of 1947);*

(b) *"workmen's dues", in relation to a company, means the aggregate of the following sums due from the company to its workmen, namely:—*

(i) *all wages or salary including wages payable for time or piece work and salary earned wholly or in part by way of commission of any workman in respect of services rendered to the company and any compensation payable to any workman under any of the provisions of the Industrial Disputes Act, 1947 (14 of 1947);*

(ii) *all accrued holiday remuneration becoming payable to any workman or, in the case of his death, to any other person in his right on the termination of his employment before or by the effect of the winding up order or resolution;*

(iii) *unless the company is being wound up voluntarily merely for the purposes of reconstruction or amalgamation with another company or unless the company has, at the commencement of the winding up, under such a contract with insurers as is mentioned in of the Workmen's Compensation Act, 1923 (19 of 1923), rights capable of being transferred to and vested in the workmen, all amount due in respect of any compensation or liability for compensation under the said Act in respect of the death or disablement of any workman of the company;*

(iv) *all sums due to any workman from the provident fund, the pension fund, the gratuity fund or any other fund for the welfare of the workmen, maintained by the company;*

(c) *"workmen's portion", in relation to the security of any secured creditor of a company, means the amount which bears to the value of the security the same proportion as the amount of the workmen's dues bears to the aggregate of the amount of workmen's dues and the amount of the debts due to the secured creditors.*

Illustration

The value of the security of a secured creditor of a company is Rs. 1,00,000. The total amount of the workmen's dues is Rs. 1,00,000. The amount of the debts due from the company to its secured creditors is Rs. 3,00,000. The aggregate of the amount of workmen's dues and the amount of debts due to secured creditors is Rs. 4,00,000. The workmen's portion of the security is, therefore, one-fourth of the value of the security, that is Rs. 25,000. **]**

Preferential payments.

327.(1) In a winding up, subject to the provisions of , there shall be paid in priority to all other debts,—

(*a*) all revenues, taxes, cesses and rates due from the company to the Central Government or a State Government or to a local authority at the relevant date, and having become due and payable within the twelve months immediately before that date;

(*b*) all wages or salary including wages payable for time or piece work and salary earned wholly or in part by way of commission of any employee in respect of services rendered to the company and due for a period not exceeding four months within the twelve months immediately before the relevant date, subject to the condition that the amount payable under this clause to any workman shall not exceed such amount as may be notified;

(*c*) all accrued holiday remuneration becoming payable to any employee, or in the case of his death, to any other person claiming under him, on the termination of his employment before, or by the winding up order, or, as the case may be, the dissolution of the company;

(*d*) unless the company is being wound up voluntarily merely for the purposes of reconstruction or amalgamation with another company, all amount due in respect of contributions payable during the period of twelve months immediately before the relevant date by the company as the employer of persons under the Employees' State Insurance Act, 1948 (34 of 1948) or any other law for the time being in force;

(*e*) unless the company has, at the commencement of winding up, under such a contract with any insurer as is mentioned in of the Workmen's Compensation Act, 1923 (8 of 1923), rights capable of being transferred to and vested in the workmen, all amount due in respect of any compensation or liability for compensation under the said Act in respect of the death or disablement of any employee of the company:

Provided that where any compensation under the said Act is a weekly payment, the amount payable under this clause shall be taken to be the amount of the lump sum for which such weekly payment could, if redeemable, be redeemed, if the employer has made an application under that Act;

(*f*) all sums due to any employee from the provident fund, the pension fund, the gratuity fund or any other fund for the welfare of the employees, maintained by the company; and

(*g*) the expenses of any investigation held in pursuance of and , in so far as they are payable by the company.

(2) Where any payment has been made to any employee of a company on account of wages or salary or accrued holiday remuneration, himself or, in the case of his death, to any other person claiming through him, out of money advanced by some person for that purpose, the person by whom the money was advanced shall, in a winding up, have a right of priority in respect of the money so advanced and paid-up to the amount by which the sum in respect of which the employee or other person in his right would have been entitled to priority in the winding up has been reduced by reason of the payment having been made.

(3) The debts enumerated in this section shall—

(*a*) rank equally among themselves and be paid in full, unless the assets are insufficient to meet them, in which case they shall abate in equal proportions; and

(*b*) so far as the assets of the company available for payment to general creditors are insufficient to meet them, have priority over the claims of holders of debentures under any floating charge created by the company, and be paid accordingly out of any property comprised in or subject to that charge.

(4) Subject to the retention of such sums as may be necessary for the costs and expenses of the winding up, the debts under this section shall be discharged forthwith so far as the assets are sufficient to meet them, and in the case of the debts to which priority is given under clause (*d*) of sub-section (1), formal proof thereof shall not be required except in so far as may be otherwise prescribed.

(5) In the event of a landlord or other person distraining or having distrained on any goods or effects of the company within three months immediately before the date of a winding up order, the debts to which priority is given under this section shall be a first charge on the goods or effects so distrained on or the proceeds of the sale thereof:

Provided that, in respect of any money paid under any such charge, the landlord or other person shall have the same rights of priority as the person to whom the payment is made.

(6) Any remuneration in respect of a period of holiday or of absence from work on medical grounds through sickness or other good cause shall be deemed to be wages in respect of services rendered to the company during that period.

[*(7) Sections 326 and 327 shall not be applicable in the event of liquidation under the Insolvency and Bankruptcy Code, 2016.* **]**

Explanation.—For the purposes of this section,—

(*a*) the expression "accrued holiday remuneration" includes, in relation to any person, all sums which, by virtue either of his contract of employment or of any enactment including any order made or direction given thereunder, are payable on account of the remuneration which would, in the ordinary course, have become payable to him in respect of a period of holiday, had his employment with the company continued until he became entitled to be allowed the holiday;

(*b*) the expression "employee" does not include a workman; and

[(*c*) *the expression "relevant date" means in the case of a company being wound up by the Tribunal, the date of appointment or first appointment of a provisional liquidator, or if no such appointment was made, the date of the winding up order, unless, in either case, the company had commenced to be wound up voluntarily before that date under the Insolvency and Bankruptcy Code, 2016;* **]**

Fraudulent preference.

328.(1) Where a company has given preference to a person who is one of the creditors of the company or a surety or guarantor for any of the debts or other liabilities of the company, and the company does anything or suffers anything done which has the effect of putting that person into a position which, in the event of the company going into liquidation, will be better than the position he would have been in if that thing had not been done prior to six months of making winding up application, the Tribunal, if satisfied that, such transaction is a fraudulent preference may order as it may think fit for restoring the position to what it would have been if the company had not given that preference.

(2) If the Tribunal is satisfied that there is a preference transfer of property, movable or immovable, or any delivery of goods, payment, execution made, taken or done by or against a company within six months before making winding up application, the Tribunal may order as it may think fit and may declare such transaction invalid and restore the position.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Transfers not in good faith to be void.

329. *Any transfer of property, movable or immovable, or any delivery of goods, made by a company, not being a transfer or delivery made in the ordinary course of its business or in favour of a purchaser or encumbrancer in good faith and for valuable consideration, if made within a period of one year before the presentation of a petition for winding up by the Tribunal under this Act shall be void against the Company Liquidator.* **]**

Certain transfers to be void.

330. Any transfer or assignment by a company of all its properties or assets to trustees for the benefit of all its creditors shall be void.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Liabilities and rights of certain persons fraudulently preferred.

331.(1) Where a company is being wound up and anything made, taken or done after the commencement of this Act is invalid under as a fraudulent preference of a person interested in property mortgaged or charged to secure the company's debt, then, without prejudice to any rights or liabilities arising, apart from this provision, the person preferred shall be subject to the same liabilities, and shall have the same rights, as if he had undertaken to be personally liable as a surety for the debt, to the extent of the mortgage or charge on the property or the value of his interest, whichever is less.

(2) The value of the interest of the person preferred under sub-section (1) shall be determined as at the date of the transaction constituting the fraudulent preference, as if the interest were free of all encumbrances other than those to which the mortgage or charge for the debt of the company was then subject.

(3) On an application made to the Tribunal with respect to any payment on the ground that the payment was a fraudulent preference of a surety or guarantor, the Tribunal shall have jurisdiction to determine any questions with respect to the payment arising between the person to whom the payment was made and the surety or guarantor and to grant relief in respect thereof, notwithstanding that it is not necessary so to do for the purposes of the winding up, and for that purpose, may give leave to bring in the surety or guarantor as a third party as in the case of a suit for the recovery of the sum paid.

(4) The provisions of sub-section (3) shall apply *mutatis mutandis* in relation to transactions other than payment of money.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Effect of floating charge .

332. Where a company is being wound up, a floating charge on the undertaking or property of the company created within the twelve months immediately preceding the commencement of the winding up, shall, unless it is proved that the company immediately after the creation of the charge was solvent, be invalid, except for the amount of any cash paid to the company at the time of, or subsequent to the creation of, and in consideration for, the charge, together with interest on that amount at the rate of five per cent per annum or such other rate as may be notified by the Central Government in this behalf.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Disclaimer of onerous property.

333.(1) Where any part of the property of a company which is being wound up consists of—

(*a*) land of any tenure, burdened with onerous covenants;

(*b*) shares or stocks in companies;

(*c*) any other property which is not saleable or is not readily saleable by reason of the possessor thereof being bound either to the performance of any onerous act or to the payment of any sum of money; or

(*d*) unprofitable contracts,

the Company Liquidator may, notwithstanding that he has endeavoured to sell or has taken possession of the property or exercised any act of ownership in relation thereto or done anything in pursuance of the contract, with the leave of the Tribunal and subject to the provisions of this section, by writing signed by him, at any time within twelve months after the commencement of the winding up or such extended period as may be allowed by the Tribunal, disclaim the property:

Provided that where the Company Liquidator had not become aware of the existence of any such property within one month from the commencement of the winding up, the power of disclaiming the property may be exercised at any time within twelve months after he has become aware thereof or such extended period as may be allowed by the Tribunal.

(2) The disclaimer shall operate to determine, as from the date of disclaimer, the rights, interest and liabilities of the company in or in respect of the property disclaimed, but shall not, except so far as is necessary for the purpose of releasing the company and the property of the company from liability, affect the rights, interest or liabilities of any other person.

(3) The Tribunal, before or on granting leave to disclaim, may require such notices to be given to persons interested, and impose such terms as a condition of granting leave, and make such other order in the matter as the Tribunal considers just and proper.

(4) The Company Liquidator shall not be entitled to disclaim any property in any case where an application in writing has been made to him by any person interested in the property requiring him to decide whether he will or will not disclaim and the Company Liquidator has not, within a period of twenty-eight days after the receipt of the application or such extended period as may be allowed by the Tribunal, give notice to the applicant that he intends to apply to the Tribunal for leave to disclaim, and in case the property is under a contract, if the Company Liquidator after such an application as aforesaid does not within the said period or extended period disclaim the contract, he shall be deemed to have adopted it.

(5) The Tribunal may, on the application of any person who is, as against the Company Liquidator, entitled to the benefit or subject to the burden of a contract made with the company, make an order rescinding the contract on such terms as to payment by or to either party of damages for the non-performance of the contract, or otherwise as the Tribunal considers just and proper, and any damages payable under the order to any such person may be proved by him as a debt in the winding up.

(6) The Tribunal may, on an application by any person who either claims any interest in any disclaimed property or is under any liability not discharged under this Act in respect of any disclaimed property, and after hearing any such persons as it thinks fit, make an order for the vesting of the property in, or the delivery of the property to, any person entitled thereto or to whom it may seem just that the property should be delivered by way of compensation for such liability as aforesaid, or a trustee for him, and on such terms as the Tribunal considers just and proper, and on any such vesting order being made, the property comprised therein shall vest accordingly in the person named therein in that behalf without any conveyance or assignment for the purpose:

Provided that where the property disclaimed is of a leasehold nature, the Tribunal shall not make a vesting order in favour of any person claiming under the company, whether as under-lessee or as mortgagee or holder of a charge by way of demise, except upon the terms of making that person—

(*a*) subject to the same liabilities and obligations as those to which the company was subject under the lease in respect of the property at the commencement of the winding up; or

(*b*) if the Tribunal thinks fit, subject only to the same liabilities and obligations as if the lease had been assigned to that person at that date,

and in either event as if the lease had comprised only the property comprised in the vesting order, and any mortgagee or under-lessee declining to accept a vesting order upon such terms shall be excluded from all interest in, and security upon the property, and, if there is no person claiming under the company who is willing to accept an order upon such terms, the Tribunal shall have power to vest the estate and interest of the company in the property in any person liable, either personally or in a representative character, and either alone or jointly with the company, to perform the covenants of the lessee in the lease, free and discharged from all estates, encumbrances and interests created therein by the company.

(7) Any person affected by the operation of a disclaimer under this section shall be deemed to be a creditor of the company to the amount of the compensation or damages payable in respect of such effect, and may accordingly prove the amount as a debt in the winding up.

[Transfer, etc., after commencement of winding up to be void .

334. *In the case of a winding up by the Tribunal, any disposition of the property including actionable claims, of the company and any transfer of shares in the company or alteration in the status of its members, made after the commencement of the winding up shall, unless the Tribunal otherwise orders , be void.* **]**

Certain attachments, executions, etc., in winding up by Tribunal to be void.

335. (1) Where any company is being wound up by the Tribunal,—

(*a*) any attachment, distress or execution put in force, without leave of the Tribunal against the estate or effects of the company, after the commencement of the winding up; or

(*b*) any sale held, without leave of the Tribunal of any of the properties or effects of the company, after such commencement,

shall be void.

(2) Nothing in this section shall apply to any proceedings for the recovery of any tax or impost or any dues payable to the Government.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Offences by officers of companies in liquidation.

336. (1) If any person, who is or has been an officer of a company which, at the time of the commission of the alleged offence, is being wound up, **[***by the Tribunal under this Act or which is subsequently ordered to be wound up by the Tribunal under this Act***]**,—

(*a*) does not, to the best of his knowledge and belief, fully and truly disclose to the Company Liquidator all the property, movable and immovable, of the company, and how and to whom and for what consideration and when the company disposed of any part thereof, except such part as has been disposed of in the ordinary course of the business of the company;

(*b*) does not deliver up to the Company Liquidator, or as he directs, all such part of the movable and immovable property of the company as is in his custody or under his control and which he is required by law to deliver up;

(*c*) does not deliver up to the Company Liquidator, or as he directs, all such books and papers of the company as are in his custody or under his control and which he is required by law to deliver up;

(*d*) within the twelve months immediately before the commencement of the winding up or at any time thereafter,—

(*i*) conceals any part of the property of the company to the value of one thousand rupees or more, or conceals any debt due to or from the company;

(*ii*) fraudulently removes any part of the property of the company to the value of one thousand rupees or more;

(*iii*) conceals, destroys, mutilates or falsifies, or is privy to the concealment, destruction, mutilation or falsification of, any book or paper affecting or relating to, the property or affairs of the company;

(*iv*) makes, or is privy to the making of, any false entry in any book or paper affecting or relating to, the property or affairs of the company;

(*v*) fraudulently parts with, alters or makes any omission in, or is privy to the fraudulent parting with, altering or making of any omission in, any book or paper affecting or relating to the property or affairs of the company;

(*vi*) by any false representation or other fraud, obtains on credit, for or on behalf of the company, any property which the company does not subsequently pay for;

(*vii*) under the false pretence that the company is carrying on its business, obtains on credit, for or on behalf of the company, any property which the company does not subsequently pay for; or

(*viii*) pawns, pledges or disposes of any property of the company which has been obtained on credit and has not been paid for, unless such pawning, pledging or disposing of the property is in the ordinary course of business of the company;

(*e*) makes any material omission in any statement relating to the affairs of the company;

(*f*) knowing or believing that a false debt has been proved by any person under the winding up, fails for a period of one month to inform the Company Liquidator thereof;

(*g*) after the commencement of the winding up, prevents the production of any book or paper affecting or relating to the property or affairs of the company;

(*h*) after the commencement of the winding up or at any meeting of the creditors of the company within the twelve months next before the commencement of the winding up, attempts to account for any part of the property of the company by fictitious losses or expenses; or

(*i*) is guilty of any false representation or fraud for the purpose of obtaining the consent of the creditors of the company or any of them, to an agreement with reference to the affairs of the company or to the winding up,

he shall be punishable with imprisonment for a term which shall not be less than three years but which may extend to five years and with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees:

Provided that it shall be a good defence if the accused proves that he had no intent to defraud or to conceal the true state of affairs of the company or to defeat the law.

(2) Where any person pawns, pledges or disposes of any property in circumstances which amount to an offence under sub-clause (*viii*) of clause (*d*) of sub-section (1), every person who takes in pawn or pledge or otherwise receives the property, knowing it to be pawned, pledged, or disposed of in such circumstances as aforesaid, shall be punishable with imprisonment for a term which shall not be less than three years but which may extend to five years and with fine which shall not be less than three lakh rupees but which may extend to five lakh rupees.

Explanation.—For the purposes of this section, the expression "officer" includes any person in accordance with whose directions or instructions the directors of the company have been accustomed to act.

Penalty for frauds by officers.

337. If any person, being at the time of the commission of the alleged offence an officer of a company which is subsequently ordered to be wound up by the Tribunal **[***under this Act***]**,—

(*a*) has, by false pretences or by means of any other fraud, induced any person to give credit to the company;

(*b*) with intent to defraud creditors of the company or any other person, has made or caused to be made any gift or transfer of, or charge on, or has caused or connived at the levying of any execution against, the property of the company; or

(*c*) with intent to defraud creditors of the company, has concealed or removed any part of the property of the company since the date of any unsatisfied judgment or order for payment of money obtained against the company or within two months before that date,

he shall be punishable with imprisonment for a term which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Liability where proper accounts not kept.

338.(1) Where a company is being wound up, if it is shown that proper books of account were not kept by the company throughout the period of two years immediately preceding the commencement of the winding up, or the period between the incorporation of the company and the commencement of the winding up, whichever is shorter, every officer of the company who is in default shall, unless he shows that he acted honestly and that in the circumstances in which the business of the company was carried on, the default was excusable, be punishable with imprisonment for a term which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees.

(2) For the purposes of sub-section (1), it shall be deemed that proper books of account have not been kept in the case of any company,—

(*a*) if such books of account as are necessary to exhibit and explain the transactions and financial position of the business of the company, including books containing entries made from day-to-day in sufficient detail of all cash received and all cash paid, have not been kept; and

(*b*) where the business of the company has involved dealings in goods, statements of the annual stock takings and, except in the case of goods sold by way of ordinary retail trade, of all goods sold and purchased, showing the goods and the buyers and the sellers thereof in sufficient detail to enable those goods and those buyers and sellers to be identified, have not been kept.

Liability for fraudulent conduct of business.

339. (1) If in the course of the winding up of a company, it appears that any business of the company has been carried on with intent to defraud creditors of the company or any other persons or for any fraudulent purpose, the Tribunal, on the application of the Official Liquidator, or the Company Liquidator or any creditor or contributory of the company, may, if it thinks it proper so to do, declare that any person, who is or has been a director, manager, or officer of the company or any persons who were knowingly parties to the carrying on of the business in the manner aforesaid shall be personally responsible, without any limitation of liability, for all or any of the debts or other liabilities of the company as the Tribunal may direct:

Provided that on the hearing of an application under this sub-section, the Official Liquidator or the Company Liquidator, as the case may be, may himself give evidence or call witnesses.

(2) Where the Tribunal makes any such declaration, it may give such further directions as it thinks proper for the purpose of giving effect to that declaration and, in particular,—

(*a*) make provision for making the liability of any such person under the declaration a charge on any debt or obligation due from the company to him, or on any mortgage or charge or any interest in any mortgage or charge on any assets of the company held by or vested in him, or any person on his behalf, or any person claiming as assignee from or through the person liable or any person acting on his behalf;

(*b*) make such further order as may be necessary for the purpose of enforcing any charge imposed under this sub-section.

(3) Where any business of a company is carried on with such intent or for such purpose as is mentioned in sub-section (1), every person who was knowingly a party to the carrying on of the business in the manner aforesaid, shall be liable for action under .

(4) This section shall apply, notwithstanding that the person concerned may be punishable under any other law for the time being in force in respect of the matters on the ground of which the declaration is to be made.

Explanation.—For the purposes of this section,—

(*a*) the expression "assignee" includes any person to whom or in whose favour, by the directions of the person liable, the debt, obligation, mortgage or charge was created, issued or transferred or the interest was created, but does not include an assignee for valuable consideration, not including consideration by way of marriage, given in good faith and without notice of any of the matters on the ground of which the declaration is made;

(*b*) the expression "officer" includes any person in accordance with whose directions or instructions the directors of the company have been accustomed to act.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power of Tribunal to assess damages against delinquent directors, etc.

340.(1) If in the course of winding up of a company, it appears that any person who has taken part in the promotion or formation of the company, or any person, who is or has been a director, manager, Company Liquidator or officer of the company—

(*a*) has misapplied, or retained, or become liable or accountable for, any money or property of the company; or

(*b*) has been guilty of any misfeasance or breach of trust in relation to the company,

the Tribunal may, on the application of the Official Liquidator, or the Company Liquidator, or of any creditor or contributory, made within the period specified in that behalf in sub-section (2), inquire into the conduct of the person, director, manager, Company Liquidator or officer aforesaid, and order him to repay or restore the money or property or any part thereof respectively, with interest at such rate as the Tribunal considers just and proper, or to contribute such sum to the assets of the company by way of compensation in respect of the misapplication, retainer, misfeasance or breach of trust, as the Tribunal considers just and proper.

(2) An application under sub-section (1) shall be made within five years from the date of the winding up order, or of the first appointment of the Company Liquidator in the winding up, or of the misapplication, retainer, misfeasance or breach of trust, as the case may be, whichever is longer.

(3) This section shall apply, notwithstanding that the matter is one for which the person concerned may be criminally liable.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Liability under and to extend to partners or directors in firms or companies.

341 . Where a declaration under or an order under is made in respect of a firm or body corporate, the Tribunal shall also have power to make a declaration under , or pass an order under , as the case may be, in respect of any person who was at the relevant time a partner in that firm or a director of that body corporate.

Prosecution of delinquent officers and members of company.

342. (1) If it appears to the Tribunal in the course of a winding up by the Tribunal, that any person, who is or has been an officer, or any member, of the company has been guilty of any offence in relation to the company, the Tribunal may, either on the application of any person interested in the winding up or *suo motu*, direct the liquidator to prosecute the offender or to refer the matter to the Registrar.

(2), (3) and (4) [***]

(5) When any prosecution is instituted under this section, it shall be the duty of the liquidator and of every person, who is or has been an officer and agent of the company to give all assistance in connection with the prosecution which he is reasonably able to give.

Explanation.—For the purposes of this sub-section, the expression "agent", in relation to a company, shall include any banker or legal adviser of the company and any person employed by the company as auditor.

(6) **[***]**

---

13. Corresponds to section 545 of the 1956 Act.
14. Enforced with effect from 15-12-2016.
15. Omitted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016. Prior to their omission, sub-sections (2), (3) and (4) read as under :

"(2) If it appears to the Company Liquidator in the course of a voluntary winding up that any person, who is or has been an officer, or any member, of the company has been guilty of any offence in relation to the company under this Act, he shall forthwith report the matter to the Registrar and shall furnish to him such information and give to him such access to and facilities for inspecting and taking copies of any books and papers, being information or books and papers in the possession or under the control of the Company Liquidator and relating to the matter in question, as the Registrar may require.

(3) Where any report is made under sub-section (2) to the Registrar,—

(*a*) if he thinks fit, he may apply to the Central Government for an order to make further inquiry into the affairs of the company by any person designated by him and for conferring on such person all the powers of investigation as are provided under this Act;
(*b*) if he considers that the case is one in which a prosecution ought to be instituted, he shall report the matter to the Central Government, and that Government may, after taking such legal advice as it thinks fit, direct the Registrar to institute prosecution:

Provided that no report shall be made by the Registrar under this clause without first giving the accused person a reasonable opportunity of making a statement in writing to the Registrar and of being heard thereon.

(4) If it appears to the Tribunal in the course of a voluntary winding up that any person, who is or has been an officer, or any member, of the company has been guilty as aforesaid, and that no report with respect to the matter has been made by the Company Liquidator to the Registrar under sub-section (2), the Tribunal may, on the application of any person interested in the winding up or *suo motu*, direct the Company Liquidator to make such a report, and on a report being made, the provisions of this section shall have effect as though the report had been made in pursuance of the provisions of sub-section (2)."

15a. Omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its omission, sub-section (6) read as under :

"(6) If a person fails or neglects to give assistance required by sub-section (5), he shall be liable to pay fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees."

Company Liquidator to exercise certain powers subject to sanction .

343. [*(1) The Company Liquidator may, with the sanction of the Tribunal, when the company is being wound up by the Tribunal,—*

(i) *pay any class of creditors in full;*

(ii) *make any compromise or arrangement with creditors or persons claiming to be creditors, or having or alleging themselves to have any claim, present or future, certain or contingent, against the company, or whereby the company may be rendered liable; or*

(iii) *compromise any call or liability to call, debt, and liability capable of resulting in a debt, and any claim, present or future, certain or contingent, ascertained or sounding only in damages, subsisting or alleged to subsist between the company and a contributory or alleged contributory or other debtor or person apprehending liability to the company, and all questions in any way relating to or affecting the assets or liabilities or the winding up of the company, on such terms as may be agreed, and take any security for the discharge of any such call, debt, liability or claim, and give a complete discharge in respect thereof.* **]**

(2) Notwithstanding anything contained in sub-section (1), in the case of a winding up by the Tribunal, the Central Government may make rules to provide that the Company Liquidator may, under such circumstances, if any, and subject to such conditions, restrictions and limitations, if any, as may be prescribed, exercise any of the powers referred to in sub-clause (*ii*) or sub-clause (*iii*) of clause (*b*) of sub-section (1) without the sanction of the Tribunal.

(3) Any creditor or contributory may apply in the manner prescribed to the Tribunal with respect to any exercise or proposed exercise of powers by the Company Liquidator under this section, and the Tribunal shall after giving a reasonable opportunity to such applicant and the Company Liquidator, pass such orders as it may think fit.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Statement that company is in liquidation.

344. (1) Where a company is being wound up, whether by the Tribunal or voluntarily, every invoice, order for goods or business letter issued by or on behalf of the company or a Company Liquidator of the company, or a receiver or manager of the property of the company, being a document on or in which the name of the company appears, shall contain a statement that the company is being wound up.

(2) If a company contravenes the provisions of sub-section (1), the company, and every officer of the company, the Company Liquidator and any receiver or manager, who wilfully authorises or permits the non-compliance, shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Books and papers of company to be evidence.

345. Where a company is being wound up, all books and papers of the company and of the Company Liquidator shall, as between the contributories of the company, be *primafacie* evidence of the truth of all matters purporting to be recorded therein.

Inspection of books and papers by creditors and contributories.

346. (1) At any time after the making of an order for the winding up of a company by the Tribunal, any creditor or contributory of the company may inspect the books and papers of the company only in accordance with, and subject to such rules as may be prescribed.

(2) Nothing contained in sub-section (1) shall exclude or restrict any rights conferred by any law for the time being in force—

(*a*) on the Central Government or a State Government;

(*b*) on any authority or officer thereof; or

(*c*) on any person acting under the authority of any such Government or of any such authority or officer.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Disposal of books and papers of company.

347. [(1) When the affairs of a company have been completely wound up and it is about to be dissolved, the books and papers of such company and those of the Company Liquidator may be disposed of in such manner as the Tribunal directs.]

(2) After the expiry of five years from the dissolution of the company, no responsibility shall devolve on the company, the Company Liquidator, or any person to whom the custody of the books and papers has been entrusted, by reason of any book or paper not being forthcoming to any person claiming to be interested therein.

(3) The Central Government may, by rules,—

(*a*) prevent for such period as it thinks proper the destruction of the books and papers of a company which has been wound up and of its Company Liquidator; and

(*b*) enable any creditor or contributory of the company to make representations to the Central Government in respect of the matters specified in clause (*a*) and to appeal to the Tribunal from any order which may be made by the Central Government in the matter.

(4) If any person acts in contravention of any rule framed or an order made under sub-section (3), he shall be punishable **[*******]** with fine which may extend to **[***fifty thousand rupees***]**.

---

25. Corresponds to section 550 of the 1956 Act.

26. Enforced with effect from 15-12-2016.

27. Substituted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016. Prior to its substitution, sub-section (1) read as under :

"(1) When the affairs of a company have been completely wound up and it is about to be dissolved, its books and papers and those of the Company Liquidator may be disposed of as follows:—

(*a*) in the case of winding up by the Tribunal, in such manner as the Tribunal directs; and

(*b*) in the case of voluntary winding up, in such manner as the company by special resolution with the prior approval of the creditors direct."

27a. Words "with imprisonment for a term which may extend to six months or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

27b. Substituted for "fifty thousand rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

Information as to pending liquidations.

348. [(1) If the winding up of a company is not concluded within one year after its commencement, the Company Liquidator shall, unless he is exempted from so doing, either wholly or in part by the Central Government, within two months of the expiry of such year and thereafter until the winding up is concluded, at intervals of not more than one year or at such shorter intervals, if any, as may be prescribed, file a statement in such form containing such particulars as may be prescribed, duly audited, by a person qualified to act as auditor of the company, with respect to the proceedings in, and position of, the liquidation, with the Tribunal:

Provided that no such audit as is referred to in this sub-section shall be necessary where the provisions of section 294 apply.]

(2) When the statement is filed with the Tribunal under clause (*a*) of sub-section (1), a copy shall simultaneously be filed with the Registrar and shall be kept by him along with the other records of the company.

(3) Where a statement referred to in sub-section (1) relates to a Government company in liquidation, the Company Liquidator shall forward a copy thereof—

(*a*) to the Central Government, if that Government is a member of the Government company;
(*b*) to any State Government, if that Government is a member of the Government company; or
(*c*) to the Central Government and any State Government, if both the Governments are members of the Government company.

(4) Any person stating himself in writing to be a creditor or contributory of the company shall be entitled, by himself or by his agent, at all reasonable times, on payment of the prescribed fee, to inspect the statement referred to in sub-section (1), and to receive a copy thereof or an extract therefrom.

(5) Any person fraudulently stating himself to be a creditor or contributory under sub-section (4) shall be deemed to be guilty of an offence under section 182 of the Indian Penal Code (45 of 1860), and shall, on the application of the Company Liquidator, be punishable accordingly.

[*(6) Where a Company Liquidator, who is an insolvency professional registered under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) is in default in complying with the provisions of this section, then such default shall be deemed to be a contravention of the provisions of the said Code, and the rules and regulations made thereunder for the purposes of proceedings under Chapter VI of Part IV of that Code.***]**

(7) **[******]**

---

28. Corresponds to section 551 of the 1956 Act.
29. Enforced with effect from 15-12-2016.
30. Substituted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016. Prior to its substitution, sub-section (1) read as under :

"(1) If the winding up of a company is not concluded within one year after its commencement, the Company Liquidator shall, unless he is exempted from so doing either wholly or in part by the Central Government, within two months of the expiry of such year and thereafter until the winding up is concluded, at intervals of not more than one year or at such shorter intervals, if any, as may be prescribed, file a statement in such form containing such particulars as may be prescribed, duly audited, by a person qualified to act as auditor of the company, with respect to the proceedings in, and position of, the liquidation,—

(*a*) in the case of a winding up by the Tribunal, with the Tribunal; and
(*b*) in the case of a voluntary winding up, with the Registrar:

Provided that no such audit as is referred to in this sub-section shall be necessary where the provisions of section 294 apply."

31. Powers are delegated to Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Shillong.
32. *See* rule 12 and Table annexed to Companies (Registration of Offices & Fees) Rules, 2014 (**Division Two**).
33. For text of section 182 of the Indian Penal Code (45 of 1860), *see* **Appendix I**.

33a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (6) read as under :

"(6) If a Company Liquidator contravenes the provisions of this section, the Company Liquidator shall be punishable with fine which may extend to five thousand rupees for every day during which the failure continues."

33b. Omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its omission, sub-section (7) read as under :

"(7) If a Company Liquidator makes wilful default in causing the statement referred to in sub-section (1) audited by a person who is not qualified to act as an auditor of the company, the Company Liquidator shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to one lakh rupees, or with both."

Official Liquidator to make payments into public account of India.

349. Every Official Liquidator shall, in such manner and at such times as may be prescribed, pay the monies received by him as Official Liquidator of any company, into the public account of India in the Reserve Bank of India.

Company Liquidator to deposit monies into scheduled bank.

350. (1) Every Company Liquidator of a company shall, in such manner and at such times as may be prescribed, deposit the monies received by him in his capacity as such in a scheduled bank to the credit of a special bank account opened by him in that behalf:

Provided that if the Tribunal considers that it is advantageous for the creditors or contributories or the company, it may permit the account to be opened in such other bank specified by it.

(2) If any Company Liquidator at any time retains for more than ten days a sum exceeding five thousand rupees or such other amount as the Tribunal may, on the application of the Company Liquidator, authorise him to retain, then, unless he explains the retention to the satisfaction of the Tribunal, he shall—

(*a*) pay interest on the amount so retained in excess, at the rate of twelve per cent per annum and also pay such penalty as may be determined by the Tribunal;

(*b*) be liable to pay any expenses occasioned by reason of his default; and

(*c*) also be liable to have all or such part of his remuneration, as the Tribunal may consider just and proper, disallowed, or may also be removed from his office.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Liquidator not to deposit monies into private banking account.

351. Neither the Official Liquidator nor the Company Liquidator of a company shall deposit any monies received by him in his capacity as such into any private banking account.

Company Liquidation Dividend and Undistributed Assets Account.

352. (1) Where any company is being wound up and the liquidator has in his hands or under his control any money representing—

(*a*) dividends payable to any creditor but which had remained unpaid for six months after the date on which they were declared; or

(*b*) assets refundable to any contributory which have remained undistributed for six months after the date on which they become refundable,

the liquidator shall forthwith deposit the said money into a separate special account to be known as the Company Liquidation Dividend and Undistributed Assets Account maintained in a scheduled bank.

(2) The liquidator shall, on the dissolution of the company, pay into the Company Liquidation Dividend and Undistributed Assets Account any money representing unpaid dividends or undistributed assets in his hands at the date of dissolution.

(3) The liquidator shall, when making any payment referred to in sub-sections (1) and (2), furnish to the Registrar, a statement in the prescribed form, setting forth, in respect of all sums included in such payment, the nature of the sums, the names and last known addresses of the persons entitled to participate therein, the amount to which each is entitled and the nature of his claim thereto, and such other particulars as may be prescribed.

(4) The liquidator shall be entitled to a receipt from the scheduled bank for any money paid to it under sub-sections (1) and (2), and such receipt shall be an effectual discharge of the Company Liquidator in respect thereof.

(5) Where a company is being wound up voluntarily, the Company Liquidator shall, when filing a statement in pursuance of sub-section (1) of , indicate the sum of money which is payable under sub-sections (1) and (2) of this section during the six months preceding the date on which the said statement is prepared, and shall, within fourteen days of the date of filing the said statement, pay that sum into the Company Liquidation Dividend and Undistributed Assets Account.

(6) Any person claiming to be entitled to any money paid into the Company Liquidation Dividend and Undistributed Assets Account, whether paid in pursuance of this section or under the provisions of any previous company law may apply to the Registrar for payment thereof, and the Registrar, if satisfied that the person claiming is entitled, may make the payment to that person of the sum due:

Provided that the Registrar shall settle the claim of such person within a period of sixty days from the date of receipt of such claim, failing which the Registrar shall make a report to the Regional Director giving reasons of such failure.

(7) Any money paid into the Company Liquidation Dividend and Undistributed Assets Account in pursuance of this section, which remains unclaimed thereafter for a period of fifteen years, shall be transferred to the general revenue account of the Central Government, but a claim to any money so transferred may be preferred under sub-section (6) and shall be dealt with as if such transfer had not been made and the order, if any, for payment on the claim will be treated as an order for refund of revenue.

(8) Any liquidator retaining any money which should have been paid by him into the Company Liquidation Dividend and Undistributed Assets Account under this section shall—

(*a*) pay interest on the amount so retained at the rate of twelve per cent per annum and also pay such penalty as may be determined by the Registrar:

Provided that the Central Government may in any proper case remit either in part or in whole the amount of interest which the liquidator is required to pay under this clause;

(*b*) be liable to pay any expenses occasioned by reason of his default; and

(*c*) where the winding up is by the Tribunal, also be liable to have all or such part of his remuneration, as the Tribunal may consider just and proper, to be disallowed, and to be removed from his office by the Tribunal.

Liquidator to make returns, etc.

353. (1) If any Company Liquidator who has made any default in filing, delivering or making any return, account or other document, or in giving any notice which he is by law required to file, deliver, make or give, fails to make good the default within fourteen days after the service on him of a notice requiring him to do so, the Tribunal may, on an application made to it by any contributory or creditor of the company or by the Registrar, make an order directing the Company Liquidator to make good the default within such time as may be specified in the order.

(2) Any order under sub-section (1) may provide that all costs of, and incidental to, the application shall be borne by the Company Liquidator.

(3) Nothing in this section shall prejudice the operation of any enactment imposing penalties on a Company Liquidator in respect of any such default as aforesaid.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Meetings to ascertain wishes of creditors or contributories.

354. (1) In all matters relating to the winding up of a company, the Tribunal may—

(*a*) have regard to the wishes of creditors or contributories of the company, as proved to it by any sufficient evidence;

(*b*) if it thinks fit for the purpose of ascertaining those wishes, direct meetings of the creditors or contributories to be called, held and conducted in such manner as the Tribunal may direct; and

(*c*) appoint a person to act as chairman of any such meeting and to report the result thereof to the Tribunal.

(2) While ascertaining the wishes of creditors under sub-section (1), regard shall be had to the value of each debt of the creditor.

(3) While ascertaining the wishes of contributories under sub-section (1), regard shall be had to the number of votes which may be cast by each contributory.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Court, Tribunal or person, etc., before whom affidavit may be sworn.

355. (1) Any affidavit required to be sworn under the provisions, or for the purposes, of this Chapter may be sworn—

(*a*) in India before any court, tribunal, judge or person lawfully authorised to take and receive affidavits; and

(*b*) in any other country before any court, judge or person lawfully authorised to take and receive affidavits in that country or before an Indian diplomatic or consular officer.

(2) All tribunals, judges, Justices, Commissioners and persons acting judicially in India shall take judicial notice of the seal, stamp or signature, as the case may be, of any such court, tribunal, judge, person, diplomatic or consular officer, attached, appended or subscribed to any such affidavit or to any other document to be used for the purposes of this Chapter.

Powers of Tribunal to declare dissolution of company void.

356. (1) Where a company has been dissolved, whether in pursuance of this Chapter or of section 232 or otherwise, the Tribunal may at any time within two years of the date of the dissolution, on application by the Company Liquidator of the company or by any other person who appears to the Tribunal to be interested, make an order, upon such terms as the Tribunal thinks fit, declaring the dissolution to be void, and thereupon such proceedings may be taken as if the company had not been dissolved.

[*(2) The Tribunal shall—*

(a) *forward a copy of the order, within thirty days from the date thereof, to the Registrar who shall record the same; and*

(b) *direct the Company Liquidator or the person on whose application the order was made, to file a certified copy of the order, within thirty days from the date thereof or such further period as allowed by the Tribunal, with the Registrar who shall record the same.***]**

---

52. Corresponds to section 559 of the 1956 Act.

53. Enforced with effect from 15-12-2016.

53a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (2) read as under :

"(2) It shall be the duty of the Company Liquidator or the person on whose application the order was made, within thirty days after the making of the order or such further time as the Tribunal may allow, to file a certified copy of the order with the Registrar who shall register the same, and if the Company Liquidator or the person fails so to do, the Company Liquidator or the person shall be punishable with fine which may extend to ten thousand rupees for every day during which the default continues."

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Commencement of winding up by Tribunal .

357 . *The winding up of a company by the Tribunal under this Act shall be deemed to commence at the time of the presentation of the petition for the winding up.***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Exclusion of certain time in computing period of limitation.

358. Notwithstanding anything in the Limitation Act, 1963 (36 of 1963), or in any other law for the time being in force, in computing the period of limitation specified for any suit or application in the name and on behalf of a company which is being wound up by the Tribunal, the period from the date of commencement of the winding up of the company to a period of one year immediately following the date of the winding up order shall be excluded.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

PART IV

OFFICIAL LIQUIDATORS

Appointment of Official Liquidator.

359. (1) For the purposes of this Act, so far as it relates to the winding up of companies by the Tribunal, the Central Government may appoint as many Official Liquidators, Joint, Deputy or Assistant Official Liquidators as it may consider necessary to discharge the functions of the Official Liquidator.

(2) The liquidators appointed under sub-section (1) shall be whole-time officers of the Central Government.

(3) The salary and other allowances of the Official Liquidator, Joint Official Liquidator, Deputy Official Liquidator and Assistant Official Liquidator shall be paid by the Central Government.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Powers and functions of Official Liquidator.

360. (1) The Official Liquidator shall exercise such powers and perform such duties as the Central Government may prescribe.

(2) Without prejudice to the provisions of sub-section (1), the Official Liquidator may—

(*a*) exercise all or any of the powers as may be exercised by a Company Liquidator under the provisions of this Act; and

(*b*) conduct inquiries or investigations, if directed by the Tribunal or the Central Government, in respect of matters arising out of winding up proceedings.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Summary procedure for liquidation.

361. (1) Where the company to be wound up under this Chapter, —

(*i*) has assets of book value not exceeding one crore rupees; and

(*ii*) belongs to such class or classes of companies as may be prescribed,

the Central Government may order it to be wound up by summary procedure provided under this Part.

(2) Where an order under sub-section (1) is made, the Central Government shall appoint the Official Liquidator as the liquidator of the company.

(3) The Official Liquidator shall forthwith take into his custody or control all assets, effects and actionable claims to which the company is or appears to be entitled.

(4) The Official Liquidator shall, within thirty days of his appointment, submit a report to the Central Government in such manner and form, as may be prescribed, including a report whether in his opinion, any fraud has been committed in promotion, formation or management of the affairs of the company or not.

(5) On receipt of the report under sub-section (4), if the Central Government is satisfied that any fraud has been committed by the promoters, directors or any other officer of the company, it may direct further investigation into the affairs of the company and that a report shall be submitted within such time as may be specified.

(6) After considering the investigation report under sub-section (5), the Central Government may order that winding up may be proceeded under Part I of this Chapter or under the provision of this Part.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Sale of assets and recovery of debts due to company.

362.(1) The Official Liquidator shall expeditiously dispose of all the assets whether movable or immovable within sixty days of his appointment.

(2) The Official Liquidator shall serve a notice within thirty days of his appointment calling upon the debtors of the company or the contributories, as the case may be, to deposit within thirty days with him the amount payable to the company.

(3) Where any debtor does not deposit the amount under sub-section (2), the Central Government may, on an application made to it by the Official Liquidator, pass such orders as it thinks fit.

(4) The amount recovered under this section by the Official Liquidator shall be deposited in accordance with the provisions of .

Settlement of claims of creditors by Official Liquidator.

363. (1) The Official Liquidator within thirty days of his appointment shall call upon the creditors of the company to prove their claims in such manner as may be prescribed, within thirty days of the receipt of such call.

(2) The Official Liquidator shall prepare a list of claims of creditors in such manner as may be prescribed and each creditor shall be communicated of the claims accepted or rejected along with reasons to be recorded in writing.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Appeal by creditor.

364. (1) Any creditor aggrieved by the decision of the Official Liquidator under may file an appeal before the Central Government within thirty days of such decision.

(2) The Central Government may after calling the report from the Official Liquidator either dismiss the appeal or modify the decision of the Official Liquidator.

(3) The Official Liquidator shall make payment to the creditors whose claims have been accepted.

(4) The Central Government may, at any stage during settlement of claims, if considers necessary, refer the matter to the Tribunal for necessary orders.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Order of dissolution of company.

365. (1) The Official Liquidator shall, if he is satisfied that the company is finally wound up, submit a final report to—

(*i*) the Central Government, in case no reference was made to the Tribunal under sub-section (4) of ; and

(*ii*) in any other case, the Central Government and the Tribunal.

(2) The Central Government, or as the case may be, the Tribunal on receipt of such report shall order that the company be dissolved.

(3) Where an order is made under sub-section (2), the Registrar shall strike off the name of the company from the register of companies and publish a notification to this effect.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER XXI

COMPANIES AUTHORISED TO REGISTER UNDER THIS ACT*

PART I

COMPANIES AUTHORISED TO REGISTER UNDER THIS ACT

Companies capable of being registered.

366. (1) For the purposes of this Part, the word "company" includes any partnership firm, limited liability partnership, cooperative society, society or any other business entity formed under any other law for the time being in force which applies for registration under this Part.

(2) With the exceptions and subject to the provisions contained in this section, any company formed, whether before or after the commencement of this Act, in pursuance of any Act of Parliament other than this Act or of any other law for the time being in force or being otherwise duly constituted according to law, and consisting of **[***two or more members***]**, may at any time register under this Act as an unlimited company, or as a company limited by shares, or as a company limited by guarantee, in such manner as may be prescribed and the registration shall not be invalid by reason only that it has taken place with a view to the company's being wound up:

Provided that—

(*i*) a company registered under the Indian Companies Act, 1882 (6 of 1882) or under the Indian Companies Act, 1913 (7 of 1913) or the Companies Act, 1956 (1 of 1956), shall not register in pursuance of this section;

(*ii*) a company having the liability of its members limited by any Act of Parliament other than this Act or by any other law for the time being in force, shall not register in pursuance of this section as an unlimited company or as a company limited by guarantee;

(*iii*) a company shall be registered in pursuance of this section as a company limited by shares only if it has a permanent paid-up or nominal share capital of fixed amount divided into shares, also of fixed amount, or held and transferable as stock, or divided and held partly in the one way and partly in the other, and formed on the principle of having for its members the holders of those shares or that stock, and no other persons;

(*iv*) a company shall not register in pursuance of this section without the assent of a majority of such of its members as are present in person, or where proxies are allowed, by proxy, at a general meeting summoned for the purpose;

(*v*) where a company not having the liability of its members limited by any Act of Parliament or any other law for the time being in force is about to register as a limited company, the majority required to assent as aforesaid shall consist of not less than three-fourths of the members present in person, or where proxies are allowed, by proxy, at the meeting;

(*vi*) where a company is about to register as a company limited by guarantee, the assent to its being so registered shall be accompanied by a resolution declaring that each member undertakes to contribute to the assets of the company, in the event of its being wound up while he is a member, or within one year after he ceases to be a member, for payment of the debts and liabilities of the company or of such debts and liabilities as may have been contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, such amount as may be required, not exceeding a specified amount;

[(*vii*) *a company with less than seven members shall register as a private company.***]**

(3) In computing any majority required for the purposes of sub-section (1), when a poll is demanded, regard shall be had to the number of votes to which each member is entitled according to the regulations of the company.

Certificate of registration of existing companies.

367. On compliance with the requirements of this Chapter with respect to registration, and on payment of such fees, if any, as are payable under , the Registrar shall certify under his hand that the company applying for registration is incorporated as a company under this Act, and in the case of a limited company that it is limited and thereupon the company shall be so incorporated.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Vesting of property on registration.

368. All property, movable and immovable (including actionable claims), belonging to or vested in a company at the date of its registration in pursuance of this Part, shall, on such registration, pass to and vest in the company as incorporated under this Act for all the estate and interest of the company therein.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Saving of existing liabilities.

369. The registration of a company in pursuance of this Part shall not affect its rights or liabilities in respect of any debt or obligation incurred, or any contract entered into, by, to, with, or on behalf of, the company before registration.

Continuation of pending legal proceedings.

370. All suits and other legal proceedings taken by or against the company, or any public officer or member thereof, which are pending at the time of the registration of a company in pursuance of this Part, may be continued in the same manner as if the registration had not taken place:

Provided that execution shall not issue against the property or persons of any individual member of the company on any decree or order obtained in any such suit or proceeding; but, in the event of the property of the company being insufficient to satisfy the decree or order, an order may be obtained for winding up the company **[***in accordance with the provisions of this Act or of the Insolvency and Bankruptcy Code, 2016***]**.

Effect of registration under this Part.

371. (1) When a company is registered in pursuance of this Part, sub-sections (2) to (7) shall apply.

(2) All provisions contained in any Act of Parliament or any other law for the time being in force, or other instrument constituting or regulating the company, including, in the case of a company registered as a company limited by guarantee, the resolution declaring the amount of the guarantee, shall be deemed to be conditions and regulations of the company, in the same manner and with the same incidents as if so much thereof as would, if the company had been formed under this Act, have been required to be inserted in the memorandum, were contained in a registered memorandum, and the residue thereof were contained in registered articles.

(3) All the provisions of this Act shall apply to the company and the members, contributories and creditors thereof, in the same manner in all respects as if it had been formed under this Act, subject as follows:—

(*a*) Table F in Schedule I shall not apply unless and except in so far as it is adopted by special resolution;

(*b*) the provisions of this Act relating to the numbering of shares shall not apply to any company whose shares are not numbered;

(*c*) in the event of the company being wound up, every person shall be a contributory, in respect of the debts and liabilities of the company contracted before registration, who is liable to pay or contribute to the payment of any debt or liability of the company contracted before registration, or to pay or contribute to the payment of any sum for the adjustment of the rights of the members among themselves in respect of any such debt or liability, or to pay or contribute to the payment of the costs, charges and expenses of winding up the company, so far as relates to such debts or liabilities as aforesaid;

(*d*) in the event of the company being wound up, every contributory shall be liable to contribute to the assets of the company, in the course of the winding up, all sums due from him in respect of any such liability as aforesaid; and in the event of the death or insolvency of any contributory, the provisions of this Act with respect to the legal representatives of deceased contributories, or with respect to the assignees of insolvent contributories, as the case may be, shall apply.

(4) The provisions of this Act with respect to—

(*a*) the registration of an unlimited company as a limited company;

(*b*) the powers of an unlimited company on registration as a limited company, to increase the nominal amount of its share capital and to provide that a portion of its share capital shall not be capable of being called-up except in the event of winding up;

(*c*) the power of a limited company to determine that a portion of its share capital shall not be capable of being called-up except in the event of winding up,

shall apply, notwithstanding anything in any Act of Parliament or any other law for the time being in force, or other instrument constituting or regulating the company.

(5) Nothing in this section shall authorise the company to alter any such provisions contained in any instrument constituting or regulating the company as would, if the company had originally been formed under this Act, have been required to be contained in the memorandum and are not authorised to be altered by this Act.

(6) None of the provisions of this Act (apart from those of) shall derogate from any power of altering its constitution or regulations which may be vested in the company, by virtue of any Act of Parliament or any other law for the time being in force, or other instrument constituting or regulating the company.

(7) In this section, the expression "instrument" includes deed of settlement, deed of partnership, or limited liability partnership.

Power of Court to stay or restrain proceedings.

372. The provisions of this Act **[***or of the Insolvency and Bankruptcy Code, 2016, as the case may be,***]** with respect to staying and restraining suits and other legal proceedings against a company at any time after the presentation of a petition for winding up and before the making of a winding up order, shall, in the case of a company registered in pursuance of this Part, where the application to stay or restrain is by a creditor, extend to suits and other legal proceedings against any contributory of the company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Suits stayed on winding up order.

373. Where an order has been made for winding up, or a provisional liquidator has been appointed for, a company registered in pursuance of this Part, no suit or other legal proceeding shall be proceeded with or commenced against the company or any contributory of the company in respect of any debt of the company, except by leave of the Tribunal and except on such terms as the Tribunal may impose.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Obligations of companies registering under this Part.

374. Every company which is seeking registration under this Part shall,—

(*a*) ensure that secured creditors of the company, prior to its registration under this Part, have either consented to or have given their no objection to company's registration under this Part;

(*b*) publish in a newspaper, advertisement one in English and one in vernacular language in such form as may be prescribed giving notice about registration under this Part, seeking objections and address them suitably;

(*c*) file an affidavit, duly notarised, from all the members or partners to provide that in the event of registration under this Part, necessary documents or papers shall be submitted to the registering or other authority with which the company was earlier registered, for its dissolution as partnership firm, limited liability partnership, cooperative society, society or any other business entity, as the case may be.

(*d*) comply with such other conditions as may be prescribed:

[Provided *that upon registration as a company under this Part a limited liability partnership incorporated under the Limited Liability Partnership Act, 2008 (6 of 2009) shall be deemed to have been dissolved under that Act without any further act or deed.***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

PART II

WINDING UP OF UNREGISTERED COMPANIES

Winding up of unregistered companies.

375. (1) Subject to the provisions of this Part, any unregistered company may be wound up under this Act, in such manner as may be prescribed, and all the provisions of this Act, with respect to winding up shall apply to an unregistered company, with the exceptions and additions mentioned in sub-sections (2) to (4).

(2) No unregistered company shall be wound up under this Act voluntarily.

(3) An unregistered company may be wound up under the following circumstances, namely:—

(*a*) if the company is dissolved, or has ceased to carry on business, or is carrying on business only for the purpose of winding up its affairs;

(*b*) if the company is unable to pay its debts;

(*c*) if the Tribunal is of opinion that it is just and equitable that the company should be wound up.

(4) An unregistered company shall, for the purposes of this Act, be deemed to be unable to pay its debts—

(*a*) if a creditor, by assignment or otherwise, to whom the company is indebted in a sum exceeding one lakh rupees then due, has served on the company, by leaving at its principal place of business, or by delivering to the secretary, or some director, manager or principal officer of the company, or by otherwise serving in such manner as the Tribunal may approve or direct, a demand under his hand requiring the company to pay the sum so due, and the company has, for three weeks after the service of the demand, neglected to pay the sum or to secure or compound for it to the satisfaction of the creditor;

(*b*) if any suit or other legal proceeding has been instituted against any member for any debt or demand due, or claimed to be due, from the company, or from him in his character as a member, and notice in writing of the institution of the suit or other legal proceeding having been served on the company by leaving the same at its principal place of business or by delivering it to the secretary, or some director, manager or principal officer of the company or by otherwise serving the same in such manner as the Tribunal may approve or direct, the company has not, within ten days after service of the notice,—

(*i*) paid, secured or compounded for the debt or demand;

(*ii*) procured the suit or other legal proceeding to be stayed; or

(*iii*) indemnified the defendant to his satisfaction against the suit or other legal proceeding, and against all costs, damages and expenses to be incurred by him by reason of the same;

(*c*) if execution or other process issued on a decree or order of any Court or Tribunal in favour of a creditor against the company, or any member thereof as such, or any person authorised to be sued as nominal defendant on behalf of the company, is returned unsatisfied in whole or in part;

(*d*) if it is otherwise proved to the satisfaction of the Tribunal that the company is unable to pay its debts.

Explanation.—For the purposes of this Part, the expression "unregistered company"—

(*a*) shall not include—

(*i*) a railway company incorporated under any Act of Parliament or other Indian law or any Act of Parliament of the United Kingdom;

(*ii*) a company registered under this Act; or

(*iii*) a company registered under any previous companies law and not being a company the registered office whereof was in Burma, Aden, Pakistan immediately before the separation of that country from India; and

(*b*) save as aforesaid, shall include any partnership firm, limited liability partnership or society or co-operative society, association or company consisting of more than seven members at the time when the petition for winding up the partnership firm, limited liability partnership or society or co-operative society, association or company, as the case may be, is presented before the Tribunal.

Power to wind up foreign companies, although dissolved.

376. Where a body corporate incorporated outside India which has been carrying on business in India, ceases to carry on business in India, it may be wound up as an unregistered company under this Part, notwithstanding that the body corporate has been dissolved or otherwise ceased to exist as such under or by virtue of the laws of the country under which it was incorporated.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Provisions of Chapter cumulative.

377. (1) The provisions of this Part, with respect to unregistered companies shall be in addition to and not in derogation of, any provisions hereinbefore in this Act contained with respect to the winding up of companies by the Tribunal.

(2) The Tribunal or Official Liquidator may exercise any powers or do any act in the case of unregistered companies which might be exercised or done by the Tribunal or Official Liquidator in winding up of companies formed and registered under this Act:

Provided that an unregistered company shall not, except in the event of its being wound up, be deemed to be a company under this Act, and then only to the extent provided by this Part.

Saving and construction of enactments conferring power to wind up partnership firm, association or company, etc., in certain cases.

378. Nothing in this Part, shall affect the operation of any enactment which provides for any partnership firm, limited liability partnership or society or co-operative society, association or company being wound up, or being wound up as a company or as an unregistered company, under the Companies Act, 1956 (1 of 1956), or any Act repealed by that Act:

Provided that references in any such enactment to any provision contained in the Companies Act, 1956 (1 of 1956) or in any Act repealed by that Act shall be read as references to the corresponding provision, if any, contained in this Act.

**[*CHAPTER XXIA*

PRODUCER COMPANIES

PART I

PRELIMINARY

Definitions.

378A. *In this Chapter, unless the context otherwise requires,—*

(a) *"active Member" means a Member who fulfils the quantum and period of patronage of the Producer Company as may be required by the articles;*

(b) *"Chief Executive" means an individual appointed as such under sub-section (1) of section 378W;*

(c) *"inter-State co-operative society" means a multi-State co-operative society as defined in clause* (p) *of section 3 of the Multi-State Co-operative Societies Act, 2002 (39 of 2002) and includes any co-operative society registered under any other law for the time being in force, which has, subsequent to its formation, extended any of its objects to more than one State by enlisting the participation of persons or by extending any of its activities outside the State, whether directly or indirectly or through an institution of which it is a constituent;*

(d) *"limited return" means the maximum dividend as may be specified by the articles;*

(e) *"Member" means a person or Producer Institution (whether incorporated or not) admitted as a Member of a Producer Company and who retains the qualifications necessary for continuance as such;*

(f) *"mutual assistance principles" means the principles set out in sub-section (2) of section 378G;*

(g) *"officer" includes any director or Chief Executive or Secretary or any person in accordance with whose directions or instructions part or whole of the business of the Producer Company is carried on;*

(h) *"patronage" means the use of services offered by the Producer Company to its Members by participation in its business activities;*

(i) *"patronage bonus" means payments made by a Producer Company out of its surplus income to the Members in proportion to their respective patronage;*

(j) *"primary produce" means—*

(i) *produce of farmers, arising from agriculture (including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products), or from any other primary activity or service which promotes the interest of the farmers or consumers; or*

(ii) *produce of persons engaged in handloom, handicraft and other cottage industries; or*

(iii) *any product resulting from any of the above activities, including by-products of such products; or*

(iv) *any product resulting from an ancillary activity that may assist or promote any of the aforesaid activities or anything ancillary thereto; or*

(v) *any activity which is intended to increase the production of anything referred to in sub-clauses* (i) *to* (iv) *or improve the quality thereof;*

(k) *"producer" means any person engaged in any activity connected with or relatable to any primary produce;*

(l) *"Producer Company" means a body corporate having objects or activities specified in section 378B and registered as Producer Company under this Act or under the Companies Act, 1956 (1 of 1956);*

(m) *"Producer Institution" means a Producer Company or any other institution having only producer or producers or Producer Company or Producer Companies as its member whether incorporated or not having any of the objects referred to in section 378B and which agrees to make use of the services of the Producer Company or Producer Companies as provided in its articles;*

(n) *"withheld price" means part of the price due and payable for goods supplied by any Member to the Producer Company; and as withheld by the Producer Company for payment on a subsequent date.*

98a. Chapter XXIA, consisting of sections 378A to 378ZU, inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

PART II

INCORPORATION OF PRODUCER COMPANIES AND OTHER MATTERS

Objects of Producer Company.

378B. *(1) The objects of the Producer Company shall relate to all or any of the following matters, namely:—*

(a) *production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the Members or import of goods or services for their benefit:*

Provided *that the Producer Company may carry on any of the activities specified in this clause either by itself or through other institution;*

(b) *processing including preserving, drying, distilling, brewing, vinting, canning and packaging of produce of its Members;*

(c) *manufacture, sale or supply of machinery, equipment or consumables mainly to its Members;*

(d) *providing education on the mutual assistance principles to its Members and others;*

(e) *rendering technical services, consultancy services, training, research and development and all other activities for the promotion of the interests of its Members;*

(f) *generation, transmission and distribution of power, revitalisation of land and water resources, their use, conservation and communications relatable to primary produce;*

(g) *insurance of producers or their primary produce;*

(h) *promoting techniques of mutuality and mutual assistance;*

(i) *welfare measures or facilities for the benefit of Members as may be decided by the Board;*

(j) *any other activity, ancillary or incidental to any of the activities referred to in clauses* (a) *to* (i) *or other activities which may promote the principles of mutuality and mutual assistance amongst the Members in any other manner;*

(k) *financing of procurement, processing, marketing or other activities specified in clauses* (a) *to* (j) *which include extending of credit facilities or any other financial services to its Members.*

(2) Every Producer Company shall deal primarily with the produce of its active Members for carrying out any of its objects specified in this section.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Formation of Producer Company and its registration.

378C. *(1) Any ten or more individuals, each of them being a producer or any two or more Producer Institutions, or a combination of ten or more individuals and Producer Institutions, desirous of forming a Producer Company having its objects specified in section 378B and otherwise complying with the requirements of this Chapter and the provisions of this Act in respect of registration, may form an incorporated company as a Producer Company under this Act.*

(2) If the Registrar is satisfied that all the requirements of this Act have been complied with in respect of registration and matters precedent and incidental thereto, he shall, within thirty days of the receipt of the documents required for registration, register the memorandum, the articles and other documents, if any, and issue a certificate of incorporation under this Act.

(3) A Producer Company so formed shall have the liability of its Members limited by the memorandum to the amount, if any, unpaid on the shares respectively held by them and be termed a company limited by shares.

(4) The Producer Company may reimburse to its promoters all other direct costs associated with the promotion and registration of the company including registration, legal fees, printing of a memorandum and articles and the payment thereof shall be subject to the approval at its first general meeting of the Members.

(5) On registration under sub-section (2), the Producer Company shall become a body corporate as if it is a private limited company to which the provisions contained in this Chapter apply, without, however, any limit to the number of Members thereof, and the Producer Company shall not, under any circumstance, whatsoever, become or be deemed to become a public limited company under this Act.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Membership and voting rights of Members of Producer Company.

378D. *(1)*(a) *In a case where the membership consists solely of individual Members, the voting rights shall be based on a single vote for every Member, irrespective of his shareholding or patronage of the Producer Company.*

*(*b*) In a case where the membership consists of Producer Institutions only, the voting rights of such Producer Institutions shall be determined on the basis of their participation in the business of the Producer Company in the previous year, as may be specified by articles:*

Provided *that during the first year of registration of a Producer Company, the voting rights shall be determined on the basis of the shareholding by such Producer Institutions.*

*(*c*) In a case where the membership consists of individuals and Producer Institutions, the voting rights shall be computed on the basis of a single vote for every Member.*

(2) The articles of any Producer Company may provide for the conditions, subject to which a Member may continue to retain his membership, and the manner in which voting rights shall be exercised by the Members.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), any Producer Company may, if so authorised by its articles, restrict the voting rights to active Members, in any special or general meeting.

(4) No person, who has any business interest which is in conflict with business of the Producer Company, shall become a Member of that Company.

(5) A Member, who acquires any business interest which is in conflict with the business of the Producer Company, shall cease to be a Member of that Company and be removed as a Member in accordance with the articles.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Benefits to Members.

378E. *(1) Subject to the provisions made in articles, every Member shall initially receive only such value for the produce or products pooled and supplied as the Board of Producer Company may determine, and the withheld price may be disbursed later in cash or in kind or by allotment of equity shares, in proportion to the produce supplied to the Producer Company during the financial year to such extent and in such manner and subject to such conditions as may be decided by the Board.*

(2) Every Member shall, on the share capital contributed, receive only a limited return:

Provided *that every such Member may be allotted bonus shares in accordance with the provisions contained in section 378ZJ.*

(3) The surplus if any, remaining after making provision for payment of limited return and reserves referred to in section 378ZI, may be disbursed as patronage bonus, amongst the Members, in proportion to their participation in the business of the Producer Company, either in cash or by way of allotment of equity shares, or both, as may be decided by the Members at the general meeting.

Memorandum of Producer Company.

378F. *The memorandum of association of every Producer Company shall state—*

(a) *the name of the company with "Producer Company Limited" as the last words of the name of such Company;*

(b) *the State in which the registered office of the Producer Company is to situate;*

(c) *the main objects of the Producer Company shall be one or more of the objects specified in section 378B;*

(d) *the names and addresses of the persons who have subscribed to the memorandum;*

(e) *the amount of share capital with which the Producer Company is to be registered and division thereof into shares of a fixed amount;*

(f) *the names, addresses and occupations of the subscribers being producers, who shall act as the first directors in accordance with sub-section (2) of section 378J;*

(g) *that the liability of its members is limited;*

(h) *against the subscriber's name, the number of shares each subscriber takes:*

Provided *that no subscriber shall take less than one share;*

(i) *that in case the objects of the Producer Company are not confined to one State, the States to whose territories the objects extend.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Articles of association.

378G. *(1) There shall be presented, for registration to the Registrar of the State to which the registered office of the Producer Company is, stated by the memorandum of association, to be situate—*

(a) *memorandum of the Producer Company;*

(b) *its articles duly signed by the subscribers to the memorandum.*

(2) The articles shall contain the following mutual assistance principles, namely:—

(a) *the membership shall be voluntary and available, to all eligible persons who, can participate or avail of the facilities or services of the Producer Company, and are willing to accept the duties of membership;*

(b) *each Member shall, save as otherwise provided in this Chapter, have only a single vote irrespective of the shareholding;*

(c) *the Producer Company shall be administered by a Board consisting of persons elected or appointed as directors in the manner consistent with the provisions of this Chapter and the Board shall be accountable to the Members;*

(d) *particulars on limited return on share capital;*

(e) *the surplus arising out of the operations of the Producer Company shall be distributed in an equitable manner by—*

(i) *providing for the development of the business of the Producer Company;*

(ii) *providing for common facilities; and*

(iii) *distributing amongst the Members, as may be admissible in proportion to their respective participation in the business;*

(f) *provision for the education of Members, employees and others, on the principles of mutuality and techniques of mutual assistance;*

(g) *the Producer Company shall actively co-operate with other Producer Companies (and other organisations following similar principles) at local, national or international level so as to best serve the interest of their Members and the communities it purports to serve.*

(3) Without prejudice to the generality of the foregoing provisions of sub-sections (1) and (2), the articles shall contain the following provisions, namely:—

(a) *the qualifications for membership, the conditions for continuance or cancellation of membership and the terms, conditions and procedure for transfer of shares;*

(b) *the manner of ascertaining the patronage and voting right based on patronage;*

(c) *subject to the provisions contained in sub-section (1) of section 378N, the manner of constitution of the Board, its powers and duties, the minimum and maximum number of directors, manner of election and appointment of directors and retirement by rotation, qualifications for being elected or continuance as such and the terms of office of the said directors, their powers and duties, conditions for election or co-option of directors, method of removal of directors and the filling up of vacancies on the Board, and the manner and the terms of appointment of the Chief Executive;*

(d) *the election of the Chairman, term of office of directors and the Chairman, manner of voting at the general or special meetings of Members, procedure for voting, by directors at meetings of the Board, powers of the Chairman and the circumstances under which the Chairman may exercise a casting vote;*

(e) *the circumstances under which, and the manner in which, the withheld price is to be determined and distributed;*

(f) *the manner of disbursement of patronage bonus in cash or by issue of equity shares, or both;*

(g) *the contribution to be shared and related matters referred to in sub-section (2) of section 378ZI;*

(h) *the matters relating to issue of bonus shares out of general reserves as set out in section section 378ZJ;*

(i) *the basis and manner of allotment of equity shares of the Producer Company in lieu of the whole or part of the sale proceeds of produce or products supplied by the Members;*

(j) *the amount of reserves, sources from which funds may be raised, limitation on raising of funds, restriction on the use of such funds and the extent of debt that may be contracted and the conditions thereof;*

(k) *the credit, loans or advances which may be granted to a Member and the conditions for the grant of the same;*

(l) *the right of any Member to obtain information relating to general business of the company;*

(m) *the basis and manner of distribution and disposal of funds available after meeting liabilities in the event of dissolution or liquidation of the Producer Company;*

(n) *the authorisation for division, amalgamation, merger, creation of subsidiaries and the entering into joint ventures and other matters connected therewith;*

(o) *laying of the memorandum and articles of the Producer Company before a special general meeting to be held within ninety days of its registration;*

(p) *any other provision, which the Members may, by special resolution recommend to be included in the articles.*

Amendment of memorandum.

378H. *(1) A Producer Company shall not alter the conditions contained in its memorandum except in the cases, by the mode and to the extent for which express provision is made in this Act.*

(2) A Producer Company may, by special resolution, not inconsistent with section 378B, alter its objects specified in its memorandum.

(3) A copy of the amended memorandum, together with a copy of the special resolution duly certified by two directors, shall be filed with the Registrar within thirty days from the date of adoption of any resolution referred to in sub-section (2):

Provided *that in the case of transfer of the registered office of a Producer Company from the jurisdiction of one Registrar to another, certified copies of the special resolution certified by two directors shall be filed with both the Registrars within thirty days, and each Registrar shall record the same, and thereupon the Registrar from whose jurisdiction the office is transferred, shall forthwith forward to the other Registrar all documents relating to the Producer Company.*

(4) The alteration of the provisions of memorandum relating to the change of the place of its registered office from one State to another shall not take effect unless it is approved by the Central Government on an application in such form and manner as may be prescribed.

Amendment of articles.

378-I. *(1) Any amendment of the articles shall be proposed by not less than two- thirds of the elected directors or by not less than one-third of the Members of the Producer Company, and adopted by the Members by a special resolution.*

(2) A copy of the amended articles together with the copy of the special resolution, both duly certified by two directors, shall be filed with the Registrar within fifteen days from the date of its adoption.

Option to inter-State co-operative societies to become Producer Companies.

378J. *(1) Notwithstanding anything contained in sub-section (1) of section 378C, any inter-State co-operative society with objects not confined to one State may make an application to the Registrar for registration as Producer Company under this Chapter.*

(2) Every application under sub-section (1) shall be accompanied by—

(a) *a copy of the special resolution, of not less than two-thirds of total members of inter-State co-operative society, for its incorporation as a Producer Company under this Act;*

(b) *a statement showing—*

(i) *names and addresses or the occupation of the directors and the Chief Executive, if any, by whatever name called, of such co-operative; and*

(ii) *list of members of such inter-State co-operative society;*

(c) *a statement indicating that the inter-State co-operative society is engaged in any one or more of the objects specified in section 378B;*

(d) *a declaration by two or more directors of the inter-State co-operative society certifying that particulars given in clauses (a) to (c) are correct.*

(3) When an inter-State co-operative society is registered as a Producer Company, the words "Producer Company Limited" shall form part of its name with any word or expression to show its identity preceding it.

(4) On compliance with the requirements of sub-sections (1) to (3), the Registrar shall, within a period of thirty days of the receipt of application, certify under his hand that the inter-State co-operative society applying for registration is registered and thereby incorporated as a Producer Company under this Chapter.

(5) A co-operative society formed by producers, by federation or union of co-operative societies of producers or co-operatives of producers, registered under any law for the time being in force which has extended its objects outside the State, either directly or through a union or federation of co-operatives of which it is a constituent, as the case may be, and any federation or unions of such co-operatives, which has so extended any of its objects or activities outside the State, shall be eligible to make an application under sub-section (1) and to obtain registration as a Producer Company under this Chapter.

(6) The inter-State co-operative society shall, upon registration under sub-section (1), stand transformed into a Producer Company, and thereafter shall be governed by the provisions of this Chapter to the exclusion of the law by which it was earlier governed, save in so far as anything done or omitted to be done before its registration as a Producer Company, and notwithstanding anything contained in any other law for the time being in force, no person shall have any claim against the co-operative institution or the company by reason of such conversion or transformation.

(7) Upon registration as a Producer Company, the Registrar of Companies who registers the company shall forthwith intimate the Registrar with whom the erstwhile inter-State co-operative society was earlier registered for deletion of the society from its register.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Effect of incorporation of Producer Company.

378K. *Every shareholder of the inter-State co-operative society immediately before the date of registration of Producer Company (hereafter in this Chapter referred to as the date of transformation) shall be deemed to be registered on and from that date as a shareholder of the Producer Company to the extent of the face value of the shares held by such shareholder.*

Vesting of undertaking in Producer Company.

378L. *(1) All properties and assets, movable and immovable, of, or belonging to, the inter-State co-operative society as on the date of transformation, shall vest in the Producer Company.*

(2) All the rights, debts, liabilities, interests, privileges and obligations of the inter-State co-operative society as on the date of transformation shall stand transferred to, and be the rights, debts, liabilities, interests, privileges and obligations of, the Producer Company.

(3) Without prejudice to the provisions contained in sub-section (2), all debts, liabilities and obligations incurred, all contracts entered into and all matters and things engaged to be done by, with or for, the society as on the date of transformation for or in connection with their purposes, shall be deemed to have been incurred, entered into, or engaged to be done by, with or for, the Producer Company.

(4) All sums of money due to the inter-State co-operative society immediately before the date of transformation, shall be deemed to be due to the Producer Company.

(5) Every organisation, which was being managed immediately before the date of transformation by the inter-State co-operative society shall be managed by the Producer Company for such period, to such extent and in such manner as the circumstances may require.

(6) Every organisation which was getting financial, managerial or technical assistance from the inter-State co-operative society, immediately before the date of transformation, may continue to be given financial, managerial or technical assistance, as the case may be, by the Producer Company, for such period, to such extent and in such manner as that company may deem fit.

(7) The amount representing the capital of the erstwhile inter-State co-operative society shall form part of the capital of the Producer Company.

(8) Any reference to the inter-State co-operative society in any law other than this Act or in any contract or other instrument, shall be deemed to be reference to the Producer Company.

(9) If, on the date of transformation, there is pending any suit, arbitration, appeal or other legal proceeding of whatever nature by or against the inter-State co-operative society, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the incorporation of the Producer Company under section 378C or transformation of the inter-State co-operative society as a Producer Company under section 378J, as the case may be, but the suit, arbitration, appeal or other proceeding, may be continued, prosecuted and enforced by or against the Producer Company in the same manner and to the same extent as it would have, or may have been continued, prosecuted and enforced by or against the inter-State co-operative society as if the provisions contained in this Chapter had not come into force.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Concession, etc., to be deemed to have been granted to Producer Company.

378M. *With effect from the date of transformation, all fiscal and other concessions, licences, benefits, privileges and exemptions granted to the inter-State co-operative society in connection with the affairs and business of the inter-State co-operative society under any law for the time being in force shall be deemed to have been granted to the Producer Company.*

Provisions in respect of officers and other employees of inter-State co-operative society.

378N. *(1) Notwithstanding anything contained in section 378-O, all the directors in the inter-State co-operative society before the incorporation of the Producer Company shall continue in office for a period of one year from the date of transformation and in accordance with the provisions of this Act.*

(2) Every officer or other employee of the inter-State co-operative society (except a director of the Board, Chairman or Managing Director) serving in its employment immediately before the date of transformation shall, in so far as such officer or other employee is employed in connection with the inter-State co-operative society which has vested in the Producer Company by virtue of this Act, become, as from the date of transformation, an officer or, as the case may be, other employee of the Producer Company and shall hold his office or service therein by the same tenure, at the same remuneration, upon the same terms and conditions, with the same obligations and with the same rights and privileges as to leave, leave travel concession, welfare scheme, medical benefit scheme, insurance, provident fund, other funds, retirement, voluntary retirement, gratuity and other benefits as he would have held under the erstwhile inter-State co-operative society if its undertaking had not vested in the Producer Company and shall continue to do so as an officer or, as the case may be, other employee of the Producer Company.

(3) Where an officer or other employee of the inter-State co-operative society opts under sub-section (2) not to be in employment or service of the Producer Company, such officer or other employee shall be deemed to have resigned.

(4) Notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947) or in any other law for the time being in force, the transfer of the services of any officer or other employee of the inter-State co-operative society to the Producer Company shall not entitle such officer or other employee to any compensation under this Act or under any other law for the time being in force and no such claim shall be entertained by any court, tribunal or other authority.

(5) The officers and other employees who have retired before the date of transformation from the service of the inter-State co-operative society and are entitled to any benefits, rights or privileges, shall be entitled to receive the same benefits, rights or privileges from the Producer Company.

(6) The trusts of the provident fund or the gratuity fund of the inter-State co-operative society and any other bodies created for the welfare of officers or employees shall continue to discharge functions in the Producer Company as was being done hitherto in the inter-State co-operative society and any tax exemption granted to the provident fund or the gratuity fund would continue to be applied to the Producer Company.

(7) Notwithstanding anything contained in this Act or in any other law for the time being in force or in the regulations of the inter-State co-operative society, no director of the Board, Chairman, Managing Director or any other person entitled to manage the whole or substantial part of the business and affairs of the inter-State co-operative society shall be entitled to any compensation against the inter-State co-operative society or the Producer Company for the loss of office or for the premature termination of any contract of management entered into by him with the inter-State co-operative society.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

PART III

MANAGEMENT OF PRODUCER COMPANY

Number of directors.

378-O. *Every Producer Company shall have at least five and not more than fifteen directors:*

Provided *that in the case of an inter-State co-operative society incorporated as a Producer Company, such company may have more than fifteen directors for a period of one year from the date of its incorporation as a Producer Company.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Appointment of directors.

378P. *(1) Save as otherwise provided in section 378N, the Members who sign the memorandum and the articles may designate therein the Board of Directors, not less than five, who shall govern the affairs of the Producer Company until the directors are elected in accordance with the provisions of this section.*

(2) The election of directors shall be conducted within a period of ninety days of the registration of the Producer Company:

Provided *that in the case of an inter-State co-operative society which has been registered as a Producer Company under sub-section (4) of section 378J in which at least five directors [including the directors continuing in office under sub-section (1) of section 378N] hold office as such on the date of registration of such company, the provisions of this sub-section shall have effect as if for the words "ninety days", the words "three hundred and sixty-five days" had been substituted.*

(3) Every person shall hold office of a director for a period not less than one year but not exceeding five years as may be specified in the articles.

(4) Every director, who retires in accordance with the articles, shall be eligible for re-appointment as a director.

(5) Save as otherwise provided in sub-section (2), the directors of the Board shall be elected or appointed by the Members in the annual general meeting.

(6) The Board may co-opt one or more expert directors or an additional director not exceeding one-fifth of the total number of directors or appoint any other person as additional director for such period as the Board may deem fit:

Provided *that the expert directors shall not have the right to vote in the election of the Chairman but shall be eligible to be elected as Chairman, if so provided by its articles:*

Provided further *that the maximum period, for which the expert director or the additional director holds office, shall not exceed such period as may be specified in the articles.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Vacation of office by directors.

378Q. *(1) The office of the director of a Producer Company shall become vacant if,—*

(a) *he is convicted by a court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months;*

(b) *the Producer Company, in which he is a director, has made a default in repayment of any advances or loans taken from any company or institution or any other person and such default continues for ninety days;*

(c) *he has made a default in repayment of any advances or loans taken from the Producer Company in which he is a director;*

(d) *the Producer Company, in which he is a director—*

(i) *has not filed the annual accounts and annual return for any continuous three financial years; or*

(ii) *has failed to, repay its deposit or withheld price or patronage bonus or interest thereon on due date, or pay dividend and such failure continues for one year or more;*

(e) *default is made in holding election for the office of director, in the Producer Company in which he is a director, in accordance with the provisions of this Act and articles;*

(f) *the annual general meeting or extraordinary general meeting of the Producer Company, in which he is a director, is not called in accordance with the provisions of this Act except due to natural calamity or such other reason.*

(2) The provisions of sub-section (1) shall, as far as may be, apply to the director of a Producer Institution which is a member of a Producer Company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Powers and functions of Board.

378R. *(1) Subject to the provisions of this Act and articles, the Board of Directors of a Producer Company shall exercise all such powers and to do all such acts and things, as that Company is authorised so to do.*

(2) In particular and without prejudice to the generality of the foregoing powers, such powers may include all or any of the following matters, namely:—

(a) *determination of the dividend payable;*

(b) *determination of the quantum of withheld price and recommend patronage to be approved at general meeting;*

(c) *admission of new Members;*

(d) *pursue and formulate the organisational policy, objectives, establish specific long-term and annual objectives, and approve corporate strategies and financial plans;*

(e) *appointment of a Chief Executive and such other officers of the Producer Company, as may be specified in the articles;*

(f) *exercise superintendence, direction and control over Chief Executive and other officers appointed by it;*

(g) *cause proper books of account to be maintained; prepare annual accounts to be placed before the annual general meeting with the report of the auditor and the replies on qualifications, if any, made by the auditors;*

(h) *acquisition or disposal of property of the Producer Company in its ordinary course of business;*

(i) *investment of the funds of the Producer Company in the ordinary course of its business;*

(j) *sanction any loan or advance, in connection with the business activities of the Producer Company to any Member, not being a director or his relative;*

(k) *take such other measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.*

(3) All the powers specified in sub-sections (1) and (2) shall be exercised by the Board, by means of resolution passed at its meeting on behalf of the Producer Company.

Explanation.—*For the removal of doubts, it is hereby declared that a director or a group of directors, who do not constitute the Board, shall not exercise any of the powers exercisable by it.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Matters to be transacted at general meeting.

378S. *The Board of Directors of a Producer Company shall exercise the following powers on behalf of that Company, and it shall do so only by means of resolutions passed at the annual general meeting of its Members, namely:—*

(a) *approval of budget and adoption of annual accounts of the Producer Company;*
(b) *approval of patronage bonus;*
(c) *issue of bonus shares;*
(d) *declaration of limited return and decision on the distribution of patronage;*
(e) *specify the conditions and limits of loans that may be given by the Board to any director; and*
(f) *approval of any transaction of the nature as is to be reserved in the articles for approval by the Members.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Liability of directors.

378T. *(1) When the directors vote for a resolution, or approve by any other means, anything done in contravention of the provisions of this Act or any other law for the time being in force or articles, they shall be jointly and severally liable to make good any loss or damage suffered by the Producer Company.*

(2) Without prejudice to the provisions contained in sub-section (1), the Producer Company shall have the right to recover from its director—

(a) where such director has made any profit as a result of the contravention specified in sub-section (1), an amount equal to the profit so made;

(b) where the Producer Company incurred a loss or damage as a result of the contravention specified in sub-section (1), an amount equal to that loss or damage.

(3) The liability imposed under this section shall be in addition to and not in derogation of a liability imposed on a director under this Act or any other law for the time being in force.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Committee of directors.

378U. *(1) The Board may constitute such number of committees as it may deem fit for the purpose of assisting the Board in the efficient discharge of its functions:*

Provided *that the Board shall not delegate any of its powers or assign the powers of the Chief Executive, to any committee.*

(2) A committee constituted under sub-section (1) may, with the approval of the Board, co-opt such number of persons as it deems fit as members of the committee:

Provided *that the Chief Executive appointed under section 378W or a director of the Producer Company shall be a member of such committee.*

(3) Every such committee shall function under the general superintendence, direction and control of the Board, for such duration, and in such manner as the Board may direct.

(4) The fee and allowances to be paid to the members of the committee shall be such as may be determined by the Board.

(5) The minutes of each meeting of the committee shall be placed before the Board at its next meeting.

Meetings of Board and quorum.

378V. *(1) A meeting of the Board shall be held not less than once in every three months and at least four such meetings shall be held in every year.*

(2) Notice of every meeting of the Board of Directors shall be given in writing to every director for the time being in India, and at his usual address in India to every other director.

(3) The Chief Executive shall give notice as aforesaid not less than seven days prior to the date of the meeting of the Board and if he fails to do so, he shall be liable to a penalty of five thousand rupees:

Provided *that a meeting of the Board may be called at shorter notice and the reasons thereof shall be recorded in writing by the Board.*

(4) The quorum for a meeting of the Board shall be one-third of the total strength of directors, subject to a minimum of three.

(5) Save as provided in the articles, directors including the co-opted director, may be paid such fees and allowances for attendance at the meetings of the Board, as may be decided by the Members in the general meeting.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Chief Executive and his functions.

378W. *(1) Every Producer Company shall have a full time Chief Executive, by whatever name called, to be appointed by the Board from amongst persons other than Members.*

(2) The Chief Executive shall be ex officio *director of the Board and such director shall not retire by rotation.*

(3) Save as otherwise provided in articles, the qualifications, experience and the terms and conditions of service of the Chief Executive shall be such as may be determined by the Board.

(4) The Chief Executive shall be entrusted with substantial powers of management as the Board may determine.

(5) Without prejudice to the generality of sub-section (4), the Chief Executive may exercise the powers and discharge the functions, namely:—

(a) *do administrative acts of a routine nature including managing the day-to-day affairs of the Producer Company;*
(b) *operate bank accounts or authorise any person, subject to the general or special approval of the Board in this behalf, to operate the bank account;*
(c) *make arrangements for safe custody of cash and other assets of the Producer Company;*
(d) *sign such documents as may be authorised by the Board, for and on behalf of the company;*
(e) *maintain proper books of account; prepare annual accounts and audit thereof; place the audited accounts before the Board and in the annual general meeting of the Members;*
(f) *furnish Members with periodic information to apprise them of the operation and functions of the Producer Company;*
(g) *make appointments to posts in accordance with the powers delegated to him by the Board;*
(h) *assist the Board in the formulation of goals, objectives, strategies, plans and policies;*
(i) *advise the Board with respect to legal and regulatory matters concerning the proposed and ongoing activities and take necessary action in respect thereof;*
(j) *exercise the powers as may be necessary in the ordinary course of business;*
(k) *discharge such other functions, and exercise such other powers, as may be delegated by the Board.*

(6) The Chief Executive shall manage the affairs of the Producer Company under the general superintendence, direction and control of the Board and be accountable for the performance of the Producer Company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Secretary of Producer Company.

378X. *(1) Every Producer Company having an average annual turnover exceeding five crore rupees or such other amount as may be prescribed in each of three consecutive financial years shall have a whole-time secretary.*

(2) No individual shall be appointed as whole-time secretary unless he possesses membership of the Institute of Company Secretaries of India constituted under the Company Secretaries Act, 1980 (56 of 1980).

(3) If a Producer Company fails to comply with the provisions of sub-section (1), the Company and every officer of the Company who is in default, shall be liable to a penalty of one hundred rupees for every day during which the default continues subject to a maximum of rupees one lakh:

Provided *that in any proceedings against a person in respect of a default under this sub-section, no penalty shall be imposed if it is shown that all reasonable efforts to comply with the provisions of sub-section (1) were taken or that the financial position of the Company was such that it was beyond its capacity to engage a whole-time secretary.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Quorum.

378Y. *Unless the articles require a larger number, one-fourth of the total membership shall constitute the quorum at a general meeting.*

Voting rights.

378Z. *Save as otherwise provided in sub-sections (1) and (3) of section 378D, every Member shall have one vote and in the case of equality of votes, the Chairman or the person presiding shall have a casting vote except in the case of election of the Chairman.*

PART IV

GENERAL MEETINGS

Annual general meetings.

378ZA. *(1) Every Producer Company shall in each year, hold, in addition to any other meetings, a general meeting, as its annual general meeting and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of a Producer Company and that of the next:*

Provided *that the Registrar may, for any special reason, permit extension of the time for holding any annual general meeting (not being the first annual general meeting) by a period not exceeding three months.*

(2) A Producer Company shall hold its first annual general meeting within a period of ninety days from the date of its incorporation.

(3) The Members shall adopt the articles of the Producer Company and appoint directors of its Board in the annual general meeting.

(4) The notice calling the annual general meeting shall be accompanied by the following documents, namely:—

(a) *the agenda of the annual general meeting;*

(b) *the minutes of the previous annual general meeting or the extraordinary general meeting;*

(c) *the names of candidates for election, if any, to the office of director including a statement of qualifications in respect of each candidate;*

(d) *the audited balance-sheet and profit and loss accounts of the Producer Company and its subsidiary, if any, together with a report of the Board of Directors of such Company with respect to—*

(i) *the state of affairs of the Producer Company;*

(ii) *the amount proposed to be carried to reserve;*

(iii) *the amount to be paid as limited return on share capital;*

(iv) *the amount proposed to be disbursed as patronage bonus;*

(v) *the material changes and commitments, if any, affecting the financial position of the Producer Company and its subsidiary, which have occurred in between the date of the annual accounts of the Producer Company to which the balance-sheet relates and the date of the report of the Board;*

(vi) *any other matter of importance relating to energy conservation, environmental protection, expenditure or earnings in foreign exchanges;*

(vii) *any other matter which is required to be, or may be, specified by the Board;*

(e) *the text of the draft resolution for appointment of auditors;*

(f) *the text of any draft resolution proposing amendment to the memorandum or articles to be considered at the general meeting, alongwith the recommendations of the Board.*

(5) The Board of Directors shall, on the requisition made in writing, duly signed and setting out the matters for the consideration, made by one-third of the Members entitled to vote in any general meeting, proceed to call an extraordinary general meeting in accordance with the relevant provisions contained in Chapter VII.

(6) Every annual general meeting shall be called, for a time during business hours, on a day that is not a public holiday and shall be held at the registered office of the Producer Company or at some other place within the city, town or village in which the registered office of the Company is situate.

(7) A general meeting of the Producer Company shall be called by giving not less than fourteen days prior notice in writing.

(8) The notice of the general meeting indicating the date, time and place of the meeting shall be sent to every Member and auditor of the Producer Company.

(9) Unless the articles of the Producer Company provide for a larger number, one-fourth of the total number of members of the Producer Company shall be the quorum for its annual general meeting.

(10) The proceedings of every annual general meeting alongwith the report of the Board of Directors, the audited balance-sheet and the profit and loss account shall be filed with the Registrar within sixty days of the date on which the annual general meeting is held, with an annual return alongwith the filing fees as applicable under the Act.

(11) In the case where a Producer Company is formed by Producer Institutions, such Institutions shall be represented in the general body through the Chairman or the Chief Executive thereof who shall be competent to act on its behalf:

Provided *that a Producer Institution shall not be represented if such Institution is in default or failure referred to in clauses* (d) *to* (f) *of sub-section (1) of section 378Q.*

PART V

SHARE CAPITAL AND MEMBERS RIGHTS

Share capital.

378ZB. *(1) The share capital of a Producer Company shall consist of equity shares only.*

(2) The shares held by a Member in a Producer Company, shall as far as may be, be in proportion to the patronage of that company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Special user rights.

378ZC. *(1) The producers, who are active Members may, if so provided in the articles, have special rights and the Producer Company may issue appropriate instruments to them in respect of such special rights.*

(2) The instruments of the Producer Company issued under sub-section (1) shall, after obtaining approval of the Board in that behalf, be transferable to any other active Member of that Producer Company.

Explanation.—*For the purposes of this section, the expression "special right" means any right relating to supply of additional produce by the active Member or any other right relating to his produce which may be conferred upon him by the Board.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Transferability of shares and attendant rights.

378ZD. *(1) Save as otherwise provided in sub-sections (2) to (4), the shares of a Member of a Producer Company shall not be transferable.*

(2) A Member of a Producer Company may, after obtaining the previous approval of the Board, transfer the whole or part of his shares alongwith any special rights, to an active Member at par value.

(3) Every Member shall, within three months of his becoming a Member in the Producer Company, nominate, in the manner specified in articles, a person to whom his shares in the Producer Company shall vest in the event of his death.

(4) The nominee shall, on the death of the Member, become entitled to all the rights in the shares of the Producer Company and the Board of that Company shall transfer the shares of the deceased Member to his nominee:

Provided *that in a case where such nominee is not a producer, the Board shall direct the surrender of shares together with special rights, if any, to the Producer Company at par value or such other value as may be determined by the Board.*

(5) Where the Board of a Producer Company is satisfied that—

(a) any Member has ceased to be a primary producer; or

(b) any Member has failed to retain his qualifications to be a Member as specified in articles,

the Board shall direct the surrender of shares together with special rights, if any, to the Producer Company at par value or such other value as may be determined by the Board:

Provided *that the Board shall not direct such surrender of shares unless the Member has been served with a written notice and given an opportunity of being heard.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

PART VI

FINANCE, ACCOUNTS AND AUDIT

Books of account.

378ZE. *(1) Every Producer Company shall keep at its registered office proper books of account with respect to—*

(a) *all sums of money received and expended by the Producer Company and the matters in respect of which the receipts and expenditure take place;*

(b) *all sales and purchase of goods by the Producer Company;*

(c) *the instruments of liability executed by or on behalf of the Producer Company;*

(d) *the assets and liabilities of the Producer Company;*

(e) *in case of a Producer Company engaged in production, processing and manufacturing, the particulars relating to utilisation of materials or labour or other items of costs.*

(2) The balance-sheet and profit and loss accounts of the Producer Company shall be prepared, as far as may be, in accordance with the provisions contained in section 129.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Internal audit.

378ZF. *Every Producer Company shall have internal audit of its accounts carried out, at such interval and in such manner as may be specified in articles, by a chartered accountant as defined in clause (*b*) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949).*

Duties of auditor under this Chapter.

378ZG. *Without prejudice to the provisions contained in section 143, the auditor shall report on the following additional matters relating to the Producer Company, namely:—*

(a) *the amount of debts due alongwith particulars of bad debts, if any;*
(b) *the verification of cash balance and securities;*
(c) *the details of assets and liabilities;*
(d) *all transactions which appear to be contrary to the provisions of this Chapter;*
(e) *the loans given by the Producer Company to the directors;*
(f) *the donations or subscriptions given by the Producer Company;*
(g) *any other matter as may be considered necessary by the auditor.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Donation or subscription by Producer Company.

378ZH. *A Producer Company may, by special resolution, make donation or subscription to any institution or individual for the purposes of—*

(a) *promoting the social and economic welfare of Producer Members or producers or general public; or*

(b) *promoting the mutual assistance principles:*

Provided *that the aggregate amount of all such donations and subscriptions in any financial year shall not exceed three per cent of the net profit of the Producer Company in the financial year immediately preceding the financial year in which the donation or subscription was made:*

Provided further *that no Producer Company shall make directly or indirectly to any political party or for any political purpose to any person any contribution or subscription or make available any facilities including personnel or material.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

General and other reserves.

378Z-I. *(1) Every Producer Company shall maintain a general reserve in every financial year, in addition to any reserve maintained by it as may be specified in articles.*

(2) In a case where the Producer Company does not have sufficient funds in any financial year for transfer to maintain the reserves as may be specified in articles, the contribution to the reserve shall be shared amongst the Members in proportion to their patronage in the business of that Company in that year.

Issue of bonus shares.

378ZJ. *Any Producer Company may, upon recommendation of the Board and passing of resolution in the general meeting, issue bonus shares by capitalisation of amounts from general reserves referred to in section 378ZI in proportion to the shares held by the Members on the date of the issue of such shares.*

PART VII

LOANS TO MEMBERS AND INVESTMENTS

Loan, etc., to Members.

378ZK. *The Board may, subject to the provisions made in articles, provide financial assistance to the Members of the Producer Company by way of—*

(a) *credit facility, to any Member, in connection with the business of the Producer Company, for a period not exceeding six months;*

(b) *loans and advances, against security specified in articles to any Member, repayable within a period exceeding three months but not exceeding seven years from the date of disbursement of such loan or advances:*

Provided *that any loan or advance to any director or his relative shall be granted only after the approval by the Members in general meeting.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Investment in other companies, formation of subsidiaries, etc.

378ZL. *(1) The general reserves of any Producer Company shall be invested to secure the highest returns available from approved securities, fixed deposits, units, bonds issued by the Government or co-operative or scheduled bank or in such other mode as may be prescribed.*

(2) Any Producer Company may, for promotion of its objectives acquire the shares of another Producer Company.

(3) Any Producer Company may subscribe to the share capital of, or enter into any agreement or other arrangement, whether by way of formation of its subsidiary company, joint venture or in any other manner with any body corporate, for the purpose of promoting the objects of the Producer Company by special resolution in this behalf.

(4) Any Producer Company, either by itself or together with its subsidiaries, may invest, by way of subscription, purchase or otherwise, shares in any other company, other than a Producer Company, specified under sub-section (2), or subscription of capital under sub-section (3), for an amount not exceeding thirty per cent of the aggregate of its paid-up capital and free reserves:

Provided *that a Producer Company may, by special resolution passed in its general meeting and with prior approval of the Central Government, invest in excess of the limits specified in this section.*

(5) All investments by a Producer Company may be made if such investments are consistent with the objects of the Producer Company.

(6) The Board of a Producer Company may, with the previous approval of Members by a special resolution, dispose of any of its investments referred to in sub-sections (3) and (4).

(7) Every Producer Company shall maintain a register containing particulars of all the investments, showing the names of the companies in which shares have been acquired, number and value of shares; the date of acquisition; and the manner and price at which any of the shares have been subsequently disposed of.

(8) The register referred to in sub-section (7) shall be kept at the registered office of the Producer Company and the same shall be open to inspection by any Member who may take extracts therefrom.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

PART VIII

PENALTIES

Penalty for contravention.

378ZM. *(1) If any person, other than a Producer Company registered under this Chapter, carries on business under any name which contains the words "Producer Company Limited", he shall be punishable with fine which may extend to ten thousand rupees for every day during which such name has been used by him.*

(2) If a director or an officer of a Producer Company, who wilfully fails to furnish any information relating to the affairs of the Producer Company required by a Member or a person duly authorised in this behalf, he shall be liable to imprisonment for a term which may extend to six months and with fine equivalent to five per cent of the turnover of that Company during the preceding financial year.

(3) If a director or officer of a Producer Company—

(a) *fails to hand over the custody of books of account and other documents or property in his custody to the Producer Company of which he is a director or officer; or*

(b) *fails to convene annual general meeting or other general meetings,*

he shall be punishable with fine which may extend to one lakh rupees, and in the case of a continuing default or failure, with an additional fine which may extend to ten thousand rupees for every day during which such default or failure continues.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

PART IX

AMALGAMATION, MERGER OR DIVISION

Amalgamation, merger or division, etc., to form new Producer Companies.

378ZN. *(1) A Producer Company may, by a resolution passed at its general meeting,—*

(a) *decide to transfer its assets and liabilities, in whole or in part, to any other Producer Company, which agrees to such transfer by a resolution passed at its general meeting, for any of the objects specified in section 378B;*

(b) *divide itself into two or more new Producer Companies.*

(2) Any two or more Producer Companies may, by a resolution passed at any general or special meetings of its Members, decide to—

(a) *amalgamate and form a new Producer Company; or*

(b) *merge one Producer Company (hereafter in this Chapter referred to as "merging company") with another Producer Company (hereafter in this Chapter referred to as "merged company").*

(3) Every resolution of a Producer Company under this section shall be passed at its general meeting by a majority of total Members, with right of vote not less than two-thirds of its Members present and voting and such resolution shall contain all particulars of the transfer of assets and liabilities, or division, amalgamation, or merger, as the case may be.

(4) Before passing a resolution under this section, the Producer Company shall give notice thereof in writing together with a copy of the proposed resolution to all the Members and creditors who may give their consent.

(5) Notwithstanding anything contained in articles or in any contract to the contrary, any Member, or any creditor not consenting to the resolution shall, during the period of one month of the date of service of the notice on him, have the option,—

(a) *in the case of any such Member, to transfer his shares with the approval of the Board to any active Member thereby ceasing to continue as a Member of that Company; or*

(b) *in the case of a creditor, to withdraw his deposit or loan or advance, as the case may be.*

(6) Any Member or creditor, who does not exercise his option within the period specified in sub-section (5), shall be deemed to have consented to the resolution.

(7) A resolution passed by a Producer Company under this section shall not take effect until the expiry of one month or until the assent thereto of all the Members and creditors has been obtained, whichever is earlier.

(8) The resolution referred to in this section shall provide for—

(a) *the regulation of conduct of the affairs of the Producer Company in future;*

(b) *the purchase of shares or interest of any Members of the Producer Company by other Members or by the Producer Company;*

(c) *the consequent reduction of its share capital, in case of purchase of shares of one Producer Company by another Producer Company;*

(d) *termination, setting aside or modification of any agreement, howsoever arrived between the company on the one hand and the directors, secretaries and manager on the other hand, apart from such terms and conditions as may, in the opinion of the majority of shareholders, be just and equitable in the circumstances of the case;*

(e) *termination, setting aside or modification of any agreement between the Producer Company and any person not referred to in clause* (d)*:*

Provided *that no such agreement shall be terminated, set aside or modified except after giving due notice to the party concerned:*

Provided further *that no such agreement shall be modified except after obtaining the consent of the party concerned;*

(f) *the setting aside of any transfer, delivery of goods, payment, execution or other act relating to property, made or done by or against the Producer Company within three months before the date of passing of the resolution, which would if made or done against any individual, be deemed in his insolvency to be a fraudulent preference;*

(g) *the transfer to the merged company of the whole or any part of the undertaking, property or liability of the Producer Company;*

(h) *the allotment or appropriation by the merged company of any shares, debentures, policies, or other like interests in the merged company;*

(i) *the continuation by or against the merged company of any legal proceedings pending by or against any Producer Company;*

(j) *the dissolution, without winding up, of any Producer Company;*

(k) *the provision to be made for the Members or creditors who make dissent;*

(l) *the taxes, if any, to be paid by the Producer Company;*

(m) *such incidental, consequential and supplemental matters as are necessary to secure that the division, amalgamation or merger shall be fully and effectively carried out.*

(9) When a resolution passed by a Producer Company under this section takes effect, the resolution shall be a sufficient conveyance to vest the assets and liabilities in the transferee.

(10) The Producer Company shall make arrangements for meeting in full or otherwise satisfying all claims of the Members and the creditors who exercise the option, within the period specified in sub-section (4), not to continue as the Member or creditor, as the case may be.

(11) Where the whole of the assets and liabilities of a Producer Company are transferred to another Producer Company in accordance with the provisions of sub-section (9), or where there is merger under sub-section (2), the registration of the first mentioned Company or the merging company, as the case may be, shall stand cancelled and that Company shall be deemed to have been dissolved and shall cease to exist forthwith as a corporate body.

(12) Where two or more Producer Companies are amalgamated into a new Producer Company in accordance with the provisions of sub-section (2) and the Producer Company so formed is duly registered by the Registrar, the registration of each of the amalgamating companies shall stand cancelled forthwith on such registration and each of the Companies shall thereupon cease to exist as a corporate body.

*(13) Where a Producer Company divides itself into two or more Producer Companies in accordance with the provisions of clause (*b*) of sub-section (1) and the new Producer Companies are registered in accordance with the provisions of this Chapter, the registration of the erstwhile Producer Company shall stand cancelled forthwith and that Company shall be deemed to have been dissolved and cease to exist as a corporate body.*

(14) The amalgamation, merger or division of companies under the foregoing sub-sections shall not in any manner whatsoever affect the pre-existing rights or obligations and any legal proceedings that might have been continued or commenced by or against any erstwhile company before the amalgamation, merger or division, may be continued or commenced by, or against, the concerned resulting company, or merged company, as the case may be.

(15) The Registrar shall strike off the names of every Producer Company deemed to have been dissolved under sub-sections (11) to (14).

(16) Any member or creditor or employee aggrieved by the transfer of assets, division, amalgamation or merger may, within thirty days of the passing of the resolution, prefer an appeal to the Tribunal.

(17) The Tribunal shall, after giving a reasonable opportunity to the person concerned, pass such orders thereon as it may deem fit.

(18) Where an appeal has been filed under sub-section (16), the transfer of assets, division, amalgamation or merger of the Producer Company shall be subject to the decision of the Tribunal.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

PART X

RESOLUTION OF DISPUTES

Disputes.

378Z-O. *(1) Where any dispute relating to the formation, management or business of a Producer Company arises—*

(a) *amongst Members, former Members or persons claiming to be Members or nominees of deceased Members; or*

(b) *between a Member, former Member or a person claiming to be a Member, or nominee of deceased Member and the Producer Company, its Board of Directors, office-bearers, or liquidator, past or present; or*

(c) *between the Producer Company or its Board, and any director, office-bearer or any former director, or the nominee, heir or legal representative of any deceased director of the Producer Company,*

such dispute shall be settled by conciliation or by arbitration as provided under the Arbitration and Conciliation Act, 1996 (26 of 1996) as if the parties to the dispute have consented in writing for determination of such disputes by conciliation or by arbitration and the provisions of the said Act shall apply accordingly.

Explanation.—*For the purposes of this section, a dispute shall include—*

(a) *a claim for any debt or other amount due;*

(b) *a claim by surety against the principal debtor, where the Producer Company has recovered from the surety amount in respect of any debtor or other amount due to it from the principal debtor as a result of the default of the principal debtor whether such debt or amount due be admitted or not;*

(c) *a claim by Producer Company against a Member for failure to supply produce as required of him;*

(d) *a claim by a Member against the Producer Company for not taking goods supplied by him.*

(2) If any question arises whether the dispute relates to formation, management or business of the Producer Company, the question shall be referred to the arbitrator, whose decision thereon shall be final.

PART XI

MISCELLANEOUS PROVISIONS

Strike off name of Producer Company.

378ZP. *(1) Where a Producer Company fails to commence business within one year of its registration or ceases to transact business with the Members or if the Registrar is satisfied, after making such inquiry as he thinks fit, that the Producer Company is no longer carrying on any of its objects specified in section 378B, he shall make an order striking off the name of the Producer Company, which shall thereupon cease to exist forthwith:*

Provided *that no such order cancelling the registration as aforesaid shall be passed until a notice to show cause has been given by the Registrar to the Producer Company with a copy to all its directors on the proposed action and reasonable opportunity to represent its case has been given.*

(2) Where the Registrar has reasonable cause to believe that a Producer Company is not maintaining any of the mutual assistance principles specified, he shall strike its name off the register in accordance with the provisions contained in section 248.

(3) Any Member of a Producer Company, who is aggrieved by an order made under sub-section (1), may appeal to the Tribunal within sixty days of the order.

(4) Where an appeal is filed under sub-section (3), the order of striking off the name shall not take effect until the appeal is disposed of.

Provisions of this Chapter to override other laws.

378ZQ. *The provisions of this Chapter shall have effect notwithstanding anything inconsistent therewith contained in this Act or any other law for the time being in force or any instrument having effect by virtue of any such law; but the provisions of any such Act or law or instrument in so far as the same are not varied by, or are inconsistent with, the provisions of this Chapter shall apply to the Producer Company.*

Application of provisions relating to private companies.

378ZR. *All the limitations, restrictions and provisions of this Act, other than those specified in this Chapter, applicable to a private company, shall, as far as may be, apply to a Producer Company, as if it is a private limited company under this Act in so far as they are not in conflict with the provisions of this Chapter.*

PART XII

RE-CONVERSION OF PRODUCER COMPANY TO INTER-STATE CO-OPERATIVE SOCIETY

Re-conversion of Producer Company to inter-State co-operative society.

378ZS. *(1) Any Producer Company, being an erstwhile inter-State co-operative society, formed and registered under this Chapter, may make an application—*

(a) after passing a resolution in the general meeting by not less than two-thirds of its Members present and voting; or

(b) on request by its creditors representing three-fourth value of its total creditors,

to the Tribunal for its re-conversion to the inter-State co-operative society.

(2) The Tribunal shall, on the application made under sub-section (1), direct holding meeting of its Members or such creditors, as the case may be, to be conducted in such manner as it may direct.

(3) If a majority in number representing three-fourths in value of the creditors, or Members, as the case may be, present and voting in person at the meeting conducted in pursuance of the directions of the Tribunal under sub-section (2), agree for re-conversion, if sanctioned by the Tribunal, be binding on all the Members and all the creditors, as the case may be, and also on the company which is being converted:

Provided *that no order sanctioning re-conversion shall be made by the Tribunal unless the Tribunal is satisfied that the company or any other person by whom an application has been made under sub-section (1) has disclosed to the Tribunal, by affidavit or otherwise, all material facts relating to the company, such as the latest financial position of the company, the latest report of the auditor on the accounts of the company, the pendency of any investigation proceedings in relation to the company under Chapter XIV, and the like.*

(4) An order made by the Tribunal under sub-section (3) shall have no effect until a certified copy of the order has been filed with the Registrar.

(5) A copy of every such order shall be annexed to every copy of the memorandum of the company issued after the certified copy of the order has been filed as aforesaid, or in the case of a company not having a memorandum, to every copy so issued of the instrument constituting or defining the constitution of the company.

(6) If default is made in complying with sub-section (4), the company, and every officer of the company who is in default, shall be punishable with fine which may extend to one hundred rupees, for each copy in respect of which default is made.

(7) The Tribunal may, at any time after an application has been made to it under this section, stay the commencement or continuation of any suit or proceeding against the company on such terms as the Tribunal thinks fit, until the application is finally disposed of.

(8) Every Producer Company, which has been sanctioned re-conversion by the Tribunal, shall make an application under the Multi-State Co-operative Societies Act, 2002 (39 of 2002) or any other law for the time being in force for its registration as multi-State co-operative society or co-operative society, as the case may be, within six months of sanction by the Tribunal and file a report thereof to the Tribunal and the Registrar of Companies and to the Registrar of the Co-operative Societies under which it has been registered as a multi-State co-operative society or co-operative society, as the case may be.

कोष मूलो दण्डः
INCOME TAX DEPARTMENT

Power to modify Act in its application to Producer Companies.

378ZT. *(1) The Central Government may, by notification, direct that any of the provisions of this Act (other than those contained in this Chapter) specified in the said notification—*

(a) shall not apply to the Producer Companies or any class or category thereof; or

(b) shall apply to the Producer Companies or any class or category thereof with such exception or adaptation as may be specified in the notification.

(2) A copy of every notification proposed to be issued under sub-section (1), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power to make rules.

378ZU. *The Central Government may make rules for carrying out the purposes of this Chapter.***]**

CHAPTER XXII

COMPANIES INCORPORATED OUTSIDE INDIA

Application of Act to foreign companies.

379.[*(1) sections 380 to 386 (both inclusive) and sections 392 and 393 shall apply to all foreign companies:*

[***]]

[*(2)*]** Where not less than fifty per cent of the paid-up share capital, whether equity or preference or partly equity and partly preference, of a foreign company is held by one or more citizens of India or by one or more companies or bodies corporate incorporated in India, or by one or more citizens of India and one or more companies or bodies corporate incorporated in India, whether singly or in the aggregate, such company shall comply with the provisions of this Chapter and such other provisions of this Act as may be prescribed with regard to the business carried on by it in India as if it were a company incorporated in India.

---

72. Corresponds to section 591 of the 1956 Act.
73. Enforced with effect from 12-9-2013.
74.*See* rule 12 of the Companies (Registration of Foreign Companies) Rules, 2014 (**Division Two**).
74a. Inserted by the Companies (Amendment) Act, 2017, with effect from **9-2-2018**.
74aa. Omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its omission, first proviso read as under :

"**Provided** that the Central Government may, by Order published in the Official Gazette, exempt any class of foreign companies, specified in the Order, from any of the provisions of sections 380 to 386 and sections 392 and 393 and a copy of every such order shall, as soon as may be after it is made, be laid before both Houses of Parliament."

75. Renumbered as sub-section (2) by the Companies (Amendment) Act, 2017, with effect from **9-2-2018**.

Documents, etc., to be delivered to Registrar by foreign companies.

380. (1) Every foreign company shall, within thirty days of the establish- ment of its place of business in India, deliver to the Registrar for registration—

(*a*) a certified copy of the charter, statutes or memorandum and articles, of the company or other instrument constituting or defining the constitution of the company and, if the instrument is not in the English language, a certified translation thereof in the English language;

(*b*) the full address of the registered or principal office of the company;

(*c*) a list of the directors and secretary of the company containing such particulars as may be prescribed;

(*d*) the name and address or the names and addresses of one or more persons resident in India authorised to accept on behalf of the company service of process and any notices or other documents required to be served on the company;

(*e*) the full address of the office of the company in India which is deemed to be its principal place of business in India;

(*f*) particulars of opening and closing of a place of business in India on earlier occasion or occasions;

(*g*) declaration that none of the directors of the company or the authorised representative in India has ever been convicted or debarred from formation of companies and management in India or abroad; and

(*h*) any other information as may be prescribed.

(2) Every foreign company existing at the commencement of this Act shall, if it has not delivered to the Registrar before such commencement, the documents and particulars specified in sub-section (1) of section 592 of the Companies Act, 1956 (1 of 1956), continue to be subject to the obligation to deliver those documents and particulars in accordance with that Act.

(3) Where any alteration is made or occurs in the documents delivered to the Registrar under this section, the foreign company shall, within thirty days of such alteration, deliver to the Registrar for registration, a return containing the particulars of the alteration in the prescribed form.

---

75. Corresponds to sections 592 and 593 of the 1956 Act.

76. Enforced with effect from 1-4-2014.

77.*See* rule 8 of the Companies (Registration of Foreign Companies) Rules, 2014 (**Division Two**).

78.*See* rules 9 & 10, *ibid.*

79.*See* rule 3 and Form Nos. FC1 andFC2 of the Companies (Registration of Foreign Companies) Rules, 2014 (**Division Two**).

80.*See* rule 3 and Form Nos. FC1 and FC2 of the Companies (Registration of Foreign Companies) Rules, 2014 (**Division Two**).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Accounts of foreign company.

381. (1) Every foreign company shall, in every calendar year,—

(*a*) make out a balance sheet and profit and loss account in such form, containing such particulars and including or having annexed or attached thereto such documents as may be prescribed; and

(*b*) deliver a copy of those documents to the Registrar:

Provided that the Central Government may, by notification, direct that, in the case of any foreign company or class of foreign companies, the requirements of clause (*a*) shall not apply, or shall apply subject to such exceptions and modifications as may be specified in that notification.

(2) If any such document as is mentioned in sub-section (1) is not in the English language, there shall be annexed to it a certified translation thereof in the English language.

(3) Every foreign company shall send to the Registrar along with the documents required to be delivered to him under sub-section (1), a copy of a list in the prescribed form of all places of business established by the company in India as at the date with reference to which the balance sheet referred to in sub-section (1) is made out.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Display of name, etc., of foreign company.

382. Every foreign company shall—

(*a*) conspicuously exhibit on the outside of every office or place where it carries on business in India, the name of the company and the country in which it is incorporated, in letters easily legible in English characters, and also in the characters of the language or one of the languages in general use in the locality in which the office or place is situate;

(*b*) cause the name of the company and of the country in which the company is incorporated, to be stated in legible English characters in all business letters, bill-heads and letter paper, and in all notices, and other official publications of the company; and

(*c*) if the liability of the members of the company is limited, cause notice of that fact—

(*i*) to be stated in every such prospectus issued and in all business letters, bill-heads, letter paper, notices, advertisements and other official publications of the company, in legible English characters; and

(*ii*) to be conspicuously exhibited on the outside of every office or place where it carries on business in India, in legible English characters and also in legible characters of the language or one of the languages in general use in the locality in which the office or place is situate.

Service on foreign company.

383. Any process, notice, or other document required to be served on a foreign company shall be deemed to be sufficiently served, if addressed to any person whose name and address have been delivered to the Registrar under section 380 and left at, or sent by post to, the address which has been so delivered to the Registrar or by electronic mode.

---

87. Enforced with effect from 12-9-2013.
88. Corresponds to section 596 of the 1956 Act.

Debentures, annual return, registration of charges, books of account and their inspection.

384. (1) The provisions of section 71 shall apply *mutatis mutandis* to a foreign company.

(2) The provisions of section 92 **[***and section 135***]** shall, subject to such exceptions, modifications and adaptations as may be made therein by rules made under this Act, apply to a foreign company as they apply to a company incorporated in India.

(3) The provisions of section 128 shall apply to a foreign company to the extent of requiring it to keep at its principal place of business in India, the books of account referred to in that section, with respect to monies received and spent, sales and purchases made, and assets and liabilities, in the course of or in relation to its business in India.

(4) The provisions of Chapter VI shall apply *mutatis mutandis* to charges on properties which are created or acquired by any foreign company.

(5) The provisions of Chapter XIV shall apply *mutatis mutandis* to the Indian business of a foreign company as they apply to a company incorporated in India.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Fee for registration of documents.

385. There shall be paid to the Registrar for registering any document required by the provisions of this Chapter to be registered by him, such fee, as may be prescribed.

Interpretation.

386. For the purposes of the foregoing provisions of this Chapter,—

(*a*) the expression "certified" means certified in the prescribed manner to be a true copy or a correct translation;

(*b*) the expression "director", in relation to a foreign company, includes any person in accordance with whose directions or instructions the Board of Directors of the company is accustomed to act; and

(*c*) the expression "place of business" includes a share transfer or registration office.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Dating of prospectus and particulars to be contained therein.

387. (1) No person shall issue, circulate or distribute in India any prospectus offering to subscribe for securities of a company incorporated or to be incorporated outside India, whether the company has or has not established, or when formed will or will not establish, a place of business in India, unless the prospectus is dated and signed, and—

(*a*) contains particulars with respect to the following matters, namely:—

(*i*) the instrument constituting or defining the constitution of the company;

(*ii*) the enactments or provisions by or under which the incorporation of the company was effected;

(*iii*) address in India where the said instrument, enactments or provisions, or copies thereof, and if the same are not in the English language, a certified translation thereof in the English language can be inspected;

(*iv*) the date on which and the country in which the company would be or was incorporated; and

(*v*) whether the company has established a place of business in India and, if so, the address of its principal office in India; and

(*b*) states the matters specified under section 26:

Provided that sub-clauses (*i*), (*ii*) and (*iii*) of clause (*a*) of this sub-section shall not apply in the case of a prospectus issued more than two years after the date at which the company is entitled to commence business.

(2) Any condition requiring or binding an applicant for securities to waive compliance with any requirement imposed by virtue of sub-section (1), or purporting to impute him with notice of any contract, documents or matter not specifically referred to in the prospectus, shall be void.

(3) No person shall issue to any person in India a form of application for securities of such a company or intended company as is mentioned in sub-section (1), unless the form is issued with a prospectus which complies with the provisions of this Chapter and such issue does not contravene the provisions of section 388:

Provided that this sub-section shall not apply if it is shown that the form of application was issued in connection with a *bona fide* invitation to a person to enter into an underwriting agreement with respect to securities.

(4) This section —

(*a*) shall not apply to the issue to existing members or debenture holders of a company of a prospectus or form of application relating to securities of the company, whether an applicant for securities will or will not have the right to renounce in favour of other persons; and

(*b*) except in so far as it requires a prospectus to be dated, shall not apply to the issue of a prospectus relating to securities which are or are to be in all respects uniform with securities previously issued and for the time being dealt in or quoted on a recognised stock exchange,

but, subject as aforesaid, this section shall apply to a prospectus or form of application whether issued on or with reference to the formation of a company or subsequently.

(5) Nothing in this section shall limit or diminish any liability which any person may incur under any law for the time being in force in India or under this Act apart from this section.

---

98. Corresponds to section 603 of the 1956 Act.

99. Enforced with effect from 1-4-2014.

Provisions as to expert's consent and allotment.

388. (1) No person shall issue, circulate or distribute in India any prospectus offering for subscription in securities of a company incorporated or to be incorporated outside India, whether the company has or has not been established, or when formed will or will not establish, a place of business in India,—

(*a*) if, where the prospectus includes a statement purporting to be made by an expert, he has not given, or has before delivery of the prospectus for registration withdrawn, his written consent to the issue of the prospectus with the statement included in the form and context in which it is included, or there does not appear in the prospectus a statement that he has given and has not withdrawn his consent as aforesaid; or

(*b*) if the prospectus does not have the effect, where an application is made in pursuance thereof, of rendering all persons concerned bound by all the provisions of sections 33 and 40, so far as applicable.

(2) For the purposes of this section, a statement shall be deemed to be included in a prospectus, if it is contained in any report or memorandum appearing on the face thereof or by reference incorporated therein or issued therewith.

---

1. Corresponds to section 604 of the 1956 Act.
2. Enforced with effect from 1-4-2014.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Registration of prospectus.

389. No person shall issue, circulate or distribute in India any prospectus offering for subscription in securities of a company incorporated or to be incorporated outside India, whether the company has or has not established, or when formed will or will not establish, a place of business in India, unless before the issue, circulation or distribution of the prospectus in India, a copy thereof certified by the chairperson of the company and two other directors of the company as having been approved by resolution of the managing body has been delivered for registration to the Registrar and the prospectus states on the face of it that a copy has been so delivered, and there is endorsed on or attached to the copy, any consent to the issue of the prospectus required by section 388 and such documents as may be prescribed.

---

3. Corresponds to section 605 of the 1956 Act.
4. Enforced with effect from 1-4-2014.
5.*See* rule 11 of the Companies (Registration of Foreign Companies) Rules, 2014 (**Division Two**).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Offer of Indian Depository Receipts.

390. Notwithstanding anything contained in any other law for the time being in force, the Central Government may make rules applicable for—

(*a*) the offer of Indian Depository Receipts;

(*b*) the requirement of disclosures in prospectus or letter of offer issued in connection with Indian Depository Receipts;

(*c*) the manner in which the Indian Depository Receipts shall be dealt with in a depository mode and by custodian and underwriters; and

(*d*) the manner of sale, transfer or transmission of Indian Depository Receipts,

by a company incorporated or to be incorporated outside India, whether the company has or has not established, or will or will not establish, any place of business in India.

Application of sections 34 to 36 and Chapter XX.

391. (1) The provisions of sections 34 to 36 (both inclusive) shall apply to—

(*i*) the issue of a prospectus by a company incorporated outside India under section 389 as they apply to prospectus issued by an Indian company;

(*ii*) the issue of Indian Depository Receipts by a foreign company.

[*(2) Subject to the provisions of section 376, the provisions of Chapter XX shall apply* mutatis mutandis *for closure of the place of business of a foreign company in India as if it were a company incorporated in India in case such foreign company has raised monies through offer or issue of securities under this Chapter which have not been repaid or redeemed.***]**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Punishment for contravention.

392. Without prejudice to the provisions of section 391, if a foreign company contravenes the provisions of this Chapter, the foreign company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees and in the case of a continuing offence, with an additional fine which may extend to fifty thousand rupees for every day after the first during which the contravention continues and every officer of the foreign company who is in default shall be punishable **[*******]** with fine which shall not be less than twenty-five thousand rupees but which may extend to **[***five lakh rupees***]**.

---

45. Corresponds to sections 598, 606 and 607 of the 1956 Act.

46. Enforced with effect from 1-4-2014.

46a. Words "with imprisonment for a term which may extend to six months or" omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

46b. Substituted for "five lakh rupees, or with both" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Company's failure to comply with provisions of this Chapter not to affect validity of contracts, etc.

393. Any failure by a company to comply with the provisions of this Chapter shall not affect the validity of any contract, dealing or transaction entered into by the company or its liability to be sued in respect thereof, but the company shall not be entitled to bring any suit, claim any set-off, make any counter-claim or institute any legal proceeding in respect of any such contract, dealing or transaction, until the company has complied with the provisions of this Act applicable to it.

---

15. Corresponds to section 599 of the 1956 Act.
16. Enforced with effect from 1-4-2014.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Exemptions under this Chapter.

393A. *The Central Government may, by notification, exempt any class of—*

(a) *foreign companies;*

(b) *companies incorporated or to be incorporated outside India, whether the company has or has not established, or when formed may or may not establish, a place of business in India,*

*as may be specified in the notification, from any of the provisions of this Chapter and a copy of every such notification shall, as soon as may be after it is made, be laid before both Houses ofParliament.***]**

48a. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

CHAPTER XXIII

GOVERNMENT COMPANIES

Annual reports on Government companies.

394. (1) Where the Central Government is a member of a Government company, the Central Government shall cause an annual report on the working and affairs of that company to be—

(*a*) prepared within three months of its annual general meeting before which the comments given by the Comptroller and Auditor-General of India and the audit report is placed under the proviso to sub-section (6) of ; and

(*b*) as soon as may be after such preparation, laid before both Houses of Parliament together with a copy of the audit report and comments upon or supplement to the audit report, made by the Comptroller and Auditor-General of India.

(2) Where in addition to the Central Government, any State Government is also a member of a Government company, that State Government shall cause a copy of the annual report prepared under sub-section (1) to be laid before the House or both Houses of the State Legislature together with a copy of the audit report and the comments upon or supplement to the audit report referred to in sub-section (1).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Annual reports where one or more State Governments are members of companies.

395. (1) Where the Central Government is not a member of a Government company, every State Government which is a member of that company, or where only one State Government is a member of the company, that State Government shall cause an annual report on the working and affairs of the company to be —

(*a*) prepared within the time specified in sub-section (1) of ; and

(*b*) as soon as may be after such preparation, laid before the House or both Houses of the State Legislature together with a copy of the audit report and comments upon or supplement to the audit report referred to in sub-section (1) of that section.

(2) The provisions of this section and shall, so far as may be, apply to a Government company in liquidation as they apply to any other Government company.

CHAPTER XXIV

REGISTRATION OFFICES AND FEES

Registration offices.

396. (1) For the purposes of exercising such powers and discharging such functions as are conferred on the Central Government by or under this Act or under the rules made thereunder and for the purposes of registration of companies under this Act, the Central Government shall, by notification, establish such number of offices at such places as it thinks fit, specifying their jurisdiction

(2) The Central Government may appoint such Registrars, Additional, Joint, Deputy and Assistant Registrars as it considers necessary for the registration of companies and discharge of various functions under this Act, and the powers and duties that may be exercisable by such officers shall be such as may be prescribed.

(3) The terms and conditions of service, including the salaries payable to persons appointed under sub-section (2), shall be such as may be prescribed.

(4) The Central Government may direct a seal or seals to be prepared for the authentication of documents required for, or connected with, the registration of companies.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Admissibility of certain documents as evidence.

397. Notwithstanding anything contained in any other law for the time being in force, any document reproducing or derived from returns and documents filed by a company with the Registrar on paper or in electronic form or stored on any electronic data storage device or computer readable media by the Registrar, and authenticated by the Registrar or any other officer empowered by the Central Government in such manner as may be prescribed, shall be deemed to be a document for the purposes of this Act and the rules made thereunder and shall be admissible in any proceedings thereunder without further proof or production of the original as evidence of any contents of the original or of any fact stated therein of which direct evidence is admissible.

Provisions relating to filing of applications, documents, inspection, etc., in electronic form.

398. (1) Notwithstanding anything to the contrary contained in this Act, and without prejudice to the provisions contained in section 6 of the Information Technology Act, 2000 (21 of 2000), the Central Government may make rules so as to require from such date as may be prescribed in the rules that—

(*a*) such applications, balance sheet, prospectus, return, declaration, memorandum, articles, particulars of charges, or any other particulars or document as may be required to be filed or delivered under this Act or the rules made thereunder, shall be filed in the electronic form and authenticated in such manner as may be prescribed;

(*b*) such document, notice, any communication or intimation, as may be required to be served or delivered under this Act, in the electronic form and authenticated in such manner as may be prescribed;

(*c*) such applications, balance sheet, prospectus, return, register, memorandum, articles, particulars of charges, or any other particulars or document and return filed under this Act or rules made thereunder shall be maintained by the Registrar in the electronic form and registered or authenticated, as the case may be, in such manner as may be prescribed;

(*d*) such inspection of the memorandum, articles, register, index, balance sheet, return or any other particulars or document maintained in the electronic form, as is otherwise available for inspection under this Act or the rules made thereunder, may be made by any person through the electronic form in such manner as may be prescribed;

(*e*) such fees, charges or other sums payable under this Act or the rules made thereunder shall be paid through the electronic form and in such manner as may be prescribed; and

(*f*) the Registrar shall register change of registered office, alteration of memorandum or articles, **[***]**, issue certificate of incorporation, register such document, issue such certificate, record the notice, receive such communication as may be required to be registered or issued or recorded or received, as the case may be, under this Act or the rules made thereunder or perform duties or discharge functions or exercise powers under this Act or the rules made thereunder or do any act which is by this Act directed to be performed or discharged or exercised or done by the Registrar in the electronic form in such manner as may be prescribed.

Explanation. — For the removal of doubts, it is hereby clarified that the rules made under this section shall not relate to imposition of fines or other pecuniary penalties or demand or payment of fees or contravention of any of the provisions of this Act or punishment therefor.

(2) The Central Government may, by notification, frame a scheme to carry out the provisions of sub-section (1) through the electronic form.

---

28. Corresponds to section 610B of the 1956 Act.
29. Enforced with effect from 1-4-2014.
30. For text of section 6 of the Information Technology Act, 2000, *see* **Appendix I**.
31. Rules 7 to 11 and Form No. GNL 1, GNL 3 and GNL 4 of the Companies (Registration Offices & Fees) Rules, 2014. *See* also Form No. DIR 12 of the Companies (Appointment and Qualification of Directors) Rules, 2014 (**Division Two**).

31a. Word "prospectus" omitted by the Companies (Amendment) Act, 2019, w.e.f. **15-8-2019**.

Inspection, production and evidence of documents kept by Registrar .

399 . (1) Save as otherwise provided elsewhere in this Act, any person may—

(*a*) inspect by electronic means any documents kept by the Registrar in accordance with the rules made, being documents filed or registered by him in pursuance of this Act, or making a record of any fact required or authorised to be recorded or registered in pursuance of this Act, on payment for each inspection of such fees as may be prescribed;

(*b*) require a certificate of the incorporation of any company, or a copy or extract of any other document or any part of any other document to be certified by the Registrar, on payment in advance of such fees as may be prescribed:

Provided that the rights conferred by this sub-section shall be exercisable—

(*i*) in relation to documents delivered to the Registrar with a prospectus in pursuance of , only during the fourteen days beginning with the date of publication of the prospectus; and at other times, only with the permission of the Central Government; and

(*ii*) in relation to documents so delivered in pursuance of clause (*b*) of sub-section (1) of , only during the fourteen days beginning with the date of the prospectus; and at other times, only with the permission of the Central Government.

(2) No process for compelling the production of any document kept by the Registrar shall issue from any court or the Tribunal except with the leave of that court or the Tribunal and any such process, if issued, shall bear thereon a statement that it is issued with the leave of the court or the Tribunal.

(3) A copy of, or extract from, any document kept and registered at any of the offices for the registration of companies under this Act, certified to be a true copy by the Registrar (whose official position it shall not be necessary to prove), shall, in all legal proceedings, be admissible in evidence as of equal validity with the original document.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Electronic form to be exclusive, alternative or in addition to physical form.

400. The Central Government may also provide in the rules made under and that the electronic form for the purposes specified in these sections shall be exclusive, or in the alternative or in addition to the physical form, therefor.

Provision of value added services through electronic form.

401. The Central Government may provide such value added services through the electronic form and levy such fee thereon as may be prescribed.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Application of provisions of Information Technology Act, 2000.

402. All the provisions of the Information Technology Act, 2000 (21 of 2000) relating to the electronic records, including the manner and format in which the electronic records shall be filed, in so far as they are not inconsistent with this Act, shall apply in relation to the records in electronic form specified under .

Fee for filing, etc.

403. (1) Any document, required to be submitted, filed, registered or re- corded, or any fact or information required or authorised to be registered under this Act, shall be submitted, filed, registered or recorded within the time specified in the relevant provision on payment of such fee as may be prescribed:

[Provided *that where any document, fact or information required to be submitted, filed, registered or recorded, as the case may be, under section 92 or 137 is not submitted, filed, registered or recorded, as the case may be, within the period provided in those sections, without prejudice to any other legal action or liability under this Act, it may be submitted, filed, registered or recorded, as the case may be, after expiry of the period so provided in those sections, on payment of such additional fee as may be prescribed, which shall not be less than one hundred rupees per day and different amounts may be prescribed for different classes of companies :*

Provided further *that where the document, fact or information, as the case may be, in cases other than referred to in the first proviso, is not submitted, filed, registered or recorded, as the case may be, within the period provided in the relevant section, it may, without prejudice to any other legal action or liability under this Act, be submitted, filed, registered or recorded as the case may be, on payment of such additional fee as may be prescribed and different fees may be prescribed for different classes of companies:*

[Provided also *that where there is default on two or more occasions in submitting, filing, registering or recording of such document, fact or information, as may be prescribed, it may, without prejudice to any other legal action or liability under this Act, be submitted, filed, registered or recorded, as the case may be, on payment of such higher additional fee, as may be prescribed.***]]**

[*(2) Where a company fails or commits any default to submit, file, register or record any document, fact or information under sub-section (1) before the expiry of the period specified in the relevant section, the company and the officers of the company who are in default, shall, without prejudice to the liability for the payment of fee and additional fee, be liable for the penalty or punishment provided under this Act for such failure or default.***]**

---

45. Corresponds to section 611 and Schedule X of the 1956 Act.
46. Enforced with effect from 1-4-2014.
47. In case of Nidhis, section 403 shall apply, with the modification that the filing fees in respect of every return of allotment under sub-section (9) of section 42 shall be calculated at the rate of one rupee for every one hundred rupees or parts thereof on the face value of the shares included in the return but shall not exceed the amount of normal filing fee payable - *Notification No. GSR 465(E), dated 5-6-2015.*
48. *See* rules 12, 13 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 and Form Nos. GNL 1, 2 and 3 (**Division Two**).
48a. Substituted by the Companies (Amendment) Act, 2017, First proviso shall come into force from 7-5-2018, Second and Third proviso are yet to be enforced. Prior to their substitution, the first and second provisos read as under :

"**Provided** that any document, fact or information may be submitted, filed, registered or recorded, after the time specified in relevant provision for such submission, filing, registering or recording, within a period of two hundred and seventy days from the date by which it should have been submitted, filed, registered or recorded, as the case may be, on payment of such additional fee as may be prescribed :

Provided further that any such document, fact or information may, without prejudice to any other legal action or liability under the Act, be also submitted, filed, registered or recorded, after the first time specified in first proviso on payment of fee and additional fee specified under this section."

48b. *See* rules 12, 13 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 and Form Nos. GNL 1, 2 and 3 (**Division Two**).
48ba. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, third proviso read as under :

"**Provided also** that where there is default on two or more occasions in submitting, filing, registering or recording of the document, fact or information, it may, without prejudice to any other legal action or liability under this Act, be submitted, filed, registered or recorded, as the case may be, on payment of a higher additional fee, as may be prescribed and which shall not be lesser than twice the additional fee provided under the first or the second proviso as applicable."

48c. Substituted by the Companies (Amendment) Act, 2017, with effect from **7-5-2018**. Prior to its substitution, sub-section (2) read as under :

"(2) Where a company fails or commits any default to submit, file, register or record any document, fact or information under sub-section (1) before the expiry of the period specified in the first proviso to that sub-section with additional fee, the company and the officers of the company who are in default, shall, without prejudice to the liability for payment of fee and additional fee, be liable for the penalty or punishment provided under this Act for such failure or default."

Fees, etc., to be credited into public account.

404. All fees, charges and other sums received by any Registrar, Additional, Joint, Deputy or Assistant Registrar or any other officer of the Central Government in pursuance of any provision of this Act shall be paid into the public account of India in the Reserve Bank of India.

CHAPTER XXV

COMPANIES TO FURNISH INFORMATION OR STATISTICS

Power of Central Government to direct companies to furnish information or statistics.

405. (1) The Central Government may, by order, require companies generally, or any class of companies, or any company, to furnish such information or statistics with regard to their or its constitution or working, and within such time, as may be specified in the order.

(2) Every order under sub-section (1) shall be published in the Official Gazette and may be addressed to companies generally or to any class of companies, in such manner, as the Central Government may think fit and the date of such publication shall be deemed to be the date on which requirement for information or statistics is made on such companies or class of companies, as the case may be.

(3) For the purpose of satisfying itself that any information or statistics furnished by a company or companies in pursuance of any order under sub-section (1) is correct and complete, the Central Government may by order require such company or companies to produce such records or documents in its possession or allow inspection thereof by such officer or furnish such further information as that Government may consider necessary.

[*(4) If any company fails to comply with an order made under sub-section (1) or sub-section (3), or furnishes any information or statistics which is incorrect or incomplete in any material respect, the company and every officer of the company who is in default shall be liable to a penalty of twenty thousand rupees and in case of continuing failure, with a further penalty of one thousand rupees for each day after the first during which such failure continues, subject to a maximum of three lakh rupees.***]**

(5) Where a foreign company carries on business in India, all references to a company in this section shall be deemed to include references to the foreign company in relation, and only in relation, to such business.

---

51. Corresponds to section 615 of the 1956 Act.

52. Enforced with effect from 12-9-2013.

52a. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (4) read as under :

"(4) If any company fails to comply with an order made under sub-section (1) or sub-section (3), or knowingly furnishes any information or statistics which is incorrect or incomplete in any material respect, the company shall be punishable with fine which may extend to twenty-five thousand rupees and every officer of the company who is in default, shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to three lakh rupees, or with both."

CHAPTER XXVI

NIDHIS

[Provision relating to *Nidhis* and its application, etc.

406. *(1) In this section,* "Nidhi" *or "Mutual Benefit Society"means a company which the Central Government may, by notification in the Official Gazette, declare to be a* Nidhi *or Mutual Benefit Society, as the case may be.*

(2) The Central Government may, by notification in the Official Gazette, direct that any of the provisions of this Act specified in the notification—

(a) shall not apply to any Nidhi *or Mutual Benefit Society; or*

(b) shall apply to any Nidhi *or Mutual Benefit Society with such exceptions, modifications and adaptations as may be specified in the notification.*

(3) A copy of every notification proposed to be issued under sub-section (2), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days, and if, both Houses agree in disapproving the issue of notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

(4) In reckoning any such period of thirty days as is referred to in sub-section (3), no account shall be taken of any period during which the House referred to in sub-section (3) is prorogued or adjourned for more than four consecutive days.

*(5) The copies of every notification issued under this section shall, as soon as may be after it has been issued, be laid before each House of Parliament.***]**

---

53. Substituted by the Companies (Amendment) Act, 2017, with effect from **15-8-2019**. Prior to its substitution, section 406 read as under :

'406. *Power to modify Act in its application to* Nidhis.—(1) In this section, *"Nidhi"* means a company which has been incorporated as a *Nidhi* with the object of cultivating the habit of thrift and savings amongst its members, receiving deposits from, and lending to, its members only, for their mutual benefit, and which complies with such rules as are prescribed* by the Central Government for regulation of such class of companies.

(2) Save as otherwise expressly provided, the Central Government may, by notification, direct that any of the provisions of this Act shall not apply, or shall apply with such exceptions, modifications and adaptations as may be specified in that notification, to any *Nidhi* or *Nidhis* of any class or description as may be specified in that notification.

(3) A copy of every notification proposed to be issued under sub-section (2), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.'

Earlier section 406 was enforced with effect from 1-4-2014. For exemptions granted to *Nidhis*, *see* Notification No. 465(E), dated 5-6-2015 (*See* **Division Three**).

See* Nidhi Rules, 2014 (Division Two**).

54. Corresponds to section 620A of the 1956 Act.

CHAPTER XXVII

NATIONAL COMPANY LAW TRIBUNAL AND APPELLATE TRIBUNAL

Definitions.

407. In this Chapter, unless the context otherwise requires,—

(*a*) "Chairperson" means the Chairperson of the Appellate Tribunal;

(*b*) "Judicial Member" means a member of the Tribunal or the Appellate Tribunal appointed as such and includes the President or the Chairperson, as the case may be;

(*c*) "Member" means a member, whether Judicial or Technical of the Tribunal or the Appellate Tribunal and includes the President or the Chairperson, as the case may be;

(*d*) "President" means the President of the Tribunal;

(*e*) "Technical Member" means a member of the Tribunal or the Appellate Tribunal appointed as such.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Constitution of National Company Law Tribunal.

408. The Central Government shall, by notification, constitute, with effect from such date as may be specified therein, a Tribunal to be known as the National Company Law Tribunal consisting of a President and such number of Judicial and Technical members, as the Central Government may deem necessary, to be appointed by it by notification, to exercise and discharge such powers and functions as are, or may be, conferred on it by or under this Act or any other law for the time being in force.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Qualification of President and Members of Tribunal.

409. (1) The President shall be a person who is or has been a Judge of a High Court for five years.

(2) A person shall not be qualified for appointment as a Judicial Member unless he—

(*a*) is, or has been, a judge of a High Court; or

(*b*) is, or has been, a District Judge for at least five years; or

(*c*) has, for at least ten years been an advocate of a court.

Explanation.—For the purposes of clause (*c*), in computing the period during which a person has been an advocate of a court, there shall be included any period during which the person has held judicial office or the office of a member of a tribunal or any post, under the Union or a State, requiring special knowledge of law after he become an advocate.

(3) A person shall not be qualified for appointment as a Technical Member unless he—

(*a*) has, for at least fifteen years been a member of the Indian Corporate Law Service or Indian Legal Service **[***and has been holding the rank of Secretary or Additional Secretary to the Government of India***]**; or

(*b*) is, or has been, in practice as a chartered accountant for at least fifteen years; or

(*c*) is, or has been, in practice as a cost accountant for at least fifteen years; or

(*d*) is, or has been, in practice as a company secretary for at least fifteen years; or

[(e) *is a person of proven ability, integrity and standing having special knowledge and professional experience of not less than fifteen years in industrial finance, industrial management, industrial reconstruction, investment and accountancy; or***]**

(*f*) is, or has been, for at least five years, a presiding officer of a Labour Court, Tribunal or National Tribunal constituted under the Industrial Disputes Act, 1947 (14 of 1947).

Constitution of Appellate Tribunal.

410. The Central Government shall, by notification, constitute, with effect from such date as may be specified therein, an Appellate Tribunal to be known as the National Company Law Appellate Tribunal consisting of a chairperson and such number of Judicial and Technical Members, **[*******]** as the Central Government may deem fit, to be appointed by it by notification, [for hearing appeals against,—

(*a*) the [order of the Tribunal or of the National Financial Reporting Authority] under this Act; and

(*b*) any direction, decision or order referred to in **[***section 53A***]** of the Competition Act, 2002 (12 of 2003) in accordance with the provisions of that Act.]

---

5. Corresponds to section 10FR of the 1956 Act.
6. Enforced with effect from 12-9-2013.
7. Constituted with effect from 1-6-2016. *See* **Division Three**.
7a. Words "not exceeding eleven," omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
8. Substituted for "for hearing appeals against the orders of the Tribunal." by the Finance Act, 2017, w.e.f. 26-5-2017.
9. Substituted for "order of the Tribunal" by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018.
9a. Substituted for "section 53N" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Qualifications of Chairperson and Members of Appellate Tribunal.

411. (1) The Chairperson shall be a person who is or has been a Judge of the Supreme Court or the Chief Justice of a High Court.

(2) A Judicial Member shall be a person who is or has been a Judge of a High Court or is a Judicial Member of the Tribunal for five years.

[*(3) A technical member shall be a person of proven ability, integrity and standing having special knowledge and professional experience of not less than twenty-five years in industrial finance, industrial management, industrial reconstruction, investment and accountancy.***]**

Selection of Members of Tribunal and Appellate Tribunal.

412. (1) The President of the Tribunal and the chairperson and Judicial Members of the Appellate Tribunal, shall be appointed after consultation with the Chief Justice of India.

[*(2) The Members of the Tribunal and the Technical Members of the Appellate Tribunal shall be appointed on the recommendation of a Selection Committee consisting of—*

(a) *Chief Justice of India or his nominee — Chairperson;*
(b) *a senior Judge of the Supreme Court or Chief Justice of High Court —Member;*
(c) *Secretary in the Ministry of Corporate Affairs — Member; and*
(d) *Secretary in the Ministry of Law and Justice — Member.*

*(2A) Where in a meeting of the Selection Committee, there is equality of votes on any matter, the Chairperson shall have a casting vote.***]**

(3) The Secretary, Ministry of Corporate Affairs shall be the Convener of the Selection Committee.

(4) The Selection Committee shall determine its procedure for recommending persons under sub-section (2).

(5) No appointment of the Members of the Tribunal or the Appellate Tribunal shall be invalid merely by reason of any vacancy or any defect in the constitution of the Selection Committee.

Term of office of President, chairperson and other Members.

413. (1) The President and every other Member of the Tribunal shall hold office as such for a term of five years from the date on which he enters upon his office, but shall be eligible for re-appointment for another term of five years.

(2) A Member of the Tribunal shall hold office as such until he attains,—

(*a*) in the case of the President, the age of sixty-seven years;

(*b*) in the case of any other Member, the age of sixty-five years:

Provided that a person who has not completed fifty years of age shall not be eligible for appointment as Member:

Provided further that the Member may retain his lien with his parent cadre or Ministry or Department, as the case may be, while holding office as such for a period not exceeding one year.

(3) The Chairperson or a Member of the Appellate Tribunal shall hold office as such for a term of five years from the date on which he enters upon his office, but shall be eligible for re-appointment for another term of five years.

(4) A Member of the Appellate Tribunal shall hold office as such until he attains,—

(*a*) in the case of the Chairperson, the age of seventy years;

(*b*) in the case of any other Member, the age of sixty-seven years:

Provided that a person who has not completed fifty years of age shall not be eligible for appointment as Member:

Provided further that the Member may retain his lien with his parent cadre or Ministry or Department, as the case may be, while holding office as such for a period not exceeding one year.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Salary, allowances and other terms and conditions of service of Members.

414. The salary, allowances and other terms and conditions of service of the Members of the Tribunal and the Appellate Tribunal shall be such as may be prescribed:

Provided that neither the salary and allowances nor the other terms and conditions of service of the Members shall be varied to their disadvantage after their appointment.

Acting President and Chairperson of Tribunal or Appellate Tribunal.

415. (1) In the event of the occurrence of any vacancy in the office of the President or the Chairperson by reason of his death, resignation or otherwise, the senior-most Member shall act as the President or the Chairperson, as the case may be, until the date on which a new President or Chairperson appointed in accordance with the provisions of this Act to fill such vacancy enters upon his office.

(2) When the President or the Chairperson is unable to discharge his functions owing to absence, illness or any other cause, the senior-most Member shall discharge the functions of the President or the Chairperson, as the case may be, until the date on which the President or the Chairperson resumes his duties.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Resignation of Members.

416. The President, the Chairperson or any Member may, by notice in writing under his hand addressed to the Central Government, resign from his office:

Provided that the President, the Chairperson, or the Member shall continue to hold office until the expiry of three months from the date of receipt of such notice by the Central Government or until a person duly appointed as his successor enters upon his office or until the expiry of his term of office, whichever is earliest.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Removal of Members.

417. (1) The Central Government may, after consultation with the Chief Justice of India, remove from office the President, Chairperson or any Member, who —

(*a*) has been adjudged an insolvent; or

(*b*) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or

(*c*) has become physically or mentally incapable of acting as such President, the Chairperson, or Member; or

(*d*) has acquired such financial or other interest as is likely to affect prejudicially his functions as such President, the Chairperson or Member; or

(*e*) has so abused his position as to render his continuance in office prejudicial to the public interest:

Provided that the President, the Chairperson or the Member shall not be removed on any of the grounds specified in clauses (*b*) to (*e*) without giving him a reasonable opportunity of being heard.

(2) Without prejudice to the provisions of sub-section (1), the President, the Chairperson or the Member shall not be removed from his office except by an order made by the Central Government on the ground of proved misbehaviour or incapacity after an inquiry made by a Judge of the Supreme Court nominated by the Chief Justice of India on a reference made to him by the Central Government in which such President, the Chairperson or Member had been informed of the charges against him and given a reasonable opportunity of being heard.

(3) The Central Government may, with the concurrence of the Chief Justice of India, suspend from office, the President, the Chairperson or Member in respect of whom reference has been made to the Judge of the Supreme Court under sub-section (2) until the Central Government has passed orders on receipt of the report of the Judge of the Supreme Court on such reference.

(4) The Central Government shall, after consultation with the Supreme Court, make rules to regulate the procedure for the inquiry on the ground of proved misbehaviour or incapacity referred to in sub-section (2).

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Qualifications, terms and conditions of service of Chairperson and Member.

417A. *Notwithstanding anything contained in this Act, the qualifications, appointment, term of office, salaries and allowances, resignation, removal and other terms and conditions of service of the Chairperson and other Members of the Appellate Tribunal appointed after the commencement of* [*the Tribunal Reforms Act, 2021, shall be governed by the provisions of Chapter II of the said Act*]:

Provided *that the Chairperson and Member appointed before the commencement of Part XIV of Chapter VI of the Finance Act, 2017, shall continue to be governed by the provisions of this Act and the rules made thereunder as if the provisions of section 184 of the Finance Act, 2017 had not come into force.***]**

81a. Inserted by the Finance Act, 2017, with effect from a date yet to be notified.

81b. Substituted for "Part XIV of Chapter VI of the Finance Act, 2017, shall be governed by the provisions of the section 184 of that Act" by the Tribunals Reforms Act, 2021, w.r.e.f. **4-4-2021.**

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Staff of Tribunal and Appellate Tribunal.

418. (1) The Central Government shall, in consultation with the Tribunal and the Appellate Tribunal, provide the Tribunal and the Appellate Tribunal, as the case may be, with such officers and other employees as may be necessary for the exercise of the powers and discharge of the functions of the Tribunal and the Appellate Tribunal.

(2) The officers and other employees of the Tribunal and the Appellate Tribunal shall discharge their functions under the general superintendence and control of the President, or as the case may be, the Chairperson, or any other Member to whom powers for exercising such superintendence and control are delegated by him.

(3) The salaries and allowances and other conditions of service of the officers and other employees of the Tribunal and the Appellate Tribunal shall be such as may be prescribed.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Benches of Appellate Tribunal.

418A. *(1) The powers of the Appellate Tribunal may be exercised by the Benches thereof to be constituted by the Chairperson:*

Provided *that a Bench of the Appellate Tribunal shall have at least one Judicial Member and one Technical Member.*

(2) The Benches of the Appellate Tribunal shall ordinarily sit at New Delhi or such other places as the Central Government may, in consultation with the Chairperson, notify:

Provided *that the Central Government may, by notification, after consultation with the Chairperson, establish such number of Benches of the Appellate Tribunal, as it may consider necessary, to hear appeals against any direction, decision or order referred to in section 53A of the Competition Act, 2002 (12 of 2003) and under section 61 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016).***]**

30b. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Benches of Tribunal.

419. (1) There shall be constituted such number of Benches of the Tribunal, as may, by notification, be specified by the Central Government.

(2) The Principal Bench of the Tribunal shall be at New Delhi which shall be presided over by the President of the Tribunal.

(3) The powers of the Tribunal shall be exercisable by Benches consisting of two Members out of whom one shall be a Judicial Member and the other shall be a Technical Member:

Provided that it shall be competent for the Members of the Tribunal authorised in this behalf to function as a Bench consisting of a single Judicial Member and exercise the powers of the Tribunal in respect of such class of cases or such matters pertaining to such class of cases, as the President may, by general or special order, specify:

Provided further that if at any stage of the hearing of any such case or matter, it appears to the Member that the case or matter is of such a nature that it ought to be heard by a Bench consisting of two Members, the case or matter may be transferred by the President, or, as the case may be, referred to him for transfer, to such Bench as the President may deem fit.

[*(4) The Central Government shall, by notification , establish such number of benches of the Tribunal, as it may consider necessary, to exercise the jurisdiction, powers and authority of the Adjudicating Authority conferred on such Tribunal by or under Part II of the Insolvency and Bankruptcy Code, 2016.* **]**

(5) If the Members of a Bench differ in opinion on any point or points, it shall be decided according to the majority, if there is a majority, but if the Members are equally divided, they shall state the point or points on which they differ, and the case shall be referred by the President for hearing on such point or points by one or more of the other Members of the Tribunal and such point or points shall be decided according to the opinion of the majority of Members who have heard the case, including those who first heard it.

Orders of Tribunal.

420. (1) The Tribunal may, after giving the parties to any proceeding before it, a reasonable opportunity of being heard, pass such orders thereon as it thinks fit.

(2) The Tribunal may, at any time within two years from the date of the order, with a view to rectifying any mistake apparent from the record, amend any order passed by it, and shall make such amendment, if the mistake is brought to its notice by the parties:

Provided that no such amendment shall be made in respect of any order against which an appeal has been preferred under this Act.

(3) The Tribunal shall send a copy of every order passed under this section to all the parties concerned.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Appeal from orders of Tribunal.

421. (1) Any person aggrieved by an order of the Tribunal may prefer an appeal to the Appellate Tribunal.

(2) No appeal shall lie to the Appellate Tribunal from an order made by the Tribunal with the consent of parties.

(3) Every appeal under sub-section (1) shall be filed within a period of forty-five days from the date on which a copy of the order of the Tribunal is made available to the person aggrieved and shall be in such form, and accompanied by such fees, as may be prescribed:

Provided that the Appellate Tribunal may entertain an appeal after the expiry of the said period of forty-five days from the date aforesaid, but within a further period not exceeding forty-five days, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within that period.

(4) On the receipt of an appeal under sub-section (1), the Appellate Tribunal shall, after giving the parties to the appeal a reasonable opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed against.

(5) The Appellate Tribunal shall send a copy of every order made by it to the Tribunal and the parties to appeal.

Expeditious disposal by Tribunal and Appellate Tribunal.

422. (1) Every application or petition presented before the Tribunal and every appeal filed before the Appellate Tribunal shall be dealt with and disposed of by it as expeditiously as possible and every endeavour shall be made by the Tribunal or the Appellate Tribunal, as the case may be, for the disposal of such application or petition or appeal within three months from the date of its presentation before the Tribunal or the filing of the appeal before the Appellate Tribunal.

(2) Where any application or petition or appeal is not disposed of within the period specified in sub-section (1), the Tribunal or, as the case may be, the Appellate Tribunal, shall record the reasons for not disposing of the application or petition or the appeal, as the case may be, within the period so specified; and the President or the Chairperson, as the case may be, may, after taking into account the reasons so recorded, extend the period referred to in sub-section (1) by such period not exceeding ninety days as he may consider necessary.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Appeal to Supreme Court.

423. Any person aggrieved by any order of the Appellate Tribunal may file an appeal to the Supreme Court within sixty days from the date of receipt of the order of the Appellate Tribunal to him on any question of law arising out of such order:

Provided that the Supreme Court may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding sixty days.

Procedure before Tribunal and Appellate Tribunal.

424. (1) The Tribunal and the Appellate Tribunal shall not, while disposing of any proceeding before it or, as the case may be, an appeal before it, be bound by the procedure laid down in the Code of Civil Procedure, 1908 (5 of 1908), but shall be guided by the principles of natural justice, and, subject to the other provisions of this Act **[***or of the Insolvency and Bankruptcy Code, 2016***]** and of any rules made thereunder, the Tribunal and the Appellate Tribunal shall have power to regulate their own procedure.

(2) The Tribunal and the Appellate Tribunal shall have, for the purposes of discharging their functions under this Act **[***or under the Insolvency and Bankruptcy Code, 2016***]**, the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908) while trying a suit in respect of the following matters, namely:—

(*a*) summoning and enforcing the attendance of any person and examining him on oath;

(*b*) requiring the discovery and production of documents;

(*c*) receiving evidence on affidavits;

(*d*) subject to the provisions of sections 123 and 124 of the Indian Evidence Act, 1872 (1 of 1872), requisitioning any public record or document or a copy of such record or document from any office;

(*e*) issuing commissions for the examination of witnesses or documents;

(*f*) dismissing a representation for default or deciding it *ex parte;*

(*g*) setting aside any order of dismissal of any representation for default or any order passed by it *ex parte;* and

(*h*) any other matter which may be prescribed.

(3) Any order made by the Tribunal or the Appellate Tribunal may be enforced by that Tribunal in the same manner as if it were a decree made by a court in a suit pending therein, and it shall be lawful for the Tribunal or the Appellate Tribunal to send for execution of its orders to the court within the local limits of whose jurisdiction,—

(*a*) in the case of an order against a company, the registered office of the company is situate; or

(*b*) in the case of an order against any other person, the person concerned voluntarily resides or carries on business or personally works for gain.

(4) All proceedings before the Tribunal or the Appellate Tribunal shall be deemed to be judicial proceedings within the meaning of sections 193 and 228, and for the purposes of section 196 of the Indian Penal Code (45 of 1860), and the Tribunal and the Appellate Tribunal shall be deemed to be civil court for the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973 (2 of 1974).

Power to punish for contempt.

425. The Tribunal and the Appellate Tribunal shall have the same jurisdiction, powers and authority in respect of contempt of themselves as the High Court has and may exercise, for this purpose, the powers under the provisions of the Contempt of Courts Act, 1971 (70 of 1971), which shall have the effect subject to modifications that—

(*a*) the reference therein to a High Court shall be construed as including a reference to the Tribunal and the Appellate Tribunal; and

(*b*) the reference to Advocate-General in section 15 of the said Act shall be construed as a reference to such Law Officers as the Central Government may, specify in this behalf.

Delegation of powers.

426. The Tribunal or the Appellate Tribunal may, by general or special order, direct, subject to such conditions, if any, as may be specified in the order, any of its officers or employees or any other person authorised by it to inquire into any matter connected with any proceeding or, as the case may be, appeal before it and to report to it in such manner as may be specified in the order.

President, Members, officers, etc., to be public servants.

427. The President, Members, officers and other employees of the Tribunal and the Chairperson, Members, officers and other employees of the Appellate Tribunal shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code (45 of 1860).

Protection of action taken in good faith.

428. No suit, prosecution or other legal proceeding shall lie against the Tribunal, the President, Member, officer or other employee, or against the Appellate Tribunal, the Chairperson, Member, officer or other employees thereof or liquidator or any other person authorised by the Tribunal or the Appellate Tribunal for the discharge of any function under this Act in respect of any loss or damage caused or likely to be caused by any act which is in good faith done or intended to be done in pursuance of this Act.

Power to seek assistance of Chief Metropolitan Magistrate, etc.

429. [*(1) The Tribunal may, in any proceedings for winding up of a company under this Act or in any proceedings under the Insolvency and Bankruptcy Code, 2016, in order to take into custody or under its control all property, books of account or other documents, request, in writing, the Chief Metropolitan Magistrate, Chief Judicial Magistrate or the District Collector within whose jurisdiction any such property, books of account or other documents of such company under this Act or of corporate persons under the said Code, are situated or found, to take possession thereof, and the Chief Metropolitan Magistrate, Chief Judicial Magistrate or the District Collector, as the case may be, shall, on such request being made to him,—*

(a) *take possession of such property, books of account or other documents; and*

(b) *cause the same to be entrusted to the Tribunal or other persons authorised by it.* **]**

(2) For the purpose of securing compliance with the provisions of sub-section (1), the Chief Metropolitan Magistrate, Chief Judicial Magistrate or the District Collector may take or cause to be taken such steps and use or cause to be used such force as may, in his opinion, be necessary.

(3) No act of the Chief Metropolitan Magistrate, Chief Judicial Magistrate or the District Collector done in pursuance of this section shall be called in question in any court or before any authority on any ground whatsoever.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Civil court not to have jurisdiction.

430. No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which the Tribunal or the Appellate Tribunal is empowered to determine by or under this Act or any other law for the time being in force and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act or any other law for the time being in force, by the Tribunal or the Appellate Tribunal.

Vacancy in Tribunal or Appellate Tribunal not to invalidate acts or proceedings.

431. No act or proceeding of the Tribunal or the Appellate Tribunal shall be questioned or shall be invalid merely on the ground of the existence of any vacancy or defect in the constitution of the Tribunal or the Appellate Tribunal, as the case may be.

Right to legal representation.

432. A party to any proceeding or appeal before the Tribunal or the Appellate Tribunal, as the case may be, may either appear in person or authorise one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any other person to present his case before the Tribunal or the Appellate Tribunal, as the case may be.

Limitation.

433. The provisions of the Limitation Act, 1963 (36 of 1963) shall, as far as may be, apply to proceedings or appeals before the Tribunal or the Appellate Tribunal, as the case may be.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[**Transfer of certain pending proceedings.**

434. (1) On such date as may be notified by the Central Government in this behalf,—

(*a*) all matters, proceedings or cases pending before the Board of Company Law Administration (herein in this section referred to as the Company Law Board) constituted under sub-section (1) of section 10E of the Companies Act, 1956 (1 of 1956), immediately before such date shall stand transferred to the Tribunal and the Tribunal shall dispose of such matters, proceedings or cases in accordance with the provisions of this Act;

(*b*) any person aggrieved by any decision or order of the Company Law Board made before such date may file an appeal to the High Court within sixty days from the date of communication of the decision or order of the Company Law Board to him on any question of law arising out of such order:
Provided that the High Court may if it is satisfied that the appellant was prevented by sufficient cause from filing an appeal within the said period, allow it to be filed within a further period not exceeding sixty days; and

(*c*) all proceedings under the Companies Act, 1956 (1 of 1956), including proceedings relating to arbitration, compromise, arrangements and reconstruction and winding up of companies, pending immediately before such date before any District Court or High Court, shall stand transferred to the Tribunal and the Tribunal may proceed to deal with such proceedings from the stage before their transfer:

[Provided further *that any party or parties to any proceedings relating to the winding up of companies pending before any Court immediately before the commencement of the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2018, may file an application for transfer of such proceedings and the Court may by order transfer such proceedings to the Tribunal and the proceedings so transferred shall be dealt with by the Tribunal as an application for initiation of corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 (31 of 2016);***]**

Provided that only such proceedings relating to the winding up of companies shall be transferred to the Tribunal that are at a stage as may be prescribed by the Central Government :

[**Provided further** that only such proceedings relating to cases other than winding-up, for which orders for allowing or otherwise of the proceedings are not reserved by the High Courts shall be transferred to the Tribunal:

[Provided also *that*—**]**

(*i*) all proceedings under the Companies Act, 1956 other than the cases relating to winding up of companies that are reserved for orders for allowing or otherwise such proceedings; or

(*ii*) the proceedings relating to winding up of companies which have not been transferred from the High Courts;

shall be dealt with in accordance with provisions of the Companies Act, 1956 and the Companies (Court) Rules, 1959:]

[Provided also *that proceedings relating to cases of voluntary winding up of a company where notice of the resolution by advertisement has been given under sub-section (1) of section 485 of the Companies Act, 1956 but the company has not been dissolved before the 1st April, 2017 shall continue to be dealt with in accordance with provisions of the Companies Act. 1956 and the Companies (Court) Rules, 1959*.**]**

(2) The Central Government may make rules consistent with the provisions of this Act to ensure timely transfer of all matters, proceedings or cases pending before the Company Law Board or the courts, to the Tribunal under this section.]

---

21. Clauses (*a*) and (*b*) of sub-section (1) and sub-section (2) of section 434, enforced with effect from 1-6-2016. Clause (*c*) of sub-section (1) of section 434 enforced with effect from 15-12-2016. Substituted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016. Prior to its substitution, section 434 read as under :

"434. *Transfer of certain pending proceedings.*—(1) On such date as may be notified by the Central Government in this behalf,—

(*a*) all matters, proceedings or cases pending before the Board of Company Law Administration (herein in this section referred to as the Company Law Board) constituted under sub-section (1) of section 10E of the Companies Act, 1956 (1 of 1956), immediately before such date shall stand transferred to the Tribunal and the Tribunal shall dispose of such matters, proceedings or cases in accordance with the provisions of this Act;

(*b*) any person aggrieved by any decision or order of the Company Law Board made before such date may file an appeal to the High Court within sixty days from the date of communication of the decision or order of the Company Law Board to him on any question of law arising out of such order:
Provided that the High Court may if it is satisfied that the appellant was prevented by sufficient cause from filing an appeal within the said period, allow it to be filed within a further period not exceeding sixty days;

(*c*) all proceedings under the Companies Act, 1956 (1 of 1956), including proceedings relating to arbitration, compromise, arrangements and reconstruction and winding up of companies, pending immediately before such date before any District Court or High Court, shall stand transferred to the Tribunal and the Tribunal may proceed to deal with such proceedings from the stage before their transfer;

(*d*) any appeal preferred to the Appellate Authority for Industrial and Financial Reconstruction or any reference made or inquiry pending to or before the Board of Industrial and Financial Reconstruction or any proceeding of whatever nature pending before the Appellate Authority for Industrial and Financial Reconstruction or the Board for Industrial and Financial Reconstruction under the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986) immediately before the commencement of this Act shall stand abated:

Provided that a company in respect of which such appeal or reference or inquiry stands abated under this clause may make a reference to the Tribunal under this Act within one hundred and eighty days from the commencement of this Act in accordance with the provisions of this Act:

Provided further that no fees shall be payable for making such reference under this Act by a company whose appeal or reference or inquiry stands abated under this clause.

(2) The Central Government may make rules consistent with the provisions of this Act to ensure timely transfer of all matters, proceedings or cases pending before the Company Law Board or the courts, to the Tribunal under this section."

22. Corresponds to section 647A of the 1956 Act. *See* also Companies (Transfer of Pending Proceedings) Rules, 2016 (**Division Two**).
22a. Notified date is 1-6-2016. *See* **Division Three**.
22b. Enforced with effect from 15-12-2016.
22ba. Inserted by the Insolvency and Bankruptcy Code (Second Amendment) Act, 2018, w.r.e.f. **6-6-2018**.
22c. Inserted by the Companies (Removal of Difficulties) Fourth Order, 2016, w.e.f. 15-12-2016.
22cc. Substituted for "Provided further that—" by the Companies (Removal of Difficulties) Order, 2017, w.e.f. **29-6-2017.**
22ccc. Fourth proviso inserted by the Companies (Removal of Difficulties) Order, 2017, w.e.f. **29-6-2017.**
22d. Enforced with effect from 1-6-2016.
22e.*See* Companies (Transfer of Pending Proceedings) Rules, 2016 (**Division Two**).

CHAPTER XXVIII

SPECIAL COURTS

[**Establishment of Special Courts.**

435. (1) The Central Government may, for the purpose of providing speedy trial of **[***offences under this Act, except under section 452, by notification***]**, establish or designate as many Special Courts as may be necessary.

(2) A Special Court shall consist of—

(a) *a single judge holding office as Session Judge or Additional Session Judge, in case of offences punishable under this Act with imprisonment of two years or more; and*

(b) *a Metropolitan Magistrate or a Judicial Magistrate of the First Class, in the case of other offences,*

*who shall be appointed by the Central Government with the concurrence of the Chief Justice of the High Court within whose jurisdiction the judge to be appointed is working.***]**

---

80. Substituted by the Companies (Amendment) Act, 2017, w.e.f. 7-5-2018. Prior to its substitution, section 435, as amended by the Companies (Amendment) Act, 2015, w.e.f. 29-5-2015, read as under :

"435. *Establishment of Special Courts.*—(1) The Central Government may, for the purpose of providing speedy trial of offences punishable under this Act with imprisonment of two years or more, by notification, establish or designate as many Special Courts as may be necessary:

Provided that all other offences shall be tried, as the case may be, by a Metropolitan Magistrate or a Judicial Magistrate of the First Class having jurisdiction to try any offence under this Act or under any previous company law.

(2) A Special Court shall consist of a single judge who shall be appointed by the Central Government with the concurrence of the Chief Justice of the High Court within whose jurisdiction the judge to be appointed is working.

(3) A person shall not be qualified for appointment as a judge of a Special Court unless he is, immediately before such appointment, holding office of a Sessions Judge or an Additional Sessions Judge."

Earlier section 435 was enforced with effect from 18-5-2016.

81. Substituted for "offences under this Act, by notification" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

82. For designated Courts, *see* **Division Three**.

Offences triable by Special Courts.

436. (1) Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974),—

(*a*) [all offences specified under sub-section (1) of section 435] shall be triable only by the Special Court established or designated for the area in which the registered office of the company in relation to which the offence is committed or where there are more Special Courts than one for such area, by such one of them as may be specified in this behalf by the High Court concerned;

(*b*) where a person accused of, or suspected of the commission of, an offence under this Act is forwarded to a Magistrate under sub-section (2) or sub-section (2A) of section 167 of the Code of Criminal Procedure, 1973 (2 of 1974), such Magistrate may authorise the detention of such person in such custody as he thinks fit for a period not exceeding fifteen days in the whole where such Magistrate is a Judicial Magistrate and seven days in the whole where such Magistrate is an Executive Magistrate:

Provided that where such Magistrate considers that the detention of such person upon or before the expiry of the period of detention is unnecessary, he shall order such person to be forwarded to the Special Court having jurisdiction;

(*c*) the Special Court may exercise, in relation to the person forwarded to it under clause (*b*), the same power which a Magistrate having jurisdiction to try a case may exercise under section 167 of the Code of Criminal Procedure, 1973 (2 of 1974) in relation to an accused person who has been forwarded to him under that section; and

(*d*) a Special Court may, upon perusal of the police report of the facts constituting an offence under this Act or upon a complaint in that behalf, take cognizance of that offence without the accused being committed to it for trial.

(2) When trying an offence under this Act, a Special Court may also try an offence other than an offence under this Act with which the accused may, under the Code of Criminal Procedure, 1973 (2 of 1974) be charged at the same trial.

(3) Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), the Special Court may, if it thinks fit, try in a summary way any offence under this Act which is punishable with imprisonment for a term not exceeding three years:

Provided that in the case of any conviction in a summary trial, no sentence of imprisonment for a term exceeding one year shall be passed:

Provided further that when at the commencement of, or in the course of, a summary trial, it appears to the Special Court that the nature of the case is such that the sentence of imprisonment for a term exceeding one year may have to be passed or that it is, for any other reason, undesirable to try the case summarily, the Special Court shall, after hearing the parties, record an order to that effect and thereafter recall any witnesses who may have been examined and proceed to hear or rehear the case in accordance with the procedure for the regular trial.

Appeal and revision.

437. The High Court may exercise, so far as may be applicable, all the powers conferred by Chapters XXIX and XXX of the Code of Criminal Procedure, 1973 (2 of 1974) on a High Court, as if a Special Court within the local limits of the jurisdiction of the High Court were a Court of Session trying cases within the local limits of the jurisdiction of the High Court.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Application of Code to proceedings before Special Court.

438. Save as otherwise provided in this Act, the provisions of the Code of Criminal Procedure, 1973 (2 of 1974) shall apply to the proceedings before a Special Court and for the purposes of the said provisions, the Special Court shall be **[***deemed to be a Court of Session or the court of Metropolitan Magistrate or a Judicial Magistrate of the First Class, as the case may be*,**]** and the person conducting a prosecution before a Special Court shall be deemed to be a Public Prosecutor.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Offences to be non-cognizable.

439. (1) Notwithstanding anything in the Code of Criminal Procedure, 1973 (2 of 1974), every offence under this Act except the offences referred to in sub-section (6) of section 212 shall be deemed to be non-cognizable within the meaning of the said Code.

(2) No court shall take cognizance of any offence under this Act which is alleged to have been committed by any company or any officer thereof, except on the complaint in writing of the Registrar, a shareholder **[***or a member***]** of the company, or of a person authorised by the Central Government in that behalf:

Provided that the court may take cognizance of offences relating to issue and transfer of securities and non-payment of dividend, on a complaint in writing, by a person authorised by the Securities and Exchange Board of India:

Provided further that nothing in this sub-section shall apply to a prosecution by a company of any of its officers.

(3) Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), where the complainant under sub-section (2) is the Registrar or a person authorised by the Central Government, the presence of such officer before the Court trying the offences shall not be necessary unless the court requires his personal attendance at the trial.

(4) The provisions of sub-section (2) shall not apply to any action taken by the liquidator of a company in respect of any offence alleged to have been committed in respect of any of the matters in Chapter XX or in any other provision of this Act relating to winding up of companies.

Explanation.—The liquidator of a company shall not be deemed to be an officer of the company within the meaning of sub-section (2).

Transitional provisions.

440. Any offence committed under this Act, which is triable by a Special Court shall, until a Special Court is established, be tried by a **[***Court of Session or the court of Metropolitan Magistrate or a Judicial Magistrate of the First Class, as the case may be*,**]** exercising jurisdiction over the area, notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974):

Provided that nothing contained in this section shall affect the powers of the High Court under section 407 of the Code to transfer any case or class of cases taken cognizance by a **[***Court of Session or the court of Metropolitan Magistrate or a Judicial Magistrate of the First Class, as the case may be*,**]** under this section.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Compounding of certain offences.

441. (1) Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), any offence punishable under this Act (whether committed by a company or any officer thereof) **[***not being an offence punishable with imprisonment only, or punishable with imprisonment and also with fine***]**, may, either before or after the institution of any prosecution, be compounded by—

(*a*) the Tribunal; or

(*b*) where the maximum amount of fine which may be imposed for such offence **[***does not exceed twenty-five lakh rupees***]**, by the Regional Director or any officer authorised by the Central Government,

on payment or credit, by the company or, as the case may be, the officer, to the Central Government of such sum as that Tribunal or the Regional Director or any officer authorised by the Central Government, as the case may be, may specify:

Provided that the sum so specified shall not, in any case, exceed the maximum amount of the fine which may be imposed for the offence so compounded:

Provided further that in specifying the sum required to be paid or credited for the compounding of an offence under this sub-section, the sum, if any, paid by way of additional fee under sub-section (2) of section 403 shall be taken into account:

Provided also that any offence covered under this sub-section by any company or its officer shall not be compounded if the investigation against such company has been initiated or is pending under this Act.

(2) Nothing in sub-section (1) shall apply to an offence committed by a company or its officer within a period of three years from the date on which a similar offence committed by it or him was compounded under this section.

Explanation.—For the purposes of this section,—

(*a*) any second or subsequent offence committed after the expiry of a period of three years from the date on which the offence was previously compounded, shall be deemed to be a first offence;

(*b*) "Regional Director" means a person appointed by the Central Government as a Regional Director for the purposes of this Act.

(3) (*a*) Every application for the compounding of an offence shall be made to the Registrar who shall forward the same, together with his comments thereon, to the Tribunal or the Regional Director or any officer authorised by the Central Government, as the case may be.

(*b*) Where any offence is compounded under this section, whether before or after the institution of any prosecution, an intimation thereof shall be given by the company to the Registrar within seven days from the date on which the offence is so compounded.

(*c*) Where any offence is compounded before the institution of any prosecution, no prosecution shall be instituted in relation to such offence, either by the Registrar or by any shareholder of the company or by any person authorised by the Central Government against the offender in relation to whom the offence is so compounded.

(*d*) Where the compounding of any offence is made after the institution of any prosecution, such compounding shall be brought by the Registrar in writing, to the notice of the court in which the prosecution is pending and on such notice of the compounding of the offence being given, the company or its officer in relation to whom the offence is so compounded shall be discharged.

(4) The Tribunal or the Regional Director or any officer authorised by the Central Government, as the case may be, while dealing with a proposal for the compounding of an offence for a default in compliance with any provision of this Act which requires a company or its officer to file or register with, or deliver or send to, the Registrar any return, account or other document, may direct, by an order, if it or he thinks fit to do so, any officer or other employee of the company to file or register with, or on payment of the fee, and the additional fee, required to be paid under section 403, such return, account or other document within such time as may be specified in the order.

[*(5) If any officer or other employee of the company who fails to comply with any order made by the Tribunal or the Regional Director or any officer authorised by the Central Government under sub-section (4), the maximum amount of fine for the offence proposed to be compounded under this section shall be twice the amount provided in the corresponding section in which punishment for such offence is provided.***]**

[*(6) Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), any offence which is punishable under this Act with imprisonment only or with imprisonment and also with fine shall not be compoundable.***]**

(7) No offence specified in this section shall be compounded except under and in accordance with the provisions of this section.

---

37. Corresponds to section 621A of the 1956 Act.

38. Enforced with effect from 1-6-2016.

38a. Substituted for "with fine only" by the Companies (Amendment) Act, 2017, w.e.f. **9-2-2018**.

38b. Prescribed fees under National Company Law Tribunal Rules, 2016 is Rs. 1,000 (Application for compounding of certain offences).

38c. Substituted for "does not exceed five lakh rupees" by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

38ca. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, sub-section (5) read as under :

"(5) Any officer or other employee of the company who fails to comply with any order made by the Tribunal or the Regional Director or any officer authorised by the Central Government under sub-section (4) shall be punishable with imprisonment for a term which may extend to six months, or with fine not exceeding one lakh rupees, or with both."

38d. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, sub-section (6) read as under :

"(6) Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974),—

(*a*) any offence which is punishable under this Act, with imprisonment or fine, or with imprisonment or fine or with both, shall be compoundable with the permission of the Special Court, in accordance with the procedure laid down in that Act for compounding of offences;

(*b*) any offence which is punishable under this Act with imprisonment only or with imprisonment and also with fine shall not be compoundable."

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Reference to mediation.

442. *(1) Any of the parties to a proceedings before the Central Government, Tribunal or the Appellate Tribunal may, at any time apply to the Central Government, Tribunal or the Appellate Tribunal, as the case may be, in such form along with such fees, if any, as may be prescribed, for referring the matter pertaining to such proceedings for mediation and the Central Government, Tribunal or the Appellate Tribunal, as the case may be, shall refer the matter to mediation to be conducted under the provisions of the Mediation Act, 2023.*

(2) Nothing in this section shall prevent the Central Government, Tribunal or the Appellate Tribunal before which any proceeding is pending from referring any matter pertaining to such proceeding suo motu to mediation to be conducted under the provisions of the Mediation Act, 2023 as the Central Government, Tribunal or the Appellate Tribunal, deems fit.

(3) The mediator or mediation service provider shall file the mediated settlement agreement arrived at between the parties with the Central Government or the Tribunal or the Appellate Tribunal under the Act.

(4) The Central Government or the Tribunal or the Appellate Tribunal shall pass an order or judgment making the said mediated settlement agreement as part thereof.

*(5) The fee of the mediator shall be such as may be prescribed.***]**

---

1. Substituted by the Mediation Act, 2023, with effect from a date yet to be notified. Prior to its substitution, section 442 read as under:

"*442. *Mediation and Conciliation Panel*.—(1) The Central Government shall maintain a panel of experts to be called as the Mediation and Conciliation Panel consisting of such number of experts having such qualifications as may be prescribed for mediation between the parties during the pendency of any proceedings before the Central Government or the Tribunal or the Appellate Tribunal under this Act.

(2) Any of the parties to the proceedings may, at any time during the proceedings before the Central Government or the Tribunal or the Appellate Tribunal, apply to the Central Government or the Tribunal or the Appellate Tribunal, as the case may be, in such form along with such fees as may be prescribed, for referring the matter pertaining to such proceedings to the Mediation and Conciliation Panel and the Central Government or the Tribunal or the Appellate Tribunal, as the case may be, shall appoint one or more experts from the panel referred to in sub-section (1).

(3) The Central Government or the Tribunal or the Appellate Tribunal before which any proceeding is pending may, suo motu, refer any matter pertaining to such proceeding to such number of experts from the Mediation and Conciliation Panel as the Central Government or the Tribunal or the Appellate Tribunal, as the case may be, deems fit.

(4) The fee and other terms and conditions of experts of the Mediation and Conciliation Panel shall be such as may be prescribed.

(5) The Mediation and Conciliation Panel shall follow such procedure as may be prescribed and dispose of the matter referred to it within a period of three months from the date of such reference and forward its recommendations to the Central Government or the Tribunal or the Appellate Tribunal, as the case may be.

(6) Any party aggrieved by the recommendation of the Mediation and Conciliation Panel may file objections to the Central Government or the Tribunal or the Appellate Tribunal, as the case may be."

* Enforced with effect from 1-4-2014.

Power of Central Government to appoint company prosecutors.

443. Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), the Central Government may appoint generally, or for any case, or in any case, or for any specified class of cases in any local area, one or more persons, as company prosecutors for the conduct of prosecutions arising out of this Act and the persons so appointed as company prosecutors shall have all the powers and privileges conferred by the Code on Public Prosecutors appointed under section 24 of the Code.

Appeal against acquittal.

444. Notwithstanding anything contained in the Code of Criminal Procedure, 1973 (2 of 1974), the Central Government may, in any case arising under this Act, direct any company prosecutor or authorise any other person either by name or by virtue of his office, to present an appeal from an order of acquittal passed by any court, other than a High Court, and an appeal presented by such prosecutor or other person shall be deemed to have been validly presented to the appellate court.

Compensation for accusation without reasonable cause.

445. The provisions of section 250 of the Code of Criminal Procedure, 1973 (2 of 1974) shall apply *mutatis mutandis* to compensation for accusation without reasonable cause before the Special Court or the Court of Session.

Application of fines.

446. The court imposing any fine under this Act may direct that the whole or any part thereof shall be applied in or towards payment of the costs of the proceedings, or in or towards the payment of a reward to the person on whose information the proceedings were instituted.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Factors for determining level of punishment.

446A. *The Court or the Special Court, while deciding the amount of fine or imprisonment under this Act, shall have due regard to the following factors, namely:—*

(a) *size of the company;*
(b) *nature of business carried on by the company;*
(c) *injury to public interest;*
(d) *nature of the default; and*
(e) *repetition of the default.*

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

[Lesser penalties for certain companies.

446B. *Notwithstanding anything contained in this Act, if penalty is payable for non-compliance of any of the provisions of this Act by a One Person Company, small company, start-up company or Producer Company, or by any of its officer in default, or any other person in respect of such company, then such company, its officer in default or any other person, as the case may be, shall be liable to a penalty which shall not be more than one-half of the penalty specified in such provisions subject to a maximum of two lakh rupees in case of a company and one lakh rupees in case of an officer who is in default or any other person, as the case may be.*

Explanation.—*For the purposes of this section,—*

(a) *"Producer Company" means a company as defined in clause (l) of section 378A;*

(b) *"start-up company" means a private company incorporated under this Act or under the Companies Act, 1956 (1 of 1956) and recognised as start-up in accordance with the notification issued by the Central Government in the Department for Promotion of Industry and Internal Trade.***]**]

---

19. Substituted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its substitution, section 446B, as amended by the Companies (Amendment) Act, 2019, w.r.e.f. 2-11-2018, read as under :

"446B. *Lesser penalties for One Person Companies or small companies.*—Notwithstanding anything contained in this Act, if a One Person Company or a small company fails to comply with the provisions of sub-section (5) of section 92, sub-section (2) of section 117 or sub-section (3) of section 137, such company and officer in default of such company shall be liable to a penalty which shall not be more than one-half of the penalty specified in such sections."

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

CHAPTER XXIX

MISCELLANEOUS

Punishment for fraud.

447. Without prejudice to any liability including repayment of any debt under this Act or any other law for the time being in force, any person who is found to be guilty of fraud **[***involving an amount of at least ten lakh rupees or one per cent of the turnover of the company, whichever is lower***]**, shall be punishable with imprisonment for a term which shall not be less than six months but which may extend to ten years and shall also be liable to fine which shall not be less than the amount involved in the fraud, but which may extend to three times the amount involved in the fraud:

Provided that where the fraud in question involves public interest, the term of imprisonment shall not be less than three years:

[Provided further *that where the fraud involves an amount less than ten lakh rupees or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to* **[***fifty lakh rupees***]** *or with both.***]**

Explanation.—For the purposes of this section—

(*i*) "fraud" in relation to affairs of a company or any body corporate, includes any act, omission, concealment of any fact or abuse of position committed by any person or any other person with the connivance in any manner, with intent to deceive, to gain undue advantage from, or to injure the interests of, the company or its shareholders or its creditors or any other person, whether or not there is any wrongful gain or wrongful loss;

(*ii*) "wrongful gain" means the gain by unlawful means of property to which the person gaining is not legally entitled;

(*iii*) "wrongful loss" means the loss by unlawful means of property to which the person losing is legally entitled.

---

48. Inserted by the Companies (Amendment) Act, 2017, w.e.f. **9-2-2018**.

48a. Enforced with effect from 12-9-2013.

48b. Inserted by the Companies (Amendment) Act, 2017, with effect from **9-2-2018**.

48c. Substituted for "twenty lakh rupees" by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

Punishment for false statement.

448. Save as otherwise provided in this Act, if in any return, report, certificate, financial statement, prospectus, statement or other document required by, or for, the purposes of any of the provisions of this Act or the rules made thereunder, any person makes a statement,—

(*a*) which is false in any material particulars, knowing it to be false; or

(*b*) which omits any material fact, knowing it to be material,

he shall be liable under .

Punishment for false evidence.

449. Save as otherwise provided in this Act, if any person intentionally gives false evidence—

(*a*) upon any examination on oath or solemn affirmation, authorised under this Act; or

(*b*) in any affidavit, deposition or solemn affirmation, in or about the winding up of any company under this Act, or otherwise in or about any matter arising under this Act,

he shall be punishable with imprisonment for a term which shall not be less than three years but which may extend to seven years and with fine which may extend to ten lakh rupees.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Punishment where no specific penalty or punishment is provided.

450. If a company or any officer of a company or any other person contravenes any of the provisions of this Act or the rules made thereunder, or any condition, limitation or restriction subject to which any approval, sanction, consent, confirmation, recognition, direction or exemption in relation to any matter has been accorded, given or granted, and for which no penalty or punishment is provided elsewhere in this Act, the company and every officer of the company who is in default or such other person shall be **[***liable to a penalty of ten thousand rupees, and in case of continuing contravention, with a further penalty of one thousand rupees for each day after the first during which the contravention continues, subject to a maximum of two lakh rupees in case of a company and fifty thousand rupees in case of an officer who is in default or any other person***]**.

---

27. Corresponds to section 629A of the 1956 Act.
28. Enforced with effect from 12-9-2013.
28a. Substituted for "punishable with fine which may extend to ten thousand rupees, and where the contravention is continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the contravention continues" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Punishment in case of repeated default.

451. If a company or an officer of a company commits an offence punishable either with fine or with imprisonment and where the same offence is committed for the second or subsequent occasions within a period of three years, then, that company and every officer thereof who is in default shall be punishable with twice the amount of fine for such offence in addition to any imprisonment provided for that offence.

Punishment for wrongful withholding of property.

452. (1) If any officer or employee of a company—

(*a*) wrongfully obtains possession of any property, including cash of the company; or

(*b*) having any such property including cash in his possession, wrongfully withholds it or knowingly applies it for the purposes other than those expressed or directed in the articles and authorised by this Act,

he shall, on the complaint of the company or of any member or creditor or contributory thereof, be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

(2) The Court trying an offence under sub-section (1) may also order such officer or employee to deliver up or refund, within a time to be fixed by it, any such property or cash wrongfully obtained or wrongfully withheld or knowingly misapplied, the benefits that have been derived from such property or cash or in default, to undergo imprisonment for a term which may extend to two years:

[Provided *that the imprisonment of such officer or employee, as the case may be, shall not be ordered for wrongful possession or withholding of a dwelling unit, if the court is satisfied that the company has not paid to that officer or employee, as the case may be, any amount relating to—*

(a) *provident fund, pension fund, gratuity fund or any other fund for the welfare of its officers or employees, maintained by the company;*

(b) *compensation or liability for compensation under the Workmen's Compensation Act, 1923 (19 of 1923) in respect of death or disablement.***]**

---

56. Corresponds to section 630 of the 1956 Act.
57. Enforced with effect from 12-9-2013.
58. For the meaning of the expression "officer or employee", *see* **Appendix II**.
59. For the meaning of the terms "may", "property", "withholds" and "wrongfully", *see* **Appendix II**.
59a. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.
*Now Employee's Compensation Act, 1923.

Punishment for improper use of "Limited" or "Private Limited".

453. If any person or persons trade or carry on business under any name or title, of which the word "Limited" or the words "Private Limited" or any contraction or imitation thereof is or are the last word or words, that person or each of those persons shall, unless duly incorporated with limited liability, or unless duly incorporated as a private company with limited liability, as the case may be, punishable with fine which shall not be less than five hundred rupees but may extend to two thousand rupees for every day for which that name or title has been used.

Adjudication of penalties.

454. (1) The Central Government may, by an order published in the Official Gazette, appoint as many officers of the Central Government, not below the rank of Registrar, as adjudicating officers for adjudging penalty under the provisions of this Act in the manner as may be prescribed.

(2) The Central Government shall while appointing adjudicating officers, specify their jurisdiction in the order under sub-section (1).

[*(3) The adjudicating officer may, by an order—*

(a) *impose the penalty on the company, the officer who is in default, or any other person, as the case may be, stating therein any non-compliance or default under the relevant provisions of this Act; and*

(b) *direct such company, or officer who is in default, or any other person, as the case may be, to rectify the default, wherever he considers fit:***]**

[Provided *that in case the default relates to non-compliance of sub-section (4) of section 92 or sub-section (1) or sub-section (2) of section 137 and such default has been rectified either prior to, or within thirty days of, the issue of the notice by the adjudicating officer, no penalty shall be imposed in this regard and all proceedings under this section in respect of such default shall be deemed to be concluded.***]**

(4) The adjudicating officer shall, before imposing any penalty, give a reasonable opportunity of being heard to **[***such company, the officer who is in default or any other person***]**.

(5) Any person aggrieved by an order made by the adjudicating officer under sub-section (3) may prefer an appeal to the Regional Director having jurisdiction in the matter.

(6) Every appeal under sub-section (5) shall be filed within sixty days from the date on which the copy of the order made by the adjudicating officer is received by the aggrieved person and shall be in such form, manner and be accompanied by such fees as may be prescribed.

(7) The Regional Director may, after giving the parties to the appeal an opportunity of being heard, pass such order as he thinks fit, confirming, modifying or setting aside the order appealed against.

(8) (*i*) Where company **[***fails to comply with the order made under sub-section (3) or sub-section (7), as the case may be,***]** within a period of ninety days from the date of the receipt of the copy of the order, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

(*ii*) **[***Where an officer of a company or any other person***]** who is in default **[***fails to comply with the order made under sub-section (3) or subsection (7), as the case may be,***]** within a period of ninety days from the date of the receipt of the copy of the order, such officer shall be punishable with imprisonment which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

---

62. Enforced with effect from 1-4-2014.

63. For notified 'adjudicating officer', *see* SO 831(E), dated 24-3-2015. For details, *see* **Division Three**.

64.*See* Companies (Adjudication of Penalties) Rules, 2014 (**Division Two**).

64a. Substituted by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**. Prior to its substitution, sub-section (3) read as under :

"(3) The adjudicating officer may, by an order impose the penalty on the company and the officer who is in default stating any non-compliance or default under the relevant provision of the Act."

64aa. Inserted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

64b. Substituted for words "such company and the officer who is in default" by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

65.*See* rule 12 and Table annexed to Companies (Registration Offices & Fees) Rules, 2014 (**Division Two**).

65a. Substituted for "does not pay the penalty imposed by the adjudicating officer or the Regional Director" by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

65b. Substituted for words "where an officer of a company" by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

65ca. Substituted for words "does not pay the penalty" by the Companies (Amendment) Act, 2019, w.r.e.f. **2-11-2018**.

[Penalty for repeated default.

454A. *Where a company or an officer of a company or any other person having already been subjected to penalty for default under any provisions of this Act, again commits such default within a period of three years from the date of order imposing such penalty passed by the adjudicating officer or the Regional Director, as the case may be, it or he shall be liable for the second or subsequent defaults for an amount equal to twice the amount of penalty provided for such default under the relevant provisions of this Act.***]**

---

1. Inserted by the Companies (Amendment) Act, 2019, w.e.f. **31-7-2019**.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Dormant company.

455. (1) Where a company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the Registrar in such manner as may be prescribed for obtaining the status of a dormant company.

Explanation.—For the purposes of this section,—

(*i*) "inactive company" means a company which has not been carrying on any business or operation, or has not made any significant accounting transaction during the last two financial years, or has not filed financial statements and annual returns during the last two financial years;

(*ii*) "significant accounting transaction" means any transaction other than—

(*a*) payment of fees by a company to the Registrar;

(*b*) payments made by it to fulfil the requirements of this Act or any other law;

(*c*) allotment of shares to fulfil the requirements of this Act; and

(*d*) payments for maintenance of its office and records.

(2) The Registrar on consideration of the application shall allow the status of a dormant company to the applicant and issue a certificate in such form as may be prescribed to that effect.

(3) The Registrar shall maintain a register of dormant companies in such form as may be prescribed.

(4) In case of a company which has not filed financial statements or annual returns for two financial years consecutively, the Registrar shall issue a notice to that company and enter the name of such company in the register maintained for dormant companies.

(5) A dormant company shall have such minimum number of directors, file such documents and pay such annual fee as may be prescribed to the Registrar to retain its dormant status in the register and may become an active company on an application made in this behalf accompanied by such documents and fee as may be prescribed.

(6) The Registrar shall strike off the name of a dormant company from the register of dormant companies, which has failed to comply with the requirements of this section.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Protection of action taken in good faith.

456. No suit, prosecution or other legal proceeding shall lie against the Government or any officer of the Government or any other person in respect of anything which is in good faith done or intended to be done in pursuance of this Act or of any rules or orders made thereunder, or in respect of the publication by or under the authority of the Government or such officer, of any report, paper or proceedings.

Non-disclosure of information in certain cases.

457. Notwithstanding anything contained in any other law for the time being in force, the Registrar, any officer of the Government or any other person shall not be compelled to disclose to any court, Tribunal or other authority, the source from where he got any information which—

(*a*) has led the Central Government to order an investigation under ; or

(*b*) is or has been material or relevant in connection with such investigation.

Delegation by Central Government of its powers and functions.

458. (1) The Central Government may, by notification, and subject to such conditions, limitations and restrictions as may be specified therein, delegate any of its powers or functions under this Act other than the power to make rules to such authority or officer as may be specified in the notification.

[***]

(2) A copy of every notification issued under sub-section (1) shall, as soon as may be after it is issued, be laid before each House of Parliament.

Powers of Central Government or Tribunal to accord approval, etc., subject to conditions and to prescribe fees on applications.

459. (1) Where the Central Government or the Tribunal is required or authorised by any provision of this Act—

(*a*) to accord approval, sanction, consent, confirmation or recognition to, or in relation to, any matter; or

(*b*) to give any direction in relation to any matter; or

(*c*) to grant any exemption in relation to any matter,

then, the Central Government or the Tribunal may in the absence of anything to the contrary contained in that provision or any other provision of this Act, accord, give or grant such approval, sanction, consent, confirmation, recognition, direction or exemption, subject to such conditions, limitations or restrictions as it may think fit to impose and may, in the case of a contravention of any such condition, limitation or restriction, rescind or withdraw such approval, sanction, consent, confirmation, recognition, direction or exemption.

(2) Save as otherwise provided in this Act, every application which may be, or is required to be, made to the Central Government or the Tribunal under any provision of this Act—

(*a*) in respect of any approval, sanction, consent, confirmation or recognition to be accorded by that Government or the Tribunal to, or in relation to, any matter; or

(*b*) in respect of any direction or exemption to be given or granted by that Government or the Tribunal in relation to any matter; or

(*c*) in respect of any other matter,

shall be accompanied by such fees as may be prescribed:

Provided that different fees may be prescribed for applications in respect of different matters or in case of applications by different classes of companies.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Condonation of delay in certain cases.

460. Notwithstanding anything contained in this Act,—

(*a*) where any application required to be made to the Central Government under any provision of this Act in respect of any matter is not made within the time specified therein, that Government may, for reasons to be recorded in writing, condone the delay; and

(*b*) where any document required to be filed with the Registrar under any provision of this Act is not filed within the time specified therein, the Central Government may, for reasons to be recorded in writing, condone the delay.

Annual report by Central Government.

461. The Central Government shall cause a general annual report on the working and administration of this Act to be prepared and laid before each House of Parliament within one year of the close of the year to which the report relates.

Power to exempt class or classes of companies from provisions of this Act.

462. (1) The Central Government may in the public interest, by notification direct that any of the provisions of this Act,—

(*a*) shall not apply to such class or classes of companies; or

(*b*) shall apply to the class or classes of companies with such exceptions, modifications and adaptations as may be specified in the notification.

[(2) A copy of every notification proposed to be issued under sub-section (1), shall be laid in draft before each House of Parliament, while it is in Session, for a total period of thirty days, and if, both Houses agree in disapproving the issue of notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

(3) In reckoning any such period of thirty days as is referred to in sub-section (2), no account shall be taken of any period during which the House referred to in sub-section (2) is prorogued or adjourned for more than four consecutive days.

(4) The copies of every notification issued under this section shall, as soon as may be after it has been issued, be laid before each House of Parliament.]

Power of court to grant relief in certain cases.

463. (1) If in any proceeding for negligence, default, breach of duty, misfeasance or breach of trust against an officer of a company, it appears to the court hearing the case that he is or may be liable in respect of the negligence, default, breach of duty, misfeasance or breach of trust, but that he has acted honestly and reasonably, and that having regard to all the circumstances of the case, including those connected with his appointment, he ought fairly to be excused, the court may relieve him, either wholly or partly, from his liability on such term, as it may think fit:

Provided that in a criminal proceeding under this sub-section, the court shall have no power to grant relief from any civil liability which may attach to an officer in respect of such negligence, default, breach of duty, misfeasance or breach of trust.

(2) Where any such officer has reason to apprehend that any proceeding will or might be brought against him in respect of any negligence, default, breach of duty, misfeasance or breach of trust, he may apply to the High Court for relief and the High Court on such application shall have the same power to relieve him as it would have had if it had been a court before which a proceedings against that officer for negligence, default, breach of duty, misfeasance or breach of trust had been brought under sub-section (1).

(3) No court shall grant any relief to any officer under sub-section (1) or sub-section (2) unless it has, by notice served in the manner specified by it, required the Registrar and such other person, if any, as it thinks necessary, to show cause why such relief should not be granted.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Prohibition of association or partnership of persons exceeding certain number.

464. (1) No association or partnership consisting of more than such number of persons as may be prescribed shall be formed for the purpose of carrying on any business that has for its object the acquisition of gain by the association or partnership or by the individual members thereof, unless it is registered as a company under this Act or is formed under any other law for the time being in force:

Provided that the number of persons which may be prescribed under this sub-section shall not exceed one hundred.

(2) Nothing in sub-section (1) shall apply to—

(*a*) a Hindu undivided family carrying on any business; or

(*b*) an association or partnership, if it is formed by professionals who are governed by special Acts.

(3) Every member of an association or partnership carrying on business in contravention of sub-section (1) shall be punishable with fine which may extend to one lakh rupees and shall also be personally liable for all liabilities incurred in such business.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Repeal of certain enactments and savings.

465. (1) The Companies Act, 1956 (1 of 1956) and the Registration of Companies (Sikkim) Act, 1961 (Sikkim Act 8 of 1961) (hereafter in this section referred to as the repealed enactments) shall stand repealed:

**[***]

[Provided *that***]** until a date is notified by the Central Government under sub-section (1) of section 434 for transfer of all matters, proceedings or cases to the Tribunal, the provisions of the Companies Act, 1956 (1 of 1956) in regard to the jurisdiction, powers, authority and functions of the Board of Company Law Administration and court shall continue to apply as if the Companies Act, 1956 has not been repealed:

[Provided further *that***]** provisions of the Companies Act, 1956 (1 of 1956) referred in the notification issued under section 67 of the Limited Liability Partnership Act, 2008 (6 of 2009) shall, until the relevant notification under such section applying relevant corresponding provisions of this Act to limited liability partnerships is issued, continue to apply as if the Companies Act, 1956 has not been repealed.

(2) Notwithstanding the repeal under sub-section (1) of the repealed enactments,—

(*a*) anything done or any action taken or purported to have been done or taken, including any rule, notification, inspection, order or notice made or issued or any appointment or declaration made or any operation undertaken or any direction given or any proceeding taken or any penalty, punishment, forfeiture or fine imposed under the repealed enactments shall, insofar as it is not inconsistent with the provisions of this Act, be deemed to have been done or taken under the corresponding provisions of this Act;

(*b*) subject to the provisions of clause (*a*), any order, rule, notification, regulation, appointment, conveyance, mortgage, deed, document or agreement made, fee directed, resolution passed, direction given, proceeding taken, instrument executed or issued, or thing done under or in pursuance of any repealed enactment shall, if in force at the commencement of this Act, continue to be in force, and shall have effect as if made, directed, passed, given, taken, executed, issued or done under or in pursuance of this Act;

(*c*) any principle or rule of law, or established jurisdiction, form or course of pleading, practice or procedure or existing usage, custom, privilege, restriction or exemption shall not be affected, notwithstanding that the same respectively may have been in any manner affirmed or recognised or derived by, in, or from, the repealed enactments;

(*d*) any person appointed to any office under or by virtue of any repealed enactment shall be deemed to have been appointed to that office under or by virtue of this Act;

(*e*) any jurisdiction, custom, liability, right, title, privilege, restriction, exemption, usage, practice, procedure or other matter or thing not in existence or in force shall not be revised or restored;

(*f*) the offices existing on the commencement of this Act for the registration of companies shall continue as if they have been established under the provisions of this Act;

(*g*) the incorporation of companies registered under the repealed enactments shall continue to be valid and the provisions of this Act shall apply to such companies as if they were registered under this Act;

(*h*) all registers and all funds constituted and established under the repealed enactments shall be deemed to be registers and funds constituted or established under the corresponding provisions of this Act;

(*i*) any prosecution instituted under the repealed enactments and pending immediately before the commencement of this Act before any Court shall, subject to the provisions of this Act, continue to be heard and disposed of by the said Court;

(*j*) any inspection, investigation or inquiry ordered to be done under the Companies Act, 1956 (1 of 1956) shall continue to be proceeded with as if such inspection, investigation or inquiry has been ordered under the corresponding provisions of this Act; and

(*k*) any matter filed with the Registrar, Regional Director or the Central Government under the Companies Act, 1956 (1 of 1956) before the commencement of this Act and not fully addressed at that time shall be concluded by the Registrar, Regional Director or the Central Government, as the case may be, in terms of that Act, despite its repeal.

(3) The mention of particular matters in sub-section (2) shall not be held to prejudice the general application of section 6 of the General Clauses Act, 1897 (10 of 1897) with regard to the effect of repeal of the repealed enactments as if the Registration of Companies (Sikkim) Act, 1961 (Sikkim Act 8 of 1961) were also a Central Act.

---

78. Corresponds to sections 2(*10A*), 10E, 10F, 581A to 581ZT, 634A, 645, 646, 647, 648, 652, 653, 654, 656 and 658 of the 1956 Act.

79. Enforced with effect from 30-1-2019. {In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 30th January, 2019 as the date on which the provisions of section 465 of the said Act in so far as they relate to the repeal of the Companies Act, 1956 (1 of 1956) [that in except in so far as they relate to the repeal of the Registration of Companies (Sikkim) Act, 1961 (Sikkim Act 8 of 1961)] shall come into force.—*Notification No. S.O. 560(E), dated 30-1-2019.*}

79a. Omitted by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified. Prior to its omission, first proviso read as under :

"**Provided** that the provisions of Part IXA of the Companies Act, 1956 (1 of 1956) shall be applicable *mutatis mutandis* to a Producer Company in a manner as if the Companies Act, 1956 has not been repealed until a special Act is enacted for Producer Companies:"

79b. Substituted for "**Provided further** that" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

79c. Substituted for "**Provided also** that" by the Companies (Amendment) Act, 2020, with effect from a date yet to be notified.

* **Word 'to' be inserted after the word 'referred'.**

80. For text of section 6 of the General Clauses Act, 1897, *see* **Appendix I**.

Dissolution of Company Law Board and consequential provisions.

466. (1) Notwithstanding anything contained in section 465, the Board of Company Law Administration constituted under the Companies Act, 1956 (1 of 1956) (hereafter in this section referred to as the Company Law Board) shall stand dissolved on the constitution of the Tribunal and the Appellate Tribunal:

Provided that until the Tribunal and the Appellate Tribunal is constituted, the Chairman, Vice-Chairman and Members of the Company Law Board immediately before the constitution of the Tribunal and the Appellate Tribunal, who fulfil the qualifications and requirements provided under this Act regarding appointment as President or Chairperson or Member of the Tribunal or the Appellate Tribunal, shall function as President, Chairperson or Member of the Tribunal or the Appellate Tribunal:

Provided further that every officer or other employee, who had been appointed on deputation basis to the Company Law Board, shall, on such dissolution,—

(*i*) become officer or employee of the Tribunal or the Appellate Tribunal, if he fulfils the qualifications and requirements under this Act; and

(*ii*) stand reverted to his parent cadre, Ministry or Department, in any other case:

Provided also that every officer and the other employee of the Company Law Board, employed on regular basis by that Board, shall become, on and from such dissolution the officer and other employee, respectively, of the Tribunal or the Appellate Tribunal with the same rights and privileges as to pension, gratuity and other like benefits as would have been admissible to him if he had continued to serve that Board and shall continue to do so unless and until his employment in the Tribunal or the Appellate Tribunal is duly terminated or until his remuneration, terms and conditions of employment are duly altered by the Tribunal or the Appellate Tribunal, as the case may be:

Provided also that notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947) or in any other law for the time being in force, any officer or other employee who becomes an officer or other employee of the Tribunal or the Appellate Tribunal under the preceding proviso shall not be entitled to any compensation under this Act or under any other law for the time being in force and no such claim shall be entertained by any court, Tribunal or other authority:

Provided also that where the Company Law Board has etablished a provident fund, superannuation fund, welfare fund or other fund for the benefit of the officers and other employees employed in that Board, the monies relatable to the officers and other employees who have become officers or employees of the Tribunal or the Appellate Tribunal shall, out of the monies standing to the credit of such provident fund, superannuation fund, welfare fund or other fund, stand transferred to, and vest in, the Tribunal or the Appellate Tribunal, as the case may be, and such monies which stand so transferred shall be dealt with by the Tribunal or the Appellate Tribunal in such manner as may be prescribed.

(2) The persons holding the offices of Chairman, Vice-Chairman and Members, and officers and other employees of the Company Law Board immediately before the constitution of the Tribunal and the Appellate Tribunal who are not covered under proviso to sub-section (1) shall vacate their respective offices on such constitution and no such Chairman, Vice-Chairman and Members and officers or other employees shall be entitled to claim any compensation for the premature termination of the term of his office or of any contract of service, if any.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power of Central Government to amend Schedules.

467. (1) Subject to the provisions of this section, the Central Government may, by notification, alter any of the regulations, rules, Tables, forms and other provisions contained in any of the Schedules to this Act.

(2) Any alteration notified under sub-section (1) shall have effect as if enacted in this Act and shall come into force on the date of the notification, unless the notification otherwise directs:

Provided that no such alteration in Table F of Schedule I shall apply to any company registered before the date of such alteration.

(3) Every alteration made by the Central Government under sub-section (1) shall be laid as soon as may be after it is made before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the alteration, or both Houses agree that the alteration should not be made, the alteration shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done in pursuance of that alteration.

Powers of Central Government to make rules relating to winding up.

468. (1) The Central Government shall, make rules consistent with the Code of Civil Procedure, 1908 (5 of 1908) providing for all matters relating to the winding up of companies, which by this Act, are to be prescribed, and may make rules providing for all such matters, as may be prescribed.

[*(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—*

(i) *as to the mode of proceedings to be held for winding up of a company by the Tribunal under this Act;*
(ii) *for the holding of meetings of creditors and members in connection with proceedings under ;*
(iii) *for giving effect to the provisions of this Act as to the reduction of the capital;*
(iv) *generally for all applications to be made to the Tribunal under the provisions of this Act;*
(v) *the holding and conducting of meetings to ascertain the wishes of creditors and contributories;*
(vi) *the settling of lists of contributories and the rectifying of the register of members where required, and collecting and applying the assets;*
(vii) *the payment, delivery, conveyance, surrender or transfer of money, property, books or papers to the liquidator;*
(viii) *the making of calls; and*
(ix) *the fixing of a time within which debts and claims shall be proved.* **]**

(3) All rules made by the Supreme Court on the matters referred to in this section as it stood immediately before the commencement of this Act and in force at such commencement, shall continue to be in force, till such time the rules are made by the Central Government and any reference to the High Court in relation to winding up of a company in such rules shall be construed as a reference to the Tribunal.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Power of Central Government to make rules.

469.(1) The Central Government may, by notification, make rules for carrying out the provisions of this Act.

(2) Without prejudice to the generality of the provisions of sub-section (1), the Central Government may make rules for all or any of the matters which by this Act are required to be, or may be, prescribed or in respect of which provision is to be or may be made by rules.

(3) Any rule made under sub-section (1) may provide that a contravention thereof shall be punishable with fine which may extend to five thousand rupees and where the contravention is a continuing one, with a further fine which may extend to five hundred rupees for every day after the first during which such contravention continues.

(4) Every rule made under this section and every regulation made by Securities and Exchange Board under this Act, shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation.

Power to remove difficulties.

470. (1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions, not inconsistent with the provisions of this Act, as appear to it to be necessary or expedient for removing the difficulty:

Provided that no such order shall be made after the expiry of a period of five years from the date of commencement of of this Act.

(2) Every order made under this section shall, as soon as may be after it is made, be laid before each House of Parliament.

SCHEDULE I

(*See* sections and)

TABLE A

MEMORANDUM OF ASSOCIATION OF A COMPANY LIMITED BY SHARES

1st The name of the company is ".....Limited/Private Limited".

2nd The registered office of the company will be situated in the State of .....

3rd (*a*) The objects to be pursued by the company on its incorporation are:—

.....

.....

(*b*) Matters which are necessary for furtherance of the objects specified in clause 3(*a*) are:—

.....

.....

4th The liability of the member(s) is limited and this liability is limited to the amount unpaid, if any, on the shares held by them.

5th The share capital of the company is..... rupees, divided into ..... shares of..... rupees each.

6th We, the several persons, whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company set against our respective names:—

Names, addresses, descriptions and occupations of subscribers	*No. of shares taken by each subscriber*	*Signature of subscriber*	*Signature, names, addresses, descriptions and occupations of witnesses*
A.B. of.....Merchant.	.....		Signed before me: Signature.....
C.D. of.....Merchant	.....		Signed before me: Signature.....
E.F. of.....Merchant	.....		Signed before me: Signature.....
G.H. of.....Merchant	.....		Signed before me: Signature.....
I.J. of.....Merchant	.....		Signed before me: Signature.....
K.L. of.....Merchant	.....		Signed before me: Signature.....
M.N. of.....Merchant	.....		Signed before me: Signature.....

Total shares taken:

7th I, whose name and address is given below, am desirous of forming a company in pursuance of this memorandum of association and agree to take all the shares in the capital of the company (Applicable in case of one person company):—

Name, address, description and occupation of subscriber	*Signature of subscriber*	*Signature, name, address, description and occupation of witness*
A.B. .....Merchant.		Signed before me: Signature.....

8th Shri/Smt....., son/daughter of....., resident of..... aged.....years shall be the nominee in the event of death of the sole member (Applicable in case of one person company)

Dated.....the day of.....

TABLE B

MEMORANDUM OF ASSOCIATION OF A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL

1st The name of the company is ".....Limited/Private Limited".

2nd The registered office of the company will be situated in the State of .....

3rd (*a*) The objects to be pursued by the company on its incorporation are:—

.....

.....

(*b*) Matters which are necessary for furtherance of the objects specified in clause 3(*a*) are:—

.....

.....

4th The liability of the member(s) is limited.

5th Every member of the company undertakes to contribute:

(*i*) to the assets of the company in the event of its being wound up while he is a member, or within one year after he ceases to be a member, for payment of the debts and liabilities of the company or of such debts and liabilities as may have been contracted before he ceases to be a member; and

(*ii*) to the costs, charges and expenses of winding up (and for the adjustment of the rights of the contributories among themselves),

such amount as may be required, not exceeding.....rupees.

6th We, the sevberal persons, whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this memorandum of association.

Names, addresses, descriptions and occupations of subscribers	*Signature of subscriber*	*Signature, names, addresses, descriptions and occupations of witnesses*
A.B. of.....Merchant		Signed before me: Signature.....
C.D. of.....Merchant		Signed before me: Signature.....
E.F. of.....Merchant		Signed before me: Signature.....
G.H. of.....Merchant		Signed before me: Signature.....
I.J. of.....Merchant		Signed before me: Signature.....
K.L. of.....Merchant		Signed before me: Signature.....
M.N. of.....Merchant		Signed before me: Signature.....

7th I, whose name and address is given below, am desirous of forming a company in pursuance of this memorandum of association (Applicable in case of one person company):—

Name, address, description and occupation of subscriber	*Signature of subscriber*	*Signature, name, address, description and occupation of witness*
A.B. .....Merchant.		Signed before me: Signature.....

8th Shri/Smt....., son/daughter of....., resident of.....aged.....years shall be the nominee in the event of death of the sole member (Applicable in case of one person company)

Dated.....the day of.....

TABLE C

MEMORANDUM OF ASSOCIATION OF A COMPANY LIMITED BY GUARANTEE AND HAVING A SHARE CAPITAL

1st The name of the company is ".....Limited/Private Limited".

2nd The registered office of the company will be situated in the State of.....

3rd (*a*) The objects to be pursued by the company on its incorporation are:—

.....

.....

(*b*) Matters which are necessary for furtherance of the objects specified in clause 3(*a*) are:—

.....

.....

4th The liability of the member(s) is limited.

5th Every member of the company undertakes to contribute:

(*i*) to the assets of the company in the event of its being wound up while he is a member, or within one year after he ceases to be a member, for payment of the debts and liabilities of the company or of such debts and liabilities as may have been contracted before he ceases to be a member; and

(*ii*) to the costs, charges and expenses of winding up (and for the adjustment of the rights of the contributories among themselves)

such amount as may be required, not exceeding.....rupees.

6th The share capital of the company is.....rupees, divided into.....shares of.....rupees each

7th We, the several persons, whose names, addresses are subscribed, are desirous of being formed into a company in pursuance of this memorandum of association and we respectively agree to take the number of shares in the capital of the company set against our respective names:—

Names, addresses, descriptions and occupations of subscribers	*No. of shares taken by each subscriber*	*Signature of subscriber*	*Signature, names, addresses, descriptions and occupations of witnesses*
A.B. of.....Merchant.	.....		Signed before me: Signature.....
C.D. of.....Merchant	.....		Signed before me: Signature.....
E.F. of.....Merchant	.....		Signed before me: Signature.....
G.H. of.....Merchant	.....		Signed before me: Signature.....
I.J. of.....Merchant	.....		Signed before me: Signature.....
K.L. of.....Merchant	.....		Signed before me: Signature.....
M.N. of.....Merchant	.....		Signed before me: Signature.....

8th I, whose name and address is given below, am desirous of forming a company in pursuance of this memorandum of association and agree to take all the shares in the capital of the company (Applicable in case of one person company):—

Name, address, description and occupation of subscriber	*Signature of subscriber*	*Signature, name, address, description and occupation of witness*
A.B. of.....Merchant.		Signed before me: Signature.....

9th Shri/Smt....., son/daughter of....., resident of.....aged.....years shall be the nominee in the event of death of the sole member (Applicable in case of one person company)

Dated.....the day of.....

TABLE D

MEMORANDUM OF ASSOCIATION OF AN UNLIMITED COMPANY AND NOT HAVING SHARE CAPITAL

1st The name of the company is ".....Company".

2nd The registered office of the company will be situated in the State of .....

3rd (*a*) The objects to be pursued by the company on its incorporation are:—

.....

.....

(*b*) Matters which are necessary for furtherance of the objects specified in clause 3(*a*) are:—

.....

.....

4th The liability of the member(s) is unlimited.

5th We, the several persons, whose names and addresses are subscribed are desirous of being formed into a company in pursuance of this memorandum of association.

Names, addresses, descriptions and occupations of subscribers	*Signature of subscriber*	*Signature, names, addresses, descriptions and occupations of witnesses*
A.B. of.....Merchant.		Signed before me: Signature.....
C.D. of.....Merchant.		Signed before me: Signature.....
E.F. of.....Merchant.		Signed before me: Signature.....
G.H. of.....Merchant.		Signed before me:

Signature.....

I.J. of.....Merchant. Signed before me:

Signature.....

K.L. of.....Merchant. Signed before me:

Signature.....

M.N. of.....Merchant. Signed before me:

Signature.....

6th I, whose name and address is given below, am desirous of forming a company in pursuance of this memorandum of association (Applicable in case of one person company):—

Name, address, description and occupation of subscriber	*Signature of subscriber*	*Signature, name, address, description and occupation of witness*
A.B. .....Merchant.		Signed before me: Signature.....

7th Shri/Smt....., son/daughter of....., resident of.....aged.....years shall be the nominee in the event of death of the sole member (Applicable in case of one person company)

Dated.....the day of.....

TABLE E

MEMORANDUM OF ASSOCIATION OF AN UNLIMITED COMPANY AND HAVING SHARE CAPITAL

1st The name of the company is ".....Company".

2nd The registered office of the company will be situated in the State of.....

3rd (*a*) The objects to be pursued by the company on its incorporation are:—

.....

.....

(*b*) Matters which are necessary for furtherance of the objects specified in clause 3(*a*) are:—

.....

.....

4th The liability of the member(s) is unlimited.

5th The share capital of the company is.....rupees, divided into..... shares of.....rupees each.

6th We, the several persons, whose names, and addresses are subscribed, are desirous of being formed into a company in pursuance of this memorandum of association and we respectively agree to take the number of shares in the capital of the company set against our respective names:—

Names, addresses, descriptions and occupations of subscribers	*No. of shares taken by each subscriber*	*Signature of subscriber*	*Signature, names, addresses, descriptions and occupations of witnesses*
A.B. of.....Merchant.	.....		Signed before me: Signature.....
C.D. of.....Merchant	.....		Signed before me: Signature.....
E.F. of.....Merchant	.....		Signed before me: Signature.....
G.H. of.....Merchant	.....		Signed before me: Signature.....
I.J. of.....Merchant	.....		Signed before me: Signature.....
K.L. of.....Merchant	.....		Signed before me: Signature.....
M.N. of.....Merchant	.....		Signed before me: Signature.....

7th I, whose name and address is given below, am desirous of forming a company in pursuance of this memorandum of association and agree to take all the shares in the capital of the company (Applicable in case of one person company):—

Name, address, description and occupation of subscriber	*Signature of subscriber*	*Signature, name, address, description and occupation of witness*
A.B. .....Merchant.		Signed before me: Signature.....

8th Shri/Smt....., son/daughter of....., resident of.....aged.....years shall be the nominee in the event of death of the sole member (Applicable in case of one person company)

Dated.....the day of.....

TABLE F

ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY SHARES

Interpretation

I. (1) In these regulations—

(*a*) "the Act" means the Companies Act, 2013,

(*b*) "the seal" means the common seal of the company.

(2) Unless the context otherwise requires, words or expressions contained in these regulations shall bear the same meaning as in the Act or any statutory modification thereof in force at the date at which these regulations become binding on the company.

Share capital and variation of rights

II. 1. Subject to the provisions of the Act and these Articles, the shares in the capital of the company shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par and at such time as they may from time to time think fit.

2. (*i*) Every person whose name is entered as a member in the register of members shall be entitled to receive within two months after incorporation, in case of subscribers to the memorandum or after allotment or within one month after the application for the registration of transfer or transmission or within such other period as the conditions of issue shall be provided,—

(*a*) one certificate for all his shares without payment of any charges; or

(*b*) several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.

[*(ii) Every certificate shall specify the shares to which it relates and the amount paid-up thereon and shall be signed by two directors or by a director and the company secretary, wherever the company has appointed a company secretary:*

Provided *that in case the company has a common seal it shall be affixed in the presence of the persons required to sign the certificate.*

Explanation.— *For the purposes of this item, it is hereby clarified that in case of an One Person Company, it shall be sufficient if the certificate is signed by a director and the company secretary, wherever the company has appointed a company secretary, or any other person authorised by the Board for the purpose*.**]**

(*iii*) In respect of any share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.

3. (*i*) If any share certificate be worn out, defaced, mutilated or torn or if there be no further space on the back for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, a new certificate in lieu thereof shall be given. Every certificate under this Article shall be issued on payment of twenty rupees for each certificate.

(*ii*) The provisions of Articles (*2*) and (*3*) shall *mutatis mutandis* apply to debentures of the company.

4. Except as required by law, no person shall be recognised by the company as holding any share upon any trust, and the company shall not be bound by, or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

5. (*i*) The company may exercise the powers of paying commissions conferred by sub-section (6) of , provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by that section and rules made thereunder.

(*ii*) The rate or amount of the commission shall not exceed the rate or amount prescribed in rules made under sub-section (6) of .

(*iii*) The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.

6. (*i*) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of , and whether or not the company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

(*ii*) To every such separate meeting, the provisions of these regulations relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be at least two persons holding at least one-third of the issued shares of the class in question.

7. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

8. Subject to the provisions of , any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are to be redeemed on such terms and in such manner as the company before the issue of the shares may, by special resolution, determine.

Lien

9. (*i*) The company shall have a first and paramount lien—

(*a*) on every share (not being a fully paid share), for all monies (whether presently payable or not) called, or payable at a fixed time, in respect of that share; and

(*b*) on all shares (not being fully paid shares) standing registered in the name of a single person, for all monies presently payable by him or his estate to the company:

Provided that the Board of directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

(*ii*) The company's lien, if any, on a share shall extend to all dividends payable and bonuses declared from time to time in respect of such shares.

10. The company may sell, in such manner as the Board thinks fit, any shares on which the company has a lien:

Provided that no sale shall be made—

(*a*) unless a sum in respect of which the lien exists is presently payable; or

(*b*) until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

11. (*i*) To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof.

(*ii*) The purchaser shall be registered as the holder of the shares comprised in any such transfer.

(*iii*) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

12. (*i*) The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable.

(*ii*) The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.

Calls on shares

13. (*i*) The Board may, from time to time, make calls upon the members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times:

Provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call.

(*ii*) Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place of payment, pay to the company, at the time or times and place so specified, the amount called on his shares.

(*iii*) A call may be revoked or postponed at the discretion of the Board.

14. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be required to be paid by instalments.

15. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

16. (*i*) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at ten per cent per annum or at such lower rate, if any, as the Board may determine.

(*ii*) The Board shall be at liberty to waive payment of any such interest wholly or in part.

17. (*i*) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall, for the purposes of these regulations, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable.

(*ii*) In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

18. The Board—

(*a*) may, if it thinks fit, receive from any member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him; and

(*b*) upon all or any of the monies so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate not exceeding, unless the company in general meeting shall otherwise direct, twelve per cent per annum, as may be agreed upon between the Board and the member paying the sum in advance.

Transfer of shares

19. (*i*) The instrument of transfer of any share in the company shall be executed by or on behalf of both the transferor and transferee.

(*ii*) The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.

20. The Board may, subject to the right of appeal conferred by decline to register—

(*a*) the transfer of a share, not being a fully paid share, to a person of whom they do not approve; or

(*b*) any transfer of shares on which the company has a lien.

21. The Board may decline to recognise any instrument of transfer unless—

(*a*) The instrument of transfer is in the form as prescribed in rules made under sub-section (1) of ;

(*b*) The instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and

(*c*) The instrument of transfer is in respect of only one class of shares.

22. On giving not less than seven days' previous notice in accordance with and rules made thereunder, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine:

Provided that such registration shall not be suspended for more than thirty days at any one time or for more than forty-five days in the aggregate in any year.

Transmission of shares

23. (*i*) On the death of a member, the survivor or survivors where the member was a joint holder, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only persons recognised by the company as having any title to his interest in the shares.

(*ii*) Nothing in clause (*i*) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

24. (*i*) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either—

(*a*) to be registered himself as holder of the share; or

(*b*) to make such transfer of the share as the deceased or insolvent member could have made.

(*ii*) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.

25. (*i*) If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.

(*ii*) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.

(*iii*) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were a transfer signed by that member.

26. A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company:

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share, until the requirements of the notice have been complied with.

27. In case of a One Person Company—

(*i*) on the death of the sole member, the person nominated by such member shall be the person recognised by the company as having title to all the shares of the member;

(*ii*) the nominee on becoming entitled to such shares in case of the member's death shall be informed of such event by the Board of the company;

(*iii*) such nominee shall be entitled to the same dividends and other rights and liabilities to which such sole member of the company was entitled or liable;

(*iv*) on becoming member, such nominee shall nominate any other person with the prior written consent of such person who, shall in the event of the death of the member, become the member of the company.

Forfeiture of shares

28. If a member fails to pay any call, or instalment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.

29. The notice aforesaid shall—

(*a*) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

(*b*) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made shall be liable to be forfeited.

30. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

31. (*i*) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

(*ii*) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

32. (*i*) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the company all monies which, at the date of forfeiture, were presently payable by him to the company in respect of the shares.

(*ii*) The liability of such person shall cease if and when the company shall have received payment in full of all such monies in respect of the shares.

33. (*i*) A duly verified declaration in writing that the declarant is a director, the manager or the secretary, of the company, and that a share in the company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.

(*ii*) The company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.

(*iii*) The transferee shall thereupon be registered as the holder of the share; and

(*iv*) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

34. The provisions of these regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Alteration of capital

35. The company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution.

36. Subject to the provisions of , the company may, by ordinary resolution,—

(*a*) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(*b*) convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid up shares of any denomination;

(*c*) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum;

(*d*) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

37. Where shares are converted into stock,—

(*a*) the holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit:
Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

(*b*) the holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

(*c*) such of the regulations of the company as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" in those regulations shall include "stock" and "stock-holder" respectively.

38. The company may, by special resolution, reduce in any manner and with, and subject to, any incident authorised and consent required by law,—

(*a*) its share capital;

(*b*) any capital redemption reserve account; or

(*c*) any share premium account.

Capitalisation of profits

39. (*i*) The company in general meeting may, upon the recommendation of the Board, resolve—

(*a*) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and

(*b*) that such sum be accordingly set free for distribution in the manner specified in clause (*ii*) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

(*ii*) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (*iii*), either in or towards—

(*A*) paying up any amounts for the time being unpaid on any shares held by such members respectively;

(*B*) paying up in full, unissued shares of the company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid;

(*C*) partly in the way specified in sub-clause (*A*) and partly in that specified in sub-clause (*B*);

(*D*) A securities premium account and a capital redemption reserve account may, for the purposes of this regulation, be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares;

(*E*) The Board shall give effect to the resolution passed by the company in pursuance of this regulation.

40. (*i*) Whenever such a resolution as aforesaid shall have been passed, the Board shall—

(*a*) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares if any; and

(*b*) generally do all acts and things required to give effect thereto.

(*ii*) The Board shall have power—

(*a*) to make such provisions, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares becoming distributable in fractions; and

(*b*) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such capitalisation, or as the case may require, for the payment by the company on their behalf, by the application thereto of their respective proportions of profits resolved to be capitalised, of the amount or any part of the amounts remaining unpaid on their existing shares;

(*iii*) Any agreement made under such authority shall be effective and binding on such members.

Buy-back of shares

41. Notwithstanding anything contained in these articles but subject to the provisions of sections to and any other applicable provision of the Act or any other law for the time being in force, the company may purchase its own shares or other specified securities.

General meetings

42. All general meetings other than annual general meeting shall be called extraordinary general meeting.

43. (*i*) The Board may, whenever it thinks fit, call an extraordinary general meeting.

(*ii*) If at any time directors capable of acting who are sufficient in number to form a quorum are not within India, any director or any two members of the company may call an extraordinary general meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board.

Proceedings at general meetings

44. (*i*) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.

(*ii*) Save as otherwise provided herein, the quorum for the general meetings shall be as provided in .

45. The chairperson, if any, of the Board shall preside as chairperson at every general meeting of the company.

46. If there is no such Chairperson, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairperson of the meeting, the directors present shall elect one of their members to be Chairperson of the meeting.

47. If at any meeting no director is willing to act as Chairperson or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their members to be Chairperson of the meeting.

48. In case of a One Person Company—

(*i*) the resolution required to be passed at the general meetings of the company shall be deemed to have been passed if the resolution is agreed upon by the sole member and communicated to the company and entered in the minutes book maintained under ;

(*ii*) such minutes book shall be signed and dated by the member;

(*iii*) the resolution shall become effective from the date of signing such minutes by the sole member.

Adjournment of meeting

49. (*i*) The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place.

(*ii*) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(*iii*) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

(*iv*) Save as aforesaid, and as provided in of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Voting rights

50. Subject to any rights or restrictions for the time being attached to any class or classes of shares,—

(*a*) on a show of hands, every member present in person shall have one vote; and

(*b*) on a poll, the voting rights of members shall be in proportion to his share in the paid-up equity share capital of the company.

51. A member may exercise his vote at a meeting by electronic means in accordance with and shall vote only once.

52. (*i*) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

(*ii*) For this purpose, seniority shall be determined by the order in which the names stand in the register of members.

53. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

54. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

55. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the company have been paid.

56. (*i*) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.

(*ii*) Any such objection made in due time shall be referred to the chairperson of the meeting, whose decision shall be final and conclusive.

Proxy

57. The instrument appointing a proxy and the power-of-attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.

58. An instrument appointing a proxy shall be in the form as prescribed in the rules made under .

59. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given:

Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

Board of Directors

60. The number of the directors and the names of the first directors shall be determined in writing by the subscribers of the memorandum or a majority of them.

61. (*i*) The remuneration of the directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day-to-day.

(*ii*) In addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all travelling, hotel and other expenses properly incurred by them—

(*a*) in attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the company; or

(*b*) in connection with the business of the company.

62. The Board may pay all expenses incurred in getting up and registering the company.

63. The company may exercise the powers conferred on it by with regard to the keeping of a foreign register; and the Board may (subject to the provisions of that section) make and vary such regulations as it may thinks fit respecting the keeping of any such register.

64. All cheques, promissory notes, drafts, *hundis*, bills of exchange and other negotiable instruments, and all receipts for monies paid to the company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by such person and in such manner as the Board shall from time to time by resolution determine.

65. Every director present at any meeting of the Board or of a committee thereof shall sign his name in a book to be kept for that purpose.

66. (*i*) Subject to the provisions of , the Board shall have power at any time, and from time to time, to appoint a person as an additional director, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the articles.

(*ii*) Such person shall hold office only up to the date of the next annual general meeting of the company but shall be eligible for appointment by the company as a director at that meeting subject to the provisions of the Act.

Proceedings of the Board

67. (*i*) The Board of directors may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit.

(*ii*) A director may, and the manager or secretary on the requisition of a director shall, at any time, summon a meeting of the Board.

68. (*i*) Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes.

(*ii*) In case of an equality of votes, the chairperson of the Board, if any, shall have a second or casting vote.

69. The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company, but for no other purpose.

70. (*i*) The Board may elect a chairperson of its meetings and determine the period for which he is to hold office.

(*ii*) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be Chairperson of the meeting.

71. (*i*) The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or members of its body as it thinks fit.

(*ii*) Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.

72. (*i*) A committee may elect a Chairperson of its meetings.

(*ii*) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairperson of the meeting.

73. (*i*) A committee may meet and adjourn as it thinks fit.

(*ii*) Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present, and in case of an equality of votes, the Chairperson shall have a second or casting vote.

74. All acts done in any meeting of the Board or of a committee thereof or by any person acting as a director, shall, notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such director or such person had been duly appointed and was qualified to be a director.

75. Save as otherwise expressly provided in the Act, a resolution in writing, signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be valid and effective as if it had been passed at a meeting of the Board or committee, duly convened and held.

76. In case of a One Person Company—

(*i*) where the company is having only one director, all the businesses to be transacted at the meeting of the Board shall be entered into minutes book maintained under ;

(*ii*) such minutes book shall be signed and dated by the director;

(*iii*) the resolution shall become effective from the date of signing such minutes by the director.

Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer

77. Subject to the provisions of the Act,—

(*i*) A chief executive officer, manager, company secretary or chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may thinks fit; and any chief executive officer, manager, company secretary or chief financial officer so appointed may be removed by means of a resolution of the Board;

(*ii*) A director may be appointed as chief executive officer, manager, company secretary or chief financial officer.

78. A provision of the Act or these regulations requiring or authorising a thing to be done by or to a director and chief executive officer, manager, company secretary or chief financial officer shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, chief executive officer, manager, company secretary or chief financial officer.

The Seal

79. (*i*) The Board shall provide for the safe custody of the seal.

(*ii*) The seal of the company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorised by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

[Explanation.— : *For the purposes of this sub-paragraph it is hereby clarified that on and from the commencement of the Companies (Amendment) Act, 2015 (21of 2015), i.e. with effect from the 29th May, 2015, company may not be required to have the seal by virtue of registration under the Act and if a company does not have the seal, the provisions of this sub-paragraph shall not be applicable.***]**

Dividends and Reserve

80. The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

81. Subject to the provisions of , the Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the company.

82. (*i*) The Board may, before recommending any dividend, set aside out of the profits of the company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the company may be properly applied, including provision for meeting contingencies or for equalising dividends; and pending such application, may, at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the Board may, from time to time, thinks fit.

(*ii*) The Board may also carry forward any profits which it may consider necessary not to divide, without setting them aside as a reserve.

83. (*i*) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the company, dividends may be declared and paid according to the amounts of the shares.

(*ii*) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.

(*iii*) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

84. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.

85. (*i*) Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.

(*ii*) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

86. Any one of two or more joint holders of a share may give effective receipts for any dividends, bonuses or other monies payable in respect of such share.

87. Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.

88. No dividend shall bear interest against the company.

Accounts

89. (*i*) The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and books of the company, or any of them, shall be open to the inspection of members not being directors.

(*ii*) No member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the Board or by the company in general meeting.

Winding up

90. Subject to the provisions of Chapter XX of the Act and rules made thereunder—

(*i*) If the company shall be wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.

(*ii*) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

(*iii*) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

Indemnity

91. Every officer of the company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in which relief is granted to him by the court or the Tribunal.

Note : The Articles shall be signed by each subscriber of the memorandum of association who shall add his address, description and occupation, if any, in the presence of at least one witness who shall attest the signature and shall likewise add his address, description and occupation, if any, and such signatures shall be in form specified below:

Names, addresses, descriptions and occupations of subscribers	*Witnesses (along with names, addresses, descriptions and occupations)*
A.B. of.....Merchant	Signed before me Signature.....
C.D. of.....Merchant	Signed before me Signature.....
E.F. of.....Merchant	Signed before me Signature.....
G.H. of.....Merchant	Signed before me Signature.....
I.J. of.....Merchant	Signed before me Signature.....
K.L. of.....Merchant	Signed before me Signature.....
M.N. of.....Merchant	Signed before me Signature.....

Dated the.....day of .....20.....

Place: .....

TABLE G

ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY GUARANTEE AND HAVING A SHARE CAPITAL

1. The number of members with which the company proposes to be registered is hundred, but the Board of directors may, from time to time, register an increase of members.

2. All the articles of Table F in Schedule I annexed to the Companies Act, 2013 shall be deemed to be incorporated with these articles and to apply to the company.

TABLE H

ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY GUARANTEE AND NOT HAVING SHARE CAPITAL

Interpretation

I. (1) In these regulations—

(*a*) "the Act" means the Companies Act, 2013;

(*b*) "the seal" means the common seal of the company.

(2) Unless the context otherwise requires, words or expressions contained in these regulations shall have the same meaning as in the Act or any statutory modification thereof in force at the date at which these regulations become binding on the company.

Members

II. 1. The number of members with which the company proposes to be registered is hundred, but the Board of directors may, from time to time, whenever the company or the business of the company requires it, register an increase of members.

2. The subscribers to the memorandum and such other persons as the Board shall admit to membership shall be members of the company.

General meetings

3. All general meetings other than annual general meeting shall be called extraordinary general meeting.

4. (*i*) The Board may, whenever it thinks fit, call an extraordinary general meeting.

(*ii*) If at any time directors capable of acting who are sufficient in number to form a quorum are not within India, any director or any two members of the company may call an extraordinary general meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board.

Proceedings at general meetings

5. (*i*) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.

(*ii*) Save as otherwise provided herein, the quorum for the general meetings shall be as provided in .

6. The Chairperson, if any, of the Board shall preside as Chairperson at every general meeting of the company.

7. If there is no such Chairperson, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as Chairperson of the meeting, the directors present shall elect one of their members to be Chairperson of the meeting.

8. If at any meeting no director is willing to act as Chairperson or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their members to be Chairperson of the meeting.

Adjournment of meeting

9. (*i*) The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place.

(*ii*) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(*iii*) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

(*iv*) Save as aforesaid, and as provided in of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Voting rights

10. Every member shall have one vote.

11. A member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

12. No member shall be entitled to vote at any general meeting unless all sums presently payable by him to the company have been paid.

13. (*i*) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.

(*ii*) Any such objection made in due time shall be referred to the Chairperson of the meeting, whose decision shall be final and conclusive.

14. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given:

Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

15. A member may exercise his vote at a meeting by electronic means in accordance with and shall vote only once.

16. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

Board of Directors

17. The number of the directors and the names of the first directors shall be determined in writing by the subscribers of the memorandum or a majority of them.

18. (*i*) The remuneration of the directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day-to-day.

(*ii*) In addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all travelling, hotel and other expenses properly incurred by them—

(*a*) in attending and returning from meetings of the Board of directors or any committee thereof or general meetings of the company; or

(*b*) in connection with the business of the company.

Proceedings of the Board

19. (*i*) The Board of directors may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit.

(*ii*) A director may, and the manager or secretary on the requisition of a director shall, at any time, summon a meeting of the Board.

20. (*i*) Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes.

(*ii*) In case of an equality of votes, the Chairperson of the Board, if any, shall have a second or casting vote.

21. The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company, but for no other purpose.

22. (*i*) The Board may elect a Chairperson of its meetings and determine the period for which he is to hold office.

(*ii*) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their members to be Chairperson of the meeting.

23. (*i*) The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or members of its body as it thinks fit.

(*ii*) Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.

24. (*i*) A committee may elect a Chairperson of its meetings.

(*ii*) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairperson of the meeting.

25. (*i*) A committee may meet and adjourn as it thinks proper.

(*ii*) Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present, and in case of an equality of votes, the chairman shall have a second or casting vote.

26. All acts done by any meeting of the Board or of a committee thereof or by any person acting as a director, shall, notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such director or such person had been duly appointed and was qualified to be a director.

27. Save as otherwise expressly provided in the Act, a resolution in writing, signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be as valid and effective as if it had been passed at a meeting of the Board or committee, duly convened and held.

Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer

28. Subject to the provisions of the Act,—

(*i*) A chief executive officer, manager, company secretary or chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it thinks fit; and any chief executive officer, manager, company secretary or chief financial officer so appointed may be removed by means of a resolution of the Board.

(*ii*) A director may be appointed as chief executive officer, manager, company secretary or chief financial officer.

29. A provision of the Act or these regulations requiring or authorising a thing to be done by or to a director and chief executive officer, manager, company secretary or chief financial officer shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, chief executive officer, manager, company secretary or chief financial officer.

The Seal

30. (*i*) The Board shall provide for the safe custody of the seal.

(*ii*) The seal of the company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorised by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

[Explanation.— : *For the purposes of this sub-paragraph it is hereby clarified that on and from the commencement of the Companies (Amendment) Act, 2015 (21of 2015), i.e. with effect from the 29th May, 2015, company may not be required to have the seal by virtue of registration under the Act and if a company does not have the seal, the provisions of this sub-paragraph shall not be applicable.***]**

Note : The Articles shall be signed by each subscriber of the memorandum of association who shall add his address, description and occupation, if any, in the presence of at least one witness who shall attest the signature and shall likewise add his address, description and occupation, if any, and such signatures shall be in form specified below:

Names, addresses, descriptions and occupations of subscribers	*Witnesses (along with names, addresses, descriptions and occupations)*
A.B. of.....Merchant	Signed before me
	Signature.....
C.D. of.....Merchant	Signed before me
	Signature.....
E.F. of.....Merchant	Signed before me
	Signature.....
G.H. of.....Merchant	Signed before me
	Signature.....
I.J. of.....Merchant	Signed before me
	Signature.....

K.L. of.....Merchant

Signed before me

Signature.....

M.N. of.....Merchant

Signed before me

Signature.....

Dated the.....day of .....20.....

Place: .....

TABLE I

ARTICLES OF ASSOCIATION OF AN UNLIMITED COMPANY AND HAVING A SHARE CAPITAL

1. The number of members with which the company proposes to be registered is hundred, but the Board of directors may, from time to time, register an increase of members.

2. All the articles of Table F in Schedule I annexed to the Companies Act, 2013 shall be deemed to be incorporated with these articles and to apply to the company.

TABLE J

ARTICLES OF ASSOCIATION OF AN UNLIMITED COMPANY AND NOT HAVING SHARE CAPITAL

1. The number of members with which the company proposes to be registered is hundred, but the Board of directors may, from time to time, whenever the company or the business of the company requires it, register an increase of members.

2. The subscribers to the memorandum and such other persons as the Board shall admit to membership shall be members of the company.

3. All the articles of Table H in Schedule I annexed to the Companies Act, 2013 shall be deemed to be incorporated with these articles and to apply to the company.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

SCHEDULE II

(*See*)

USEFUL LIVES TO COMPUTE DEPRECIATION

PART 'A'

1. Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. The depreciable amount of an asset is the cost of an asset or other amount substituted for cost, less its residual value. The useful life of an asset is the period over which an asset is expected to be available for use by an entity, or the number of production or similar units expected to be obtained from the asset by the entity.

2. For the purpose of this Schedule, the term depreciation includes amortisation.

3. Without prejudice to the foregoing provisions of paragraph 1,—

[[(*i*) The useful life of an asset shall not ordinarily be different from the useful life specified in Part C and the residual value of an asset shall not be more than five per cent of the original cost of the asset:

Provided that where a company adopts a useful life different from what is specified in Part C or uses a residual value different from the limit specified above, the financial statements shall disclose such difference and provide justification in this behalf duly supported by technical advice.]

[(ii) *For intangible assets, the relevant Indian Accounting Standards (Ind AS) shall apply. Where a company is not required to comply with the Indian Accounting Standards (Ind AS), it shall comply with relevant Accounting Standards under Companies (Accounting Standards) Rules, 2006***]**, except in case of intangible assets (Toll Roads) created under 'Build, Operate and Transfer', 'Build, Own, Operate and Transfer' or any other form of public private partnership route in case of road projects. Amortisation in such cases may be done as follows:—

(*a*) Mode of amortisation

$$\text{Amortisation Rate} = \frac{\text{Amortisation Amount}}{\text{Cost of Intangible Assets (A)}} \times 100$$

Amortisation Amount =

$$\text{Cost of Intangible Assets (A)} \times \frac{\text{Actual Revenue for the year (B)}}{\text{Projected Revenue from Intangible Asset (till the end of the concession period) (C)}}$$

(*b*) Meaning of particulars are as follows :—

Cost of Intangible Assets (A)	=	Cost incurred by the company in accordance with the accounting standards.
Actual Revenue for the year (B)	=	Actual revenue (Toll Charges) received during the accounting year.
Projected Revenue from Intangible Asset (C)	=	Total projected revenue from the Intan-gible Assets as provided to the project lender at the time of financial closure/agreement.

The amortisation amount or rate should ensure that the whole of the cost of the intangible asset is amortised over the concession period.

Revenue shall be reviewed at the end of each financial year and projected revenue shall be adjusted to reflect such changes, if any, in the estimates as will lead to the actual collection at the end of the concession period.

(*c*) Example:—

Cost of creation of Intangible Assets	:	Rs. 500 Crores
Total period of Agreement	:	20 Years
Time used for creation of Intangible Assets	:	2 Years
Intangible Assets to be amortised in	:	18 Years

Assuming that the Total revenue to be generated out of Intangible Assets over the period would be Rs. 600 Crores, in the following manner:—

Year No.	*Revenue (In Rs. Crores)*	***Remarks***
Year 1	5	Actual
Year 2	7.5	Estimate*
Year 3	10	Estimate*
Year 4	12.5	Estimate*
Year 5	17.5	Estimate*
Year 6	20	Estimate*
Year 7	23	Estimate*
Year 8	27	Estimate*
Year 9	31	Estimate*
Year 10	34	Estimate*
Year 11	38	Estimate*
Year 12	41	Estimate*
Year 13	46	Estimate*

Year 14	50	Estimate*
Year 15	53	Estimate*
Year 16	57	Estimate*
Year 17	60	Estimate*
Year 18	67.5	Estimate*
Total	600	

'*' will be actual at the end of financial year.

Based on this the charge for first year would be Rs. 4.16 Crore (approximately) (*i.e.* Rs. 5/Rs. 600 × Rs. 500 Crores) which would be charged to profit and loss and 0.83% (*i.e.* Rs. 4.16 Crore/Rs. 500 Crore × 100) is the amortisation rate for the first year.

Where a company arrives at the amortisation amount in respect of the said Intangible Assets in accordance with any method as per the applicable Accounting Standards, it shall disclose the same.]

PART 'B'

4. The useful life or residual value of any specific asset, as notified for accounting purposes by a Regulatory Authority constituted under an Act of Parliament or by the Central Government shall be applied in calculating the depreciation to be provided for such asset irrespective of the requirements of this Schedule.

PART 'C'

5. Subject to Parts A and B above, the following are the useful lives of various tangible assets:

Nature of assets	Useful Life
I. Buildings [NESD]	
(*a*) Buildings (other than factory buildings) RCC Frame Structure	60 Years
(*b*) Buildings (other than factory buildings) other than RCC Frame Structure	30 Years
(*c*) Factory buildings	-do-
(*d*) Fences, wells, tube wells	5 Years
(*e*) Others (including temporary structure, etc.)	3 Years
II. Bridges, culverts, bunders, etc. [NESD]	30 Years
III. Roads [NESD]	
(*a*) Carpeted roads	
(*i*) Carpeted Roads—RCC	10 Years
(*ii*) Carpeted Roads—other than RCC	5 Years
(*b*) Non-carpeted roads	3 Years
IV. Plant and Machinery	
(*i*) **General rate applicable to plant and machinery not covered under special plant and machinery**	
(*a*) Plant and Machinery other than continuous process plant not covered under specific industries	15 Years
[(*b*) Continuous process plant for which no special rate has been prescribed under (*ii*) below [NESD]	25 Years]
(*ii*) **Special Plant and Machinery**	
(*a*) Plant and Machinery related to production and exhibition of Motion Picture Films	
1. Cinematograph films—Machinery used in the production and exhibition of cinematograph films, recording and reproducing equipments, developing machines, printing machines, editing machines, synchronizers and studio lights except bulbs	13 Years
2. Projecting equipment for exhibition of films	-do-
(*b*) Plant and Machinery used in glass manufacturing	
1. Plant and Machinery except direct fire glass melting furnaces — Recuperative and regenerative glass melt-ing furnaces	13 Years
2. Plant and Machinery except direct fire glass melting furnaces — Moulds [NESD]	8 Years
3. Float Glass Melting Furnaces [NESD]	10 Years
(*c*) Plant and Machinery used in mines and quarries—Portable under ground machinery and earth moving machinery used in open cast mining [NESD]	8 Years
(*d*) Plant and Machinery used in Telecommunications [NESD]	
1. Towers	18 Years
2. Telecom transceivers, switching centres, transmission and other network equipment	13 Years
3. Telecom—Ducts, Cables and optical fibre	18 Years

4. Satellites	-do-
(*e*) Plant and Machinery used in exploration, production and refining oil and gas [NESD]	
1. Refineries	25 Years
2. Oil and gas assets (including wells), processing plant and facilities	-do-
3. Petrochemical Plant	-do-
4. Storage tanks and related equipment	-do-
5. Pipelines	30 Years
6. Drilling Rig	-do-
7. Field operations (above ground) Portable boilers, drilling tools, well-head tanks, etc.	8 Years
8. Loggers	-do-
(*f*) Plant and Machinery used in generation, transmission and distribution of power [NESD]	
1. Thermal/Gas/Combined Cycle Power Generation Plant	40 Years
2. Hydro Power Generation Plant	-do-
3. Nuclear Power Generation Plant	-do-
4. Transmission lines, cables and other network assets	-do-
5. Wind Power Generation Plant	22 Years
6. Electric Distribution Plant	35 Years
7. Gas Storage and Distribution Plant	30 Years
8. Water Distribution Plant including pipelines	-do-
(*g*) Plant and Machinery used in manufacture of steel	
1. Sinter Plant	20 Years
2. Blast Furnace	-do-
3. Coke ovens	-do-
4. Rolling mill in steel plant	-do-
5. Basic oxygen Furnace Converter	25 Years
(*h*) Plant and Machinery used in manufacture of non-ferrous metals	
1. Metal pot line [NESD]	40 Years
2. Bauxite crushing and grinding section [NESD]	-do-
3. Digester section [NESD]	-do-
4. Turbine [NESD]	-do-
5. Equipments for Calcination [NESD]	-do-
6. Copper Smelter [NESD]	-do-
7. Roll Grinder	40 Years
8. Soaking Pit	30 Years
9. Annealing Furnace	-do-
10. Rolling Mills	-do-
11. Equipments for Scalping, Slitting, etc. [NESD]	-do-
12. Surface Miner, Ripper Dozer, etc., used in mines	25 Years
13. Copper refining plant [NESD]	-do-
(*i*) Plant and Machinery used in medical and surgical operations [NESD]	
1. Electrical Machinery, X-ray and electrotherapeutic apparatus and accessories thereto, medical, diagnostic equipments, namely, Cat-Scan, Ultrasound Machines, ECG Monitors, etc.	13 Years
2. Other Equipments.	15 Years
(*j*) Plant and Machinery used in manufacture of pharmaceuticals and chemicals [NESD]	
1. Reactors	20 Years
2. Distillation Columns	-do-
3. Drying equipments/Centrifuges and Decanters	-do-

	4. Vessel/storage tanks	-do-
	(*k*) Plant and Machinery used in civil construction	
	1. Concreting, Crushing, Piling Equipments and Road Making Equipments	12 Years
	2. Heavy Lift Equipments—	
	Cranes with capacity of more than 100 tons	20 Years
	Cranes with capacity of less than 100 tons	15 Years
	3. Transmission line, Tunneling Equipments [NESD]	10 Years
	4. Earth-moving equipments	9 Years
	5. Others including Material Handling /Pipeline/Welding Equipments [NESD]	12 Years
	(*l*) Plant and Machinery used in salt works [NESD]	15 Years
V.	**Furniture and fittings [NESD]**	
	(*i*) General furniture and fittings	10 Years
	(*ii*) Furniture and fittings used in hotels, restaurants and boarding houses, schools, colleges and other educational institutions, libraries; welfare centres; meeting halls, cinema houses; theatres and circuses; and furniture and fittings let out on hire for use on the occasion of marriages and similar functions.	8 Years
VI.	**Motor Vehicles [NESD]**	
	1. Motor cycles, scooters and other mopeds	10 Years
	2. Motor buses, motor lorries, motor cars and motor taxies used in a business of running them on hire	6 Years
	3. Motor buses, motor lorries and motor cars other than those used in a business of running them on hire	8 Years
	4. Motor tractors, harvesting combines and heavy vehicles	-do-
	5. Electrically operated vehicles including battery powered or fuel cell powered vehicles	8 Years
VII.	**Ships [NESD]**	
	1. Ocean-going ships	
	(*i*) Bulk Carriers and liner vessels	25 Years
	(*ii*) Crude tankers, product carriers and easy chemical carriers with or without conventional tank coatings	20 Years
	(*iii*) Chemicals and Acid Carriers :	
	(*a*) With Stainless steel tanks	25 Years
	(*b*) With other tanks	20 Years
	(*iv*) Liquified gas carriers	30 Years
	(*v*) Conventional large passenger vessels which are used for cruise purpose also	-do-
	(*vi*) Coastal service ships of all categories	-do-
	(*vii*) Offshore supply and support vessels	20 Years
	(*viii*) Catamarans and other high speed passenger for ships or boats	-do-
	(*ix*) Drill ships	25 Years
	(*x*) Hovercrafts	15 Years
	(*xi*) Fishing vessels with wooden hull	10 Years
	(*xii*) Dredgers, tugs, barges, survey launches and other similar ships used mainly for dredging purposes	14 Years
	2. Vessels ordinarily operating on inland waters—	
	(*i*) Speed boats	13 Years
	(*ii*) Other vessels	28 Years
VIII.	**Aircrafts or Helicopters [NESD]**	20 Years
IX.	**Railways sidings, locomotives, rolling stocks, tramways and railways used by concerns, excluding railway concerns [NESD]**	15 Years
X.	**Ropeway structures [NESD]**	15 Years
XI.	**Office equipment [NESD]**	5 Years
XII.	**Computers and data processing units [NESD]**	
	(*i*) Servers and networks	6 Years
	(*ii*) End user devices, such as, desktops, laptops, etc.	3 Years

XIII. Laboratory equipment [NESD]	
(*i*) General laboratory equipment	10 Years
(*ii*) Laboratory equipments used in educational institutions	5 Years
XIV. Electrical Installations and Equipment [NESD]	10 years
XV. Hydraulic works, pipelines and sluices [NESD]	15 Years

Notes.—

1. "Factory buildings" does not include offices, godowns, staff quarters.
2. Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, the depreciation on such assets shall be calculated on a *pro rata* basis from the date of such addition or, as the case may be, up to the date on which such asset has been sold, discarded, demolished or destroyed.
3. The following information shall also be disclosed in the accounts, namely:—
   (*i*) depreciation methods used; and
   (*ii*) the useful lives of the assets for computing depreciation, if they are different from the life specified in the Schedule.

   [4.(*a*) Useful life specified in Part C of the Schedule is for whole of the asset and where cost of a part of the asset is significant to total cost of the asset and useful life of that part is different from the useful life of the remaining asset, useful life of that significant part shall be determined separately.

   (*b*) The requirement under sub-paragraph (a) shall be voluntary in respect of the financial year commencing on or after the 1st April, 2014 and mandatory for financial statements in respect of financial years commencing on or after the 1st April, 2015.]
5. [***]
6. The useful lives of assets working on shift basis have been specified in the Schedule based on their single shift working. Except for assets in respect of which no extra shift depreciation is permitted (indicated by NESD in Part C above), if an asset is used for any time during the year for double shift, the depreciation will increase by 50% for that period and in case of the triple shift the depreciation shall be calculated on the basis of 100% for that period.
7. From the date this Schedule comes into effect, the carrying amount of the asset as on that date—
   (*a*) shall be depreciated over the remaining useful life of the asset as per this Schedule;
   (*b*) after retaining the residual value, [may be recognized] in the opening balance of retained earnings where the remaining useful life of an asset is *nil*.
8. "Continuous process plant" means a plant which is required and designed to operate for twenty-four hours a day.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

SCHEDULE III

(*See* section 129)

[DIVISION I

FINANCIAL STATEMENTS FOR A COMPANY WHOSE FINANCIAL STATEMENTS ARE REQUIRED TO COMPLY WITH THE COMPANIES (ACCOUNTING STANDARDS) RULES, 2006

***GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS OF A COMPANY*]**

General Instructions

1. Where compliance with the requirements of the Act including Accounting Standards as applicable to the companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes, *inter se*, in the financial statements or statements forming part thereof, the same shall be made and the requirements of this Schedule shall stand modified accordingly.

2. The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Accounting Standards prescribed under the Companies Act, 2013. Additional disclosures specified in the Accounting Standards shall be made in the notes to accounts or by way of additional statement unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Companies Act shall be made in the notes to accounts in addition to the requirements set out in this Schedule.

3. (*i*) Notes to accounts shall contain information in addition to that presented in the Financial Statements and shall provide where required (*a*) narrative descriptions or disaggregations of items recognised in those statements; and (*b*) information about items that do not qualify for recognition in those statements.

(*ii*) Each item on the face of the Balance Sheet and Statement of Profit and Loss shall be cross-referenced to any related information in the notes to accounts. In preparing the Financial Statements including the notes to accounts, a balance shall be maintained between providing excessive detail that may not assist users of financial statements and not providing important information as a result of too much aggregation.

4. (*i*) Depending upon the **[***total income***]** of the company, the figures appearing in the Financial Statements **[***shall***]** be rounded off as given below:—

[Total Income**]**	*Rounding off*
(*a*) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(*b*) one hundred crore rupees or more	To the nearest lakhs, millions or crores, or decimals thereof.

(*ii*) Once a unit of measurement is used, it [should] be used uniformly in the Financial Statements.

5. Except in the case of the first Financial Statements laid before the Company (after its incorporation) the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including notes shall also be given.

6. For the purpose of this Schedule, the terms used herein shall be as per the applicable Accounting Standards.

Note:—This part of Schedule sets out the minimum requirements for disclosure on the face of the Balance Sheet, and the Statement of Profit and Loss (hereinafter referred to as "Financial Statements" for the purpose of this Schedule) and Notes. Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry/sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act or under the Accounting Standards.

PART I

BALANCE SHEET

Name of the Company.....

Balance Sheet as at .....

(Rupees in……)

Particulars	*Note No.*	*Figures as at the end of current reporting period*	*Figures as at the end of the previous reporting period*
1	*2*	*3*	*4*

I. EQUITY AND LIABILITIES

(*1*) **Shareholders' funds**

(*a*) Share capital
(*b*) Reserves and surplus
(*c*) Money received against share warrants

(*2*) **Share application money pending allotment**

(*3*) **Non-current liabilities**

(*a*) Long-term borrowings
(*b*) Deferred tax liabilities (Net)
(*c*) Other Long term liabilities
(*d*) Long-term provisions

(*4*) **Current liabilities**

(*a*) Short-term borrowings
[(*b*) Trade Payables:—
(A) total outstanding dues of micro enterprises and small enterprises; and
(B) total outstanding dues of creditors other than micro enterprises and small enterprises]
(*c*) Other current liabilities
(*d*) Short-term provisions

TOTAL

II. ASSETS

Non-current assets

(*1*) (*a*) [Property, Plant and Equipment] **[***and Intangible assets***]**
(*i*) **[***Property, Plant and Equipment***]**
(*ii*) Intangible assets
(*iii*) Capital work-in-progress
(*iv*) Intangible assets under development
(*b*) Non-current investments
(*c*) Deferred tax assets (net)
(*d*) Long-term loans and advances
(*e*) Other non-current assets

(*2*) **Current assets**

(*a*) Current investments
(*b*) Inventories
(*c*) Trade receivables
(*d*) Cash and cash equivalents
(*e*) Short-term loans and advances
(*f*) Other current assets

TOTAL

See *accompanying notes to the Financial Statements.*

Notes

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

1. An asset shall be classified as current when it satisfies any of the following criteria:—

(*a*) it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
(*b*) it is held primarily for the purpose of being traded;
(*c*) it is expected to be realised within twelve months after the reporting date; or
(*d*) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current.

2. An operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. Where the normal operating cycle cannot be identified, it is assumed to have a duration of twelve months.

3. A liability shall be classified as current when it satisfies any of the following criteria:—

(*a*) it is expected to be settled in the company's normal operating cycle;
(*b*) it is held primarily for the purpose of being traded;
(*c*) it is due to be settled within twelve months after the reporting date; or
(*d*) the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities shall be classified as non-current.

4. A receivable shall be classified as a "trade receivable" if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.

5. A payable shall be classified as a "trade payable" if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.

6. A company shall disclose the following in the notes to accounts.

A. Share Capital

For each class of share capital (different classes of preference shares to be treated separately):

(*a*) the number and amount of shares authorised;
(*b*) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;
(*c*) par value per share;
(*d*) a reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period;
(*e*) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;
(*f*) shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate;
(*g*) shares in the company held by each shareholder holding more than 5 per cent shares specifying the number of shares held;
(*h*) shares reserved for issue under options and contracts/commitments for the sale of shares/disinvestment, including the terms and amounts;
(*i*) for the period of five years immediately preceding the date as at which the Balance Sheet is prepared:
(*A*) Aggregate number and class of shares allotted as fully paid-up pursuant to contract(s) without payment being received in cash.
(*B*) Aggregate number and class of shares allotted as fully paid-up by way of bonus shares.
(*C*) Aggregate number and class of shares bought back.
(*j*) terms of any securities convertible into equity/preference shares issued along with the earliest date of conversion in descending order starting from the farthest such date;
(*k*) calls unpaid (showing aggregate value of calls unpaid by directors and officers);
(*l*) forfeited shares (amount originally paid-up);
[(m) *A company shall disclose Shareholding of Promoters* as below:*

		Shares held by promoters at the end of the year		% Change during the year***
S. No.	Promoter name	No. of Shares**	%of total shares**	
Total				

**Promoter here means promoter as defined in the Companies Act, 2013.*
***Details shall be given separately for each class of shares.*
****Percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.***]**

B. Reserves and Surplus

(*i*) Reserves and Surplus shall be classified as :
(*a*) Capital Reserves;
(*b*) Capital Redemption Reserve;
(*c*) Securities Premium [***];
(*d*) Debenture Redemption Reserve;
(*e*) Revaluation Reserve;
(*f*) Share Options Outstanding Account;
(*g*) Other Reserves (specify the nature and purpose of each reserve and the amount in respect thereof);
(*h*) Surplus, *i.e.*, balance in Statement of Profit and Loss disclosing allocations and appropriations such as dividend, bonus shares and transfer to/from reserves, etc.;
(Additions and deductions since last balance sheet to be shown under each of the specified heads);
(*ii*) A reserve specifically represented by earmarked investments shall be termed as a "fund".
(*iii*) Debit balance of statement of profit and loss shall be shown as a negative figure under the head "Surplus". Similarly, the balance of "Reserves and Surplus", after adjusting negative balance of surplus, if any, shall be shown under the head "Reserves and Surplus" even if the resulting figure is in the negative.

C. Long-term Borrowings

(*i*) Long-term borrowings shall be classified as :
(*a*) Bonds/debentures;
(*b*) Term loans :
(*A*) from banks
(*B*) from other parties.
(*c*) Deferred payment liabilities;
(*d*) Deposits;
(*e*) Loans and advances from related parties;
(*f*) Long term maturities of finance lease obligations;
(*g*) Other loans and advances (specify nature).
(*ii*) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
(*iii*) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.
(*iv*) Bonds/debentures (along with the rate of interest and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by instalments, the date of maturity for this purpose must be reckoned as the date on which the first instalment becomes due.
(*v*) Particulars of any redeemed bonds/debentures which the company has power to reissue shall be disclosed.
(*vi*) Terms of repayment of term loans and other loans shall be stated.

(*vii*) Period and amount of continuing default as on the balance sheet date in repayment of loans and interest, shall be specified separately in each case.

D. Other Long-term Liabilities

Other Long-term Liabilities shall be classified as :

(*a*) Trade payables;
(*b*) Others.

E. Long-term provisions

The amounts shall be classified as :

(*a*) Provision for employee benefits;
(*b*) Others (specify nature).

F. Short-term borrowings

(*i*) Short-term borrowings shall be classified as :
  (*a*) Loans repayable on demand :
    (*A*) from banks
    (*B*) from other parties.
  (*b*) Loans and advances from related parties;
  (*c*) Deposits;
  (*d*) Other loans and advances (specify nature).
(*ii*) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case.
(*iii*) Where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed.
(*iv*) Period and amount of default as on the balance sheet date in repayment of loans and interest, shall be specified separately in each case.
[(v) *current maturities of Long term borrowings shall be disclosed separately.***]**

[**FA. Trade Payables**

The following details relating to Micro, Small and Medium Enterprises shall be disclosed in the notes:—

(*a*) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;
(*b*) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;
(*c*) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;
(*d*) the amount of interest accrued and remaining unpaid at the end of each accounting year; and
(*e*) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

Explanation.—The terms 'appointed day', 'buyer', 'enterprise', 'micro enterprise', 'small enterprise' and 'supplier', shall have the same meaning assigned to those under clauses (*b*), (*d*), (*e*), (*h*), (*m*) and (*n*) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.]

[FB. Trade Payables due for payment

The following ageing schedule shall be given for Trade payables due for payment:—

Trade Payables ageing schedule

*(*Amount in Rs.*)*

Particulars	Outstanding for following periods from due date of payment#				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) *MSME*					
(ii) *Others*					
(iii) *Disputed dues— MSME*					
(iv) *Disputed dues— Others*					

#Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

*Unbilled dues shall be disclosed separately.***]**

G. Other current liabilities

The amounts shall be classified as :

(*a*) **[***]**
(*b*) Current maturities of finance lease obligations;

(*c*) Interest accrued but not due on borrowings;
(*d*) Interest accrued and due on borrowings;
(*e*) Income received in advance;
(*f*) Unpaid dividends;
(*g*) Application money received for allotment of securities and due for refund and interest accrued thereon. Share application money includes advances towards allotment of share capital. The terms and conditions including the number of shares proposed to be issued, the amount of premium, if any, and the period before which shares shall be allotted shall be disclosed. It shall also be disclosed whether the company has sufficient authorised capital to cover the share capital amount resulting from allotment of shares out of such share application money. Further, the period for which the share application money has been pending beyond the period for allotment as mentioned in the document inviting application for shares along with the reason for such share application money being pending shall be disclosed. Share application money not exceeding the issued capital and to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable, *i.e.*, the amount in excess of subscription or in case the requirements of minimum subscription are not met, shall be separately shown under "Óther current liabilities";
(*h*) Unpaid matured deposits and interest accrued thereon;
(*i*) Unpaid matured debentures and interest accrued thereon;
(*j*) Other payables (specify nature).

H. Short-term provisions

The amounts shall be classified as :

(*a*) Provision for employee benefits.
(*b*) Others (specify nature).

I. [*Property, Plant and Equipment*]

(*i*) Classification shall be given as :
(*a*) Land;
(*b*) Buildings;
(*c*) Plant and Equipment;
(*d*) Furniture and Fixtures;
(*e*) Vehicles;
(*f*) Office equipment;
(*g*) Others (specify nature).
(*ii*) Assets under lease shall be separately specified under each class of asset.
[(iii) *A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses/reversals shall be disclosed separately.***]**
(*iv*) Where sums have been written-off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every balance sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.

J. Intangible assets

(*i*) Classification shall be given as :
(*a*) Goodwill;
(*b*) Brands/trademarks;
(*c*) Computer software;
(*d*) Mastheads and publishing titles;
(*e*) Mining rights;
(*f*) Copyrights, and patents and other intellectual property rights, services and operating rights;
(*g*) Recipes, formulae, models, designs and prototypes;
(*h*) Licences and franchise;
(*i*) Others (specify nature).
[(ii) *A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.***]**
(*iii*) Where sums have been written-off on a reduction of capital or revaluation of assets or where sums have been added on revaluation of assets, every balance sheet subsequent to date of such write-off, or addition shall show the reduced or increased figures as applicable and shall by way of a note also show the amount of the reduction or increase as applicable together with the date thereof for the first five years subsequent to the date of such reduction or increase.

K. Non-current investments

(*i*) Non-current investments shall be classified as trade investments and other investments and further classified as :
(*a*) Investment property;
(*b*) Investments in Equity Instruments;
(*c*) Investments in preference shares;
(*d*) Investments in Government or trust securities;
(*e*) Investments in debentures or bonds;
(*f*) Investments in Mutual Funds;

(*g*) Investments in partnership firms;
(*h*) Other non-current investments (specify nature).

Under each classification, details shall be given of names of the bodies corporate indicating separately whether such bodies are (*i*) subsidiaries, (*ii*) associates, (*iii*) joint ventures, or (*iv*) controlled special purpose entities in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

(*ii*) Investments carried at other than at cost should be separately stated specifying the basis for valuation thereof;

(*iii*) The following shall also be disclosed :

(*a*) Aggregate amount of quoted investments and market value thereof;
(*b*) Aggregate amount of unquoted investments;
(*c*) Aggregate provision for diminution in value of investments.

L. Long-term loans and advances

(*i*) Long-term loans and advances shall be classified as :

(*a*) Capital Advances;
(*b*) **[*******]**
(*c*) Loans and advances to related parties (giving details thereof);
(*d*) Other loans and advances (specify nature).

(*ii*) The above shall also be separately sub-classified as :

(*a*) Secured, considered good;
(*b*) Unsecured, considered good;
(*c*) Doubtful.

(*iii*) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

(*iv*) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

M. Other non-current assets

Other non-current assets shall be classified as :

(*i*) Long-term Trade Receivables (including trade receivables on deferred credit terms);
[(ia) *Security Deposits***]**
(*ii*) Others (specify nature);
(*iii*) Long term Trade Receivables, shall be sub-classified as :

(*a*) (*A*) Secured, considered good;
(*B*) Unsecured, considered good;
(*C*) Doubtful.
(*b*) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.
(*c*) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

[(iv) *For trade receivables outstanding, following ageing schedule shall be given:*

Trade Receivables ageing schedule

*(*Amount in Rs.*)*

Particulars	Outstanding for following periods from due date of payment#					
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) *Undisputed Trade receivables - considered good*						
(ii) *Undisputed Trade Receivables - considered doubtful*						
(iii) *Disputed Trade Receivables considered good*						
(iv) *Disputed Trade Receivables considered doubtful*						

#Similar information shall be given where no due date of payment is spe- cified, in that case disclosure shall be from the date of the transaction.
*Unbilled dues shall be disclosed separately.***]**

N. Current Investments

(*i*) Current investments shall be classified as :

(*a*) Investments in Equity Instruments;
(*b*) Investments in Preference Shares;
(*c*) Investments in Government or trust securities;
(*d*) Investments in debentures or bonds;
(*e*) Investments in Mutual Funds;
(*f*) Investments in partnership firms;
(*g*) Other investments (specify nature).

Under each classification, details shall be given of names of the bodies corporate [indicating separately whether such bodies are: (*i*) subsidiaries, (*ii*) associates, (*iii*) joint ventures, or (*iv*) controlled special purpose entities] in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly paid). In regard to investments in the capital of partnership firms, the names of the firms (with the names of all their partners, total capital and the shares of each partner) shall be given.

(*ii*) The following shall also be disclosed :
- (*a*) The basis of valuation of individual investments;
- (*b*) Aggregate amount of quoted investments and market value thereof;
- (*c*) Aggregate amount of unquoted investments;
- (*d*) Aggregate provision made for diminution in value of investments.

O. Inventories

(*i*) Inventories shall be classified as :
- (*a*) Raw materials;
- (*b*) Work-in-progress;
- (*c*) Finished goods;
- (*d*) Stock-in-trade (in respect of goods acquired for trading);
- (*e*) Stores and spares;
- (*f*) Loose tools;
- (*g*) Others (specify nature).

(*ii*) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.

(*iii*) Mode of valuation shall be stated.

P. Trade Receivables

[(i) *For trade receivables outstanding, the following ageing schedules shall be given:*

Trade receivables ageing schedule

(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment#					
	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) *Undisputed Trade receivables - considered good*						
(ii) *Undisputed Trade Receivables - considered doubtful*						
(iii) *Disputed Trade Receivables considered good*						
(iv) *Disputed Trade Receivables considered doubtful*						

*#Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction. Unbilled dues shall be disclosed separately.***]**

(*ii*) Trade receivables shall be sub-classified as :
- (*a*) Secured, considered good;
- (*b*) Unsecured, considered good;
- (*c*) Doubtful.

(*iii*) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(*iv*) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

Q. Cash and cash equivalents

(*i*) Cash and cash equivalents shall be classified as :
- (*a*) Balances with banks;
- (*b*) Cheques, drafts on hand;
- (*c*) Cash on hand;
- (*d*) Others (specify nature).

(*ii*) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.

(*iii*) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.

(*iv*) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

(*v*) Bank deposits with more than twelve months maturity shall be disclosed separately.

R. Short-term loans and advances

(*i*) Short-term loans and advances shall be classified as :
- (*a*) Loans and advances to related parties (giving details thereof);
- (*b*) Others (specify nature).

(*ii*) The above shall also be sub-classified as :
- (*a*) Secured, considered good;
- (*b*) Unsecured, considered good;
- (*c*) Doubtful.

(*iii*) Allowance for bad and doubtful loans and advances shall be disclosed under the relevant heads separately.

(*iv*) Loans and advances due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.

S. Other current assets (specify nature)

This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories.

T. Contingent liabilities and commitments (to the extent not provided for)

(*i*) Contingent liabilities shall be classified as :
- (*a*) Claims against the company not acknowledged as debt;
- (*b*) Guarantees;
- (*c*) Other money for which the company is contingently liable.

(*ii*) Commitments shall be classified as :
- (*a*) Estimated amount of contracts remaining to be executed on capital account and not provided for;
- (*b*) Uncalled liability on shares and other investments partly paid;
- (*c*) Other commitments (specify nature).

U. The amount of dividends proposed to be distributed to equity and pre- ference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on preference shares shall also be disclosed separately.

V. Where in respect of an issue of securities made for a specific purpose, the whole or part of the amount has not been used for the specific purpose at the balance sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.

[*VA.* *Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.***]**

W. If, in the opinion of the Board, any of the assets other than [Property, Plant and Equipment] **[**, *Intangible assets***]** and non-current investments do not have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated, the fact that the Board is of that opinion, shall be stated.

X. [*********]

[*Y.* ***Additional Regulatory Information***

(i) *Title deeds of Immovable Property not held in name of the Company*
The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in format given below and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance Sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative# of promoter*/director or employee of promoter/director	Property held since which date	Reason for not being held in the name of the company**
PPE	*Land*	-	-	-	-	***also indicate if in dispute*
-	*Building*					
Investment property	*Land Building*					
PPE retired from active use and held for disposal	*Land Building*					
others						

#Relative here means relative as defined in the Companies Act, 2013.
**Promoter here means promoter as defined in the Companies Act, 2013.*

(ii) *Where the Company has revalued its Property, Plant and Equipment, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of the Companies (Registered Valuers and Valuation) Rules, 2017.*

(iii) *Following disclosures shall be made where Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013,) either severally or jointly with any other person, that are:*
- (a) *repayable on demand or*
- (b) *without specifying any terms or period of repayment*

Type of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans
Promoters		
Directors		
KMPs		
Related Parties		

(iv) *Capital-Work-in Progress (CWIP)*
(a) *For Capital-work-in progress, following ageing schedule shall be given:*
CWIP ageing schedule

(Amount in Rs.)

CWIP	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	

Projects in progress

Projects temporarily suspended

**Total shall tally with CWIP amount in the balance sheet.*

*(b) For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following CWIP completion schedule shall be given**:*

*(*Amount in Rs.*)*

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

***Details of projects where activity has been suspended shall be given separately.*

(v) Intangible assets under development:

(a) For Intangible assets under development, following ageing schedule shall be given:
Intangible assets under development ageing schedule

*(*Amount in Rs.*)*

Intangible assets under development	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

** Total shall tally with the amount of Intangible assets under development in the balance sheet.*

*(b) For Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following Intangible assets under development completion schedule shall be given**:*

*(*Amount in Rs.*)*

Intangible assets under development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

***Details of projects where activity has been suspended shall be given separately.*

(vi) Details of Benami Property held

Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and the rules made thereunder, the company shall disclose the following:—

(a) Details of such property, including year of acquisition,
(b) Amount thereof,
(c) Details of Beneficiaries,
(d) If property is in the books, then reference to the item in the Balance Sheet,
(e) If property is not in the books, then the fact shall be stated with reasons,
(f) Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided,
(g) Nature of proceedings, status of same and company's view on same.

(vii) Where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:—

(a) whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of account;
(b) if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.

*(viii) Wilful Defaulter**

Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, following details shall be given:

(a) Date of declaration as wilful defaulter,
(b) Details of defaults (amount and nature of defaults),

**"wilful defaulter" here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Act) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.*

(ix) Relationship with Struck off Companies

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details:—

Name of struck off Company	Nature of transactions with struck-off Company	Balance outstanding	Relationship with the Struck off company, if any, to be disclosed
	Investments in securities		
	Receivables		
	Payables		

Shares held by stuck off company

Other outstanding balances (to be specified)

(x) *Registration of charges or satisfaction with Registrar of Companies*
Where any charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period, details and reasons thereof shall be disclosed.

(xi) *Compliance with number of layers of companies*
Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship/extent of holding of the company in such downstream companies shall be disclosed.

(xii) *Following Ratios to be disclosed:—*
- (a) *Current Ratio,*
- (b) *Debt-Equity Ratio,*
- (c) *Debt Service Coverage Ratio,*
- (d) *Return on Equity Ratio,*
- (e) *Inventory turnover ratio,*
- (f) *Trade Receivables turnover ratio,*
- (g) *Trade payables turnover ratio,*
- (h) *Net capital turnover ratio,*
- (i) *Net profit ratio,*
- (j) *Return on Capital employed,*
- (k) *Return on investment.*

The company shall explain the items included in numerator and denominator for computing the above ratios. Further explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year.

(xiii) *Compliance with approved Scheme(s) of Arrangements*
Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the Company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company 'in accordance with the Scheme' and 'in accordance with accounting standards' and deviation in this regard shall be explained.

(xiv) *Utilisation of Borrowed funds and share premium:*

(A) *Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall*

(i) *directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or*

(ii) *provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;*
the company shall disclose the following:—

(I) *date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.*

(II) *date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries alongwith complete details of the ultimate beneficiaries.*

(III) *date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries*

(IV) *declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).;*

(B) *Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall*

(i) *directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or*

(ii) *provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, the company shall disclose the following: —*

(I) *date and amount of fund received from Funding parties with complete details of each Funding party.*

(II) *date and amount of fund further advanced or loaned or invested other intermediaries or Ultimate Beneficiaries alongwith complete details of the other intermediaries' or ultimate beneficiaries.*

(III) *date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries*

(IV) *declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).***]**

PART II

STATEMENT OF PROFIT AND LOSS

Name of the Company……..

Profit and loss statement for the year ended ……..

(Rupees in.....)

Particulars	*Note No.*	*Figures as at the end of current reporting period*	*Figures as at the end of the previous reporting period*
1	*2*	*3*	*4*

I.	Revenue from operations	xxx	xxx
II.	Other income	xxx	xxx
III.	Total **[***Income***]** (I + II)	xxx	xxx
IV.	Expenses :		
	Cost of materials consumed		
	Purchases of Stock-in-Trade		
	Changes in inventories of finished goods	xxx	xxx
	Work-in-progress	xxx	xxx
	and Stock-in-Trade	xxx	xxx
	Employee benefits expense	xxx	xxx
	Finance costs		
	Depreciation and amortisation expense		
	Other expenses		
	Total expenses	xxx	xxx
V.	Profit before exceptional and extraordinary items and tax (III - IV)	xxx	xxx
VI.	Exceptional items	xxx	xxx
VII.	Profit before extraordinary items and tax (V - VI)	xxx	xxx
VIII.	Extraordinary items	xxx	xxx
IX.	Profit before tax (VII - VIII)	xxx	xxx
X.	Tax expense :		
	(1) Current tax	xxx	xxx
	(2) Deferred tax	xxx	xxx
XI.	Profit (Loss) for the period from continuing operations (VII-VIII)	xxx	xxx
XII.	Profit/(loss) from discontinuing operations	xxx	xxx
XIII.	Tax expense of discontinuing operations	xxx	xxx
XIV.	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)	xxx	xxx
XV.	Profit (Loss) for the period (XI + XIV)	xxx	xxx
XVI.	Earnings per equity share :	xxx	xxx
	(1) Basic	xxx	xxx
	(2) Diluted	xxx	xxx

See *accompanying notes to the financial statements.*

General instructions for preparation of statement ofprofit and loss

1. The provisions of this Part shall apply to the income and expenditure account referred to in sub-clause (*ii*) of clause (*40*) of section 2 in like manner as they apply to a statement of profit and loss.

2. (*A*) In respect of a company other than a finance company revenue from operations shall disclose separately in the notes revenue from—

(*a*) Sale of products;

(*b*) Sale of services;

[(*ba*) *Grants or donations received (relevant in case of section 8 companies only);***]**

(*c*) Other operating revenues;

Less:

(*d*) Excise duty.

(*B*) In respect of a finance company, revenue from operations shall include revenue from—

(*a*) Interest; and

(*b*) Other financial services.

Revenue under each of the above heads shall be disclosed separately by way of notes to accounts to the extent applicable.

3. *Finance Costs*

Finance costs shall be classified as :

(*a*) Interest expense;

(*b*) Other borrowing costs;

(*c*) Applicable net gain/loss on foreign currency transactions and translation.

4. *Other income*

Other income shall be classified as :

(*a*) Interest Income (in case of a company other than a finance company);

(*b*) Dividend Income;

(*c*) Net gain/loss on sale of investments;

(*d*) Other non-operating income (net of expenses directly attributable to such income).

5. *Additional Information*

A Company shall disclose by way of notes additional information regarding aggregate expenditure and income on the following items:—

(*i*) (*a*) Employee Benefits Expense [showing separately (*i*) salaries and wages, (*ii*) contribution to provident and other funds, (*iii*) expense on Employee Stock Option Scheme (ESOP) and Employee Stock Purchase Plan (ESPP), (*iv*) staff welfare expenses].

(*b*) Depreciation and amortisation expense;

(*c*) Any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.1,00,000, whichever is higher;

(*d*) Interest income;

(*e*) Interest expense;

(*f*) Dividend income;

(*g*) Net gain/loss on sale of investments;

(*h*) Adjustments to the carrying amount of investments;

(*i*) Net gain or loss on foreign currency transaction and translation (other than considered as finance cost);

(*j*) Payments to the auditor as (*a*) auditor; (*b*) for taxation matters; (*c*) for company law matters; (*d*) for management services; (*e*) for other services; and (*f*) for reimbursement of expenses;

(*k*) In case of Companies covered under section 135 amount of expenditure incurred on corporate social responsibility activities;

(*l*) Details of items of exceptional and extraordinary nature;

(*m*) Prior period items.

(*ii*) (*a*) In the case of manufacturing companies,—

(*1*) Raw materials under broad heads.

(*2*) Goods purchased under broad heads.

(*b*) In the case of trading companies, purchases in respect of goods traded in by the company under broad heads.

(*c*) In the case of companies rendering or supplying services, gross income derived from services rendered or supplied under broad heads.

(*d*) In the case of a company, which falls under more than one of the categories mentioned in (*a*), (*b*) and (*c*) above, it shall be sufficient compliance with the requirements herein if purchases, sales and consumption of raw material and the gross income from services rendered is shown under broad heads.

(*e*) In the case of other companies, gross income derived under broad heads.

(*iii*) In the case of all concerns having works-in-progress, works-in-progress under broad heads.

(*iv*) (*a*) The aggregate, if material, of any amounts set aside or proposed to be set aside, to reserve, but not including provisions made to meet any specific liability, contingency or commitment known to exist at the date as to which the balance sheet is made up.

(*b*) The aggregate, if material, of any amounts withdrawn from such reserves.

(*v*) (*a*) The aggregate, if material, of the amounts set aside to provisions made for meeting specific liabilities, contingencies or commitments.

(*b*) The aggregate, if material, of the amounts withdrawn from such provisions, as no longer required.

(*vi*) Expenditure incurred on each of the following items, separately for each item:—

(*a*) Consumption of stores and spare parts;

(*b*) Power and fuel;

(*c*) Rent;

(*d*) Repairs to buildings;

(*e*) Repairs to machinery;

(*f*) Insurance;

(*g*) Rates and taxes, excluding taxes on income;

(*h*) Miscellaneous expenses,

(*vii*) (*a*) Dividends from subsidiary companies.

(*b*) Provisions for losses of subsidiary companies.

(*viii*) The profit and loss account shall also contain by way of a note the following information, namely:—

(*a*) Value of imports calculated on C.I.F. basis by the company during the financial year in respect of—

I. Raw materials;

II. Components and spare parts;

III. Capital goods;

(*b*) Expenditure in foreign currency during the financial year on account of royalty, know-how, professional and consultation fees, interest, and other matters;

(*c*) Total value if all imported raw materials, spare parts and components consumed during the financial year and the total value of all indigenous raw materials, spare parts and components similarly consumed and the percentage of each to the total consumption;

(*d*) The amount remitted during the year in foreign currencies on account of dividends with a specific mention of the total number of non-resident shareholders, the total number of shares held by them on which the dividends were due and the year to which the dividends related;

(*e*) Earnings in foreign exchange classified under the following heads, namely:—

I. Export of goods calculated on F.O.B. basis;
II. Royalty, know-how, professional and consultation fees;
III. Interest and dividend;
IV. Other income, indicating the nature thereof.

[(ix) *Undisclosed income*

The Company shall give details of any transaction not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961), unless there is immunity for disclosure under any scheme and also shall state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.

(x) *Corporate Social Responsibility (CSR)*

Where the company covered under section 135 of the companies Act, the following shall be disclosed with regard to CSR activities:—

(a) *amount required to be spent by the company during the year,*
(b) *amount of expenditure incurred,*
(c) *shortfall at the end of the year,*
(d) *total of previous years shortfall,*
(e) *reason for shortfall,*
(f) *nature of CSR activities,*
(g) *details of related party transactions,* e.g., *contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard,*
(h) *where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year should be shown separately.*

(xi) *Details of Crypto Currency or Virtual Currency*

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed:—

(a) *profit or loss on transactions involving Crypto currency or Virtual Currency*
(b) *amount of currency held as at the reporting date,*
(c) *deposits or advances from any person for the purpose of trading or investing in Crypto Currency/virtual currency.*]

Note:— Broad heads shall be decided taking into account the concept of materiality and presentation of true and fair view of financial statements.

General instructions for the preparation of consolidated financial statements

1. Where a company is required to prepare Consolidated Financial Statements, *i.e.*, consolidated balance sheet and consolidated statement of profit and loss, the company shall *mutatis mutandis* follow the requirements of this Schedule as applicable to a company in the preparation of balance sheet and statement of profit and loss. In addition, the consolidated financial statements shall disclose the information as per the requirements specified in the applicable Accounting Standards including the following :

(*i*) Profit or loss attributable to "minority interest" and to owners of the parent in the statement of profit and loss shall be presented as allocation for the period.

(*ii*) "Minority interests" in the balance sheet within equity shall be presented separately from the equity of the owners of the parent.

2. In Consolidated Financial Statements, the following shall be disclosed by way of additional information :

Name of the entity in the	*Net Assets,* i.e., *total assets minus total liabilities*		*Share in profit or loss*	
	As % of consolidated net assets	*Amount*	*As % of consolidated profit or loss*	*Amount*
1	*2*	*3*	*4*	*5*
Parent Subsidiaries Indian				
1.				
2.				
3.				
.				
.				
Foreign				
1.				
2.				
3.				
.				
.				
Minority Interests in all subsidiaries Associates (Investment as per the equity method)				
Indian				

1.

2.

3.

.

.

Foreign

1.

2.

3.

.

.

Joint Ventures (as per proportionate consolidation/investment as per the equity method)

Indian

1.

2.

3.

.

.

Foreign

1.

2.

3.

.

.

TOTAL

3. All subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under consolidated financial statements.

4. An entity shall disclose the list of subsidiaries or associates or joint ventures which have not been consolidated in the consolidated financial statements along with the reasons of not consolidating.

[DIVISION II

FINANCIAL STATEMENTS FOR A COMPANY WHOSE FINANCIAL STATEMENTS ARE DRAWN UP IN COMPLIANCE OF THE COMPANIES (INDIAN ACCOUNTING STANDARDS) RULES, 2015

GENERAL INSTRUCTIONS FOR PREPARATION OF FINANCIAL STATEMENTS OF A COMPANY REQUIRED TO COMPLY WITH IND AS

1. Every company to which Indian Accounting Standards apply, shall prepare its financial statements in accordance with this Schedule or with such modification as may be required under certain circumstances.

2. Where compliance with the requirements of the Act including Indian Accounting Standards (except the option of presenting assets and liabilities in the order of liquidity as provided by the relevant Ind AS) as applicable to the companies require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes *inter se*, in the financial statements or statements forming part thereof, the same shall be made and the requirements under this Schedule shall stand modified accordingly.

3. The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Indian Accounting Standards. Additional disclosures specified in the Indian Accounting Standards shall be made in the Notes or by way of additional statement or statements unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Companies Act, 2013 shall be made in the Notes in addition to the requirements set out in this Schedule.

4. (*i*) Notes shall contain information in addition to that presented in the Financial Statements and shall provide where required—

(*a*) narrative descriptions or disaggregations of items recognised in those statements; and

(*b*) information about items that do not qualify for recognition in those statements.

(*ii*) Each item on the face of the Balance Sheet, Statement of Changes in Equity and Statement of Profit and Loss shall be cross-referenced to any related information in the Notes. In preparing the Financial Statements including the Notes, a balance shall be maintained between providing excessive detail that may not assist users of Financial Statements and not providing important information as a result of too much aggregation.

5. Depending upon the **[***total income***]** of the company, the figures appearing in the Financial Statements shall be rounded off as below:

[Total Income**]**	*Rounding off*
(*i*) less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(*ii*) one hundred crore rupees or more	To the nearest, lakhs, millions or crores, or decimals thereof.

Once a unit of measurement is used, it should be used uniformly in the Financial Statements.

6. Financial Statements shall contain the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including Notes except in the case of first Financial Statements laid before the company after incorporation.

7. Financial Statements shall disclose all 'material' items, *i.e.*, the items if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size or nature of the item or a combination of both, to be judged in the particular circumstances.

8. For the purpose of this Schedule, the terms used herein shall have the same meanings assigned to them in Indian Accounting Standards.

9. Where any Act or Regulation requires specific disclosures to be made in the standalone financial statements of a company, the said disclosures shall be made in addition to those required under this Schedule.

Note : This Schedule sets out the minimum requirements for disclosure on the face of the Financial Statements, *i.e.*, Balance Sheet, Statement of Changes in Equity for the period, the Statement of Profit and Loss for the period (The term 'Statement of Profit and Loss' has the same meaning as 'Profit and Loss Account') and Notes. Cash flow statement shall be prepared, where applicable, in accordance with the requirements of the relevant Indian Accounting Standard.

Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the company's financial position or performance or to cater to industry or sector-specific disclosure requirements or when required for compliance with the amendments to the Companies Act, 2013 or under the Indian Accounting Standards.

PART I

BALANCE SHEET

Name of the Company ……

Balance Sheet as at ……

(Rupees in……)

Particulars	*Note No.*	*Figures as at the end of current reporting period*	*Figures as at the end of the previous reporting period*
1	*2*	*3*	*4*
(1) **ASSETS**			
Non-current assets			
(*a*) Property, Plant and Equipment			
(*b*) Capital work-in-progress			
(*c*) Investment Property			
(*d*) Goodwill			
(*e*) Other Intangible assets			
(*f*) Intangible assets under development			
(*g*) Biological Assets other than bearer plants			
(*h*) Financial Assets			
(*i*) Investments			
(*ii*) Trade receivables			
(*iii*) Loans			
(*iv*) Others (to be specified)			
(*i*) Deferred tax assets (net)			
(*j*) Other non-current assets			

(2) **Current assets**

(*a*) Inventories

(*b*) Financial Assets

(*i*) Investments
(*ii*) Trade receivables
(*iii*) Cash and cash equivalents
(*iv*) Bank balances other than (*iii*) above
(*v*) Loans
(*vi*) Others (to be specified)

(*c*) Current Tax Assets (Net)

(*d*) Other current assets

Total Assets

EQUITY AND LIABILITIES

Equity

(*a*) Equity Share capital

(*b*) Other Equity

LIABILITIES

(1) **Non-current liabilities**

(*a*) Financial Liabilities

(*i*) Borrowings
[(*ia*) *Lease liabilities***]**
(*ii*) [Trade payables:—
(*A*) total outstanding dues of micro enterprises and small enterprises; and
(*B*) total outstanding dues of creditors other than micro enterprises and small enterprises.]
(*iii*) Other financial liabilities (other than those specified in item (*b*), to be specified)

(*b*) Provisions

(*c*) Deferred tax liabilities (Net)

(*d*) Other non-current liabilities

(2) **Current liabilities**

(*a*) Financial Liabilities

(*i*) Borrowings
[(*ia*) *Lease liabilities***]**
(*ii*) [Trade payables:—
(*A*) total outstanding dues of micro enterprises and small enterprises; and
(*B*) total outstanding dues of creditors other than micro enterprises and small enterprises.]
(*iii*) Other financial liabilities [other than those specified in item (*c*)]

(*b*) Other current liabilities

(*c*) Provisions

(*d*) Current Tax Liabilities (Net)

Total Equity and Liabilities

See accompanying notes to the financial statements

[STATEMENT OF CHANGES IN EQUITY

Name of the Company……..

A. Equity Share Capital

(1) Current reporting period

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period

(2) Previous reporting period

Balance at the beginning of the previous reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the previous reporting period	Changes in equity share capital during the previous year	Balance at the end of the previous reporting period

B. Other Equity

(1) Current reporting period

	Reserves and Surplus											
	Share application money pending allotment	Equity component of compound financial instruments	Capital Reserve	Securities Premium	Other Reserves (specify nature)	Retained Earnings	Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income (specify nature)	Money received against share warrants	Total
Balance at the beginning of the current reporting period														
Changes in accounting policy or prior period errors														
Restated balance at the beginning of the current reporting period														
Total Comprehensive Income for the current year														
Dividends														
Transfer to retained earnings														
Any other change (to be specified)														
Balance at the end of the current reporting period														

(2) Previous reporting period

	Reserves and Surplus											
	Share application money pending allotment	Equity component of compound financial instruments	Capital Reserve	Securities Premium	Other Reserves (specify nature)	Retained Earnings	Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income (specify nature)	Money received against share warrants	Total
Balance at the beginning of the previous reporting period														
Changes in accounting policy/prior period errors														
Restated balance at the beginning of the previous reporting period														
Total Comprehensive Income for the previous year														
Dividends														
Transfer to retained earnings														
Any other change (to be specified)														
Balance at the end of the previous reporting period														

Note: *Remeasurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss shall be recognised as a part of retained earnings with separate disclosure of such items alongwith the relevant amounts in the Notes or shall be shown as a separate column under Reserves and Surplus.***]**

Notes:

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

1. An entity shall classify an asset as current when—

(*a*) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;

(*b*) it holds the asset primarily for the purpose of trading;

(*c*) it expects to realise the asset within twelve months after the reporting period; or

(*d*) the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

2. The operating cycle of an entity is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be twelve months.

3. An entity shall classify a liability as current when—

(*a*) it expects to settle the liability in its normal operating cycle;

(*b*) it holds the liability primarily for the purpose of trading;

(*c*) the liability is due to be settled within twelve months after the reporting period; or

(*d*) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

4. A receivable shall be classified as a 'trade receivable' if it is in respect of the amount due on account of goods sold or services rendered in the normal course of business.

5. A payable shall be classified as a 'trade payable' if it is in respect of the amount due on account of goods purchased or services received in the normal course of business.

6. A company shall disclose the following in the Notes:

A. Non-Current Assets

I. Property, Plant and Equipment :

(*i*) Classification shall be given as:

(*a*) Land
(*b*) Buildings
(*c*) Plant and Equipment
(*d*) Furniture and Fixtures
(*e*) Vehicles
(*f*) Office equipment
(*g*) Bearer Plants
(*h*) Others (specify nature)

(*ii*) Assets under lease shall be separately specified under each class of assets.

[(iii) *A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.***]**

II. Investment Property:

A reconciliation of the gross and net carrying amounts of each class of property at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.

III. Goodwill:

A reconciliation of the gross and net carrying amount of goodwill at the beginning and end of the reporting period showing additions, impairments, disposals and other adjustments.

IV. Other Intangible assets:

(*i*) Classification shall be given as:

(*a*) Brands or trademarks
(*b*) Computer software
(*c*) Mastheads and publishing titles
(*d*) Mining rights
(*e*) Copyrights, patents, other intellectual property rights, services and operating rights
(*f*) Recipes, formulae, models, designs and prototypes
(*g*) Licenses and franchises
(*h*) Others (specify nature).

[(ii) *A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and other adjustments and the related amortization and impairment losses or reversals shall be disclosed separately.*]

V. Biological Assets other than bearer plants:

A reconciliation of the carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments shall be disclosed separately.

VI. Investments:

(*i*) Investments shall be classified as:

(*a*) Investments in Equity Instruments;
(*b*) Investments in Preference Shares;
(*c*) Investments in Government or trust securities;
(*d*) Investments in debentures or bonds;
(*e*) Investments in Mutual Funds;
(*f*) Investments in partnership firms; or
(*g*) Other investments (specify nature).

Under each classification, details shall be given of names of the bodies corporate that are—

(*i*) subsidiaries,
(*ii*) associates,
(*iii*) joint ventures, or
(*iv*) structured entities,

in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid). Investments in partnership firms alongwith names of the firms, their partners, total capital and the shares of each partner shall be disclosed separately.

(*ii*) The following shall also be disclosed:

(*a*) Aggregate amount of quoted investments and market value thereof;
(*b*) Aggregate amount of unquoted investments; and
(*c*) Aggregate amount of impairment in value of investments.

VII. Trade Receivables:

[(*i*) Trade Receivables shall be sub-classified as:

(*a*) Trade Receivables considered good - Secured;
(*b*) Trade Receivables considered good - Unsecured;
(*c*) Trade Receivables which have significant increase in Credit Risk; and
(*d*) Trade Receivables - credit impaired.]

(*ii*) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(*iii*) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

[(iv) *For trade receivables outstanding, following ageing schedule shall be given:*

Trade Receivables ageing schedule

(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment#					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) *Undisputed Trade receivables - considered goods*						
(ii) *Undisputed Trade Receivables - which have significant increase in credit risk*						
(iii) *Undisputed Trade Receivables - credit impaired*						
(iv) *Disputed Trade Receivables- considered goods*						
(v) *Disputed Trade Receivables - which have significant increase in credit risk*						
(vi) *Disputed Trade Receivables - credit impaired*						

#Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately]

VIII. Loans:

(*i*) Loans shall be classified as—

(*a*) [***]
(*b*) Loans to related parties (giving details thereof); and
(*c*) Other loans (specify nature).

[(*ii*) Loans Receivables shall be sub-classified as:

(*a*) Loans Receivables considered good - Secured;
(*b*) Loans Receivables considered good - Unsecured;
(*c*) Loans Receivables which have significant increase in Credit Risk; and
(*d*) Loans Receivables - credit impaired.]

(*iii*) Allowance for bad and doubtful loans shall be disclosed under the relevant heads separately.

(*iv*) Loans due by directors or other officers of the company or any of them either severally or jointly with any other persons or amounts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

[*IX. Other financial assets*

(i) *Security Deposits*

(ii) *Bank deposits with more than 12 months maturity*

(iii) *others(to be specified).***]**

X. Other non-current assets: Other non-current assets shall be classified as—

(*i*) Capital Advances; and

(*ii*) Advances other than capital advances;

(1) Advances other than capital advances shall be classified as:

(*a*) Security Deposits;

(*b*) Advances to related parties (giving details thereof); and

(*c*) Other advances (specify nature).

(2) Advances to directors or other officers of the company or any of them either severally or jointly with any other persons or advances to firms or private companies respectively in which any director is a partner or a director or a member should be separately stated. In case advances are of the nature of a financial asset as per relevant Ind AS, these are to be disclosed under 'other financial assets' separately.

(*iii*) Others (specify nature).

B. Current Assets

I. Inventories:

(*i*) Inventories shall be classified as—

(*a*) Raw materials;

(*b*) Work-in-progress;

(*c*) Finished goods;

(*d*) Stock-in-trade (in respect of goods acquired for trading);

(*e*) Stores and spares;

(*f*) Loose tools; and

(*g*) Others (specify nature).

(*ii*) Goods-in-transit shall be disclosed under the relevant sub-head of inventories.

(*iii*) Mode of valuation shall be stated.

II. Investments:

(*i*) Investments shall be classified as-

(*a*) Investments in Equity Instruments;

(*b*) Investments in Preference Shares;

(*c*) Investments in Government or trust securities;

(*d*) Investments in debentures or bonds;

(*e*) Investments in Mutual Funds;

(*f*) Investments in partnership firms; and

(*g*) Other investments (specify nature).

Under each classification, details shall be given of names of the bodies corporate that are—

(*i*) subsidiaries,

(*ii*) associates,

(*iii*) joint ventures, or

(*iv*) structured entities,

in whom investments have been made and the nature and extent of the investment so made in each such body corporate (showing separately investments which are partly-paid).

(*ii*) The following shall also be disclosed-

(*a*) Aggregate amount of quoted investments and market value thereof;

(*b*) Aggregate amount of unquoted investments;

(*c*) Aggregate amount of impairment in value of investments.

III. Trade Receivables:

[(*i*) Trade Receivables shall be sub-classified as:

(*a*) Trade Receivables considered good - Secured;

(*b*) Trade Receivables considered good - Unsecured;

(*c*) Trade Receivables which have significant increase in Credit Risk; and

(*d*) Trade Receivables - credit impaired.]

(*ii*) Allowance for bad and doubtful debts shall be disclosed under the relevant heads separately.

(*iii*) Debts due by directors or other officers of the company or any of them either severally or jointly with any other person or debts due by firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

[(iv) *For trade receivables outstanding, following ageing schedule shall be given:*

Trade Receivables ageing schedule

(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment#					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) *Undisputed Trade receivables - considered goods*						
(ii) *Undisputed Trade Receivables - which have significant increase in credit risk*						
(iii) *Undisputed Trade Receivables - credit impaired*						
(iv) *Disputed Trade Receivables - considered goods*						
(v) *Disputed Trade Receivables - which have significant increase in credit risk*						
(vi) *Disputed Trade Receivables - credit impaired*						

#Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

*Unbilled dues shall be disclosed separately***]**

IV. Cash and cash equivalents: Cash and cash equivalents shall be classified as-

a. Balances with Banks (of the nature of cash and cash equivalents);
b. Cheques, drafts on hand;
c. Cash on hand; and
d. Others (specify nature).

V. Loans:

(*i*) Loans shall be classified as:
- (*a*) **[***]**
- (*b*) Loans to related parties (giving details thereof); and
- (*c*) Others (specify nature).

[(*ii*) Loans Receivables shall be sub-classified as:
- (*a*) Loans Receivables considered good - Secured;
- (*b*) Loans Receivables considered good - Unsecured;
- (*c*) Loans Receivables which have significant increase in Credit Risk; and
- (*d*) Loans Receivables - credit impaired.]

(*iii*) Allowance for bad and doubtful loans shall be disclosed under the relevant heads separately.

(*iv*) Loans due by directors or other officers of the company or any of them either severally or jointly with any other person or amounts due by firms or private companies respectively in which any director is a partner or a director or a member shall be separately stated.

[*VA. Other Financial Assets: This is an all-inclusive heading, which incorporates financial assets that do not fit into any other financial asset categories, such as, Security Deposits.***]**

VI. Other current assets (specify nature): This is an all-inclusive heading, which incorporates current assets that do not fit into any other asset categories. Other current assets shall be classified as—

(*i*) Advances other than capital advances

(1) Advances other than capital advances shall be classified as:

(*a*) Security Deposits;
(*b*) Advances to related parties (giving details thereof);
(*c*) Other advances (specify nature).

(2) Advances to directors or other officers of the company or any of them either severally or jointly with any other persons or advances to firms or private companies respectively in which any director is a partner or a director or a member should be separately stated.

(*ii*) Others (specify nature)

C. Cash and Bank balances

The following disclosures with regard to cash and bank balances shall be made:

(*a*) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.
(*b*) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.
(*c*) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

D. Equity

I. Equity Share Capital: For each class of equity share capital:

(*a*) the number and amount of shares authorised;
(*b*) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;
(*c*) par value per share;
(*d*) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
(*e*) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;
(*f*) shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by subsidiaries or associates of the holding company or the ultimate holding company in aggregate;

(*g*) shares in the company held by each shareholder holding more than five per cent shares specifying the number of shares held;

(*h*) shares reserved for issue under options and contracts or commitments for the sale of shares or disinvestment, including the terms and amounts;

(*i*) for the period of five years immediately preceding the date at which the Balance Sheet is prepared—

- ♦ aggregate number and class of shares allotted as fully paid up pursuant to contract without payment being received in cash;
- ♦ aggregate number and class of shares allotted as fully paid up by way of bonus shares; and
- ♦ aggregate number and class of shares bought back;

(*j*) terms of any securities convertible into equity shares issued along with the earliest date of conversion in descending order starting from the farthest such date;

(*k*) calls unpaid (showing aggregate value of calls unpaid by directors and officers);

(*l*) forfeited shares (amount originally paid up).

[(m) *A company shall disclose Shareholding of Promoters* as under:*

		Shares held by promoters at the end of the year		% Change during the year***
Sl. No.	Promoter name	No. of Shares**	% of total shares	
Total				

**Promoter here means promoter as defined in the Companies Act, 2013.*

*** Details shall be given separately for each class of shares.*

****Percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.***]**

II. Other Equity:

(*i*) 'Other Reserves' shall be classified in the notes as-

- (*a*) Capital Redemption Reserve;
- (*b*) Debenture Redemption Reserve;
- (*c*) Share Options Outstanding Account; and
- (*d*) Others - (specify the nature and purpose of each reserve and the amount in respect thereof);

(Additions and deductions since last balance sheet to be shown under each of the specified heads)

(*ii*) Retained Earnings represents surplus *i.e.* balance of the relevant column in the Statement of Changes in Equity;

(*iii*) A reserve specifically represented by earmarked investments shall disclose the fact that it is so represented;

(*iv*) Debit balance of Statement of Profit and Loss shall be shown as a negative figure under the head 'retained earnings'. Similarly, the balance of 'Other Equity', after adjusting negative balance of retained earnings, if any, shall be shown under the head 'Other Equity' even if the resulting figure is in the negative; and

(*v*) Under the sub-head 'Other Equity', disclosure shall be made for the nature and amount of each item.

E. Non-Current Liabilities

I. Borrowings:

(*i*) borrowings shall be classified as—

- (*a*) Bonds or debentures
- (*b*) Term loans
  - (I) from banks
  - (II) from other parties
- (*c*) Deferred payment liabilities
- (*d*) Deposits
- (*e*) Loans from related parties
- (*f*) **[***]**
- (*g*) Liability component of compound financial instruments
- (*h*) Other loans (specify nature);

(*ii*) borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case;

(*iii*) where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed;

(*iv*) bonds or debentures (along with the rate of interest, and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from farthest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by instalments, the date of maturity for this purpose must be reckoned as the date on which the first instalment becomes due;

(*v*) particulars of any redeemed bonds or debentures which the company has power to reissue shall be disclosed;

(*vi*) terms of repayment of term loans and other loans shall be stated; and

(*vii*) period and amount of default as on the balance sheet date in repayment of borrowings and interest shall be specified separately in each case.

III. Provisions: The amounts shall be classified as—

(*a*) Provision for employee benefits; and

(*b*) Others (specify nature).

IV. Other non-current liabilities;

(*a*) Advances; and

(*b*) Others (specify nature).

F. Current Liabilities

I. Borrowings:

(*i*) Borrowings shall be classified as-
  (*a*) Loans repayable on demand
    (I) from banks
    (II) from other parties
  (*b*) Loans from related parties
  (*c*) Deposits
  (*d*) Other loans (specify nature);

(*ii*) borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case;

(*iii*) where loans have been guaranteed by directors or others, the aggregate amount of such loans under each head shall be disclosed;

(*iv*) period and amount of default as on the balance sheet date in repayment of borrowings and interest, shall be specified separately in each case;

[(*v*) *Current maturities of long term borrowings shall be disclosed separately.***]**

II. Other Financial Liabilities: Other financial liabilities shall be classified as—

(*a*) **[*******]**

(*b*) **[*******]**

(*c*) Interest accrued;

(*d*) Unpaid dividends;

(*e*) Application money received for allotment of securities to the extent refundable and interest accrued thereon;

(*f*) Unpaid matured deposits and interest accrued thereon;

(*g*) Unpaid matured debentures and interest accrued thereon; and

(*h*) Others (specify nature).

'Long term debt' is a borrowing having a period of more than twelve months at the time of origination

III. Other current liabilities:

The amounts shall be classified as—

(*a*) revenue received in advance;

(*b*) other advances (specify nature); and

(*c*) others (specify nature).

IV. Provisions: The amounts shall be classified as—

(*i*) provision for employee benefits; and

(*ii*) others (specify nature).

[**FA. Trade Payables**

The following details relating to micro, small and medium enterprises shall be disclosed in the notes:—

(*a*) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;

(*b*) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 (27 of 2006), along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;

(*c*) the amount of interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;

(*d*) the amount of interest accrued and remaining unpaid at the end of each accounting year; and

(*e*) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

Explanation.—The terms 'appointed day', 'buyer', 'enterprise', 'micro enterprise', 'small enterprise' and 'supplier', shall have the same meaning as assigned to them under clauses (*b*), (*d*), (*e*), (*h*), (*m*) and (*n*) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.]

[*FB. For trade payables due for payment, following ageing schedule shall be given:*

Trade Payables ageing schedule

(Amount in Rs.)

Particulars	Outstanding for following periods from due date of payment#				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) *MSME*					
(ii) *Others*					
(iii) *Disputed dues - MSME*					
(iv) *Disputed dues - Others*					

#Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

*Unbilled dues shall be disclosed separately***]**

G. The presentation of liabilities associated with group of assets classified as held for sale and non-current assets classified as held for sale shall be in accordance with the relevant Indian Accounting Standards (Ind ASs).

H. Contingent Liabilities and Commitments:

(to the extent not provided for)

(*i*) Contingent Liabilities shall be classified as—

(*a*) claims against the company not acknowledged as debt;
(*b*) guarantees excluding financial guarantees; and
(*c*) other money for which the company is contingently liable.

(*ii*) Commitments shall be classified as—

(*a*) estimated amount of contracts remaining to be executed on capital account and not provided for;
(*b*) uncalled liability on shares and other investments partly paid; and
(*c*) other commitments (specify nature).

I. The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on irredeemable preference shares shall also be disclosed separately.

J. Where in respect of an issue of securities made for a specific purpose the whole or part of amount has not been used for the specific purpose at the Balance Sheet date, there shall be indicated by way of note how such unutilised amounts have been used or invested.

[*JA. Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.*]

K.[***]

[*L. Additional Regulatory Information*

(*i*) *Title deeds of Immovable Properties not held in name of the Company*

The company shall provide the details of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in following format and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance Sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative# of promoter*/director or employee of promoter/director	Property held since which date	Reason for not being held in the name of the company**
PPE -	*Land*	-	-	-	-	***also indicate if in dispute*
-	*Building*					
Investment property	*Land*					
-	*Building*					
Non-current asset held for sale	*Land*					
-	*Building*					
Other						

#Relative here means relative as defined in the Companies Act, 2013.

**Promoter here means promoter as defined in the Companies Act, 2013.*

(*ii*) *The Company shall disclose as to whether the fair value of investment property (as measured for disclosure purposes in the financial statements) is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.*

(*iii*) *Where the Company has revalued its Property, Plant and Equipment (including Right-of-Use Assets), the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.*

(*iv*) *Where the company has revalued its intangible assets, the company shall disclose as to whether the revaluation is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.*

(*v*) *The following disclosures shall be made where Loans or Advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under Companies Act, 2013), either severally or jointly with any other person, that are:*

(a) *repayable on demand; or*
(b) *without specifying any terms or period of repayment:*

Type of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans
Promoter		
Directors		
KMPs		
Related Parties		

(*vi*) ***Capital-work-in Progress (CWIP)***

(a) *For Capital-work-in progress, following ageing schedule shall be given:*
CWIP ageing schedule

(Amount in Rs.)

CWIP	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

**Total shall tally with CWIP amount in the balance sheet.*

(b) *For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following CWIP completion schedule shall be given**:*

*(*Amount in Rs.*)*

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

***Details of projects where activity has been suspended shall be given separately.*

(vii) ***Intangible assets under development:***

(a) *For Intangible assets under development, following ageing schedule shall be given:*

Intangible assets under development ageing schedule

*(*Amount in Rs.*)*

Intangible assets under development	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

** Total shall tally with the amount of Intangible assets under development in the balance sheet.*

(b) *For Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, the following Intangible assets under development completion schedule shall be given**:*

*(*Amount in Rs.*)*

Intangible assets under development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

***Details of projects where activity has been suspended shall be given separately.*

(viii) ***Details of Benami Property held***

Where any proceeding has been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder, the company shall disclose the following:—

(a) *Details of such property,*
(b) *Amount thereof,*
(c) *Details of Beneficiaries,*
(d) *If property is in the books, then reference to the item in the Balance Sheet,*
(e) *If property is not in the books, then the fact shall be stated with reasons,*
(f) *Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided,*
(g) *Nature of proceedings, status of same and company's view on same.*

(ix) *where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:—*

(a) *whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of accounts*
(b) *if not, summary of reconciliation and reasons of material discrepancies, if any to be adequately disclosed.*

(x) ***Wilful Defaulter****

Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, following details shall be given:

(a) *Date of declaration as wilful defaulter,*
(b) *Details of defaults (amount and nature of defaults)*

**"wilful defaulter" here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Companies Act, 2013) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.*

(xi) ***Relationship with struck off Companies***

Where the company has any transactions with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details, namely:—

Name of struck off Company	Nature of transactions with struck-off Company	Balance outstanding	Relationship with the struck off company, if any, to be disclosed
Investments in securities			

Receivables

Payables

Shares held by struck off company

Other outstanding balances (to be specified)

(xii) ***Registration of charges or satisfaction with Registrar of Companies (ROC)***

Where any charges or satisfaction yet to be registered with ROC beyond the statutory period, details and reasons thereof shall be disclosed.

(xiii) ***Compliance with number of layers of companies***

Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with the Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship or extent of holding of the company in such downstream companies shall be disclosed.

(xiv) ***Following Ratios to be disclosed:—***

(a) *Current Ratio,*
(b) *Debt-Equity Ratio,*
(c) *Debt Service Coverage Ratio,*
(d) *Return on Equity Ratio,*
(e) *Inventory turnover ratio,*
(f) *Trade Receivables turnover ratio,*
(g) *Trade payables turnover ratio,*
(h) *Net capital turnover ratio,*
(i) *Net profit ratio,*
(j) *Return on Capital employed,*
(k) *Return on investment.*

The company shall explain the items included in numerator and denominator for computing the above ratios. Further explanation shall be provided for any change in the ratio by more than 25% as compared to the preceding year.

(xv) ***Compliance with approved Scheme(s) of Arrangements***

Where the Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company 'in accordance with the Scheme' and 'in accordance with accounting standards' and any deviation in this regard shall be explained.

(xvi) *Utilisation of Borrowed funds and share premium:*

(A) *Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall*

(i) *directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or*

(ii) *provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;*

the company shall disclose the following:—

(I) *date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary.*

(II) *date and amount of fund further advanced or loaned or inves-ted by such Intermediaries to other intermediaries or Ultimate Beneficiaries alongwith complete details of the ultimate beneficiaries.*

(III) *date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries*

(IV) *declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).*

(B) *Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall*

(i) *directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or*

(ii) *provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, the company shall disclose the following:—*

(I) *date and amount of fund received from Funding parties with complete details of each Funding party.*

(II) *date and amount of fund further advanced or loaned or invested other intermediaries or Ultimate Beneficiaries alongwith complete details of the other intermediaries' or ultimate beneficiaries.*

(III) *date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries*

(IV) *declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).***]**

7. When a company applies an accounting policy retrospectively or makes a restatement of items in the financial statements or when it reclassifies items in its financial statements, the company shall attach to the Balance Sheet, a "Balance Sheet" as at the beginning of the earliest comparative period presented.

8. Share application money pending allotment shall be classified into equity or liability in accordance with relevant Indian Accounting Standards. Share application money to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable shall be separately shown under 'Other financial liabilities'.

9. Preference shares including premium received on issue, shall be classified and presented as 'Equity' or 'Liability' in accordance with the requirements of the relevant Indian Accounting Standards. Accordingly, the disclosure and presentation requirements in this regard applicable to the relevant class of equity or liability shall be applicable *mutatis mutandis* to the preference shares. For instance, [plain vanilla] redeemable preference shares shall be classified and

presented under 'non-current liabilities' as 'borrowings' and the disclosure requirements in this regard applicable to such borrowings shall be applicable *mutatis mutandis* to redeemable preference shares.

10. Compound financial instruments such as convertible debentures, where split into equity and liability components, as per the requirements of the relevant Indian Accounting Standards, shall be classified and presented under the relevant heads in 'Equity' and 'Liabilities'.

11. Regulatory Deferral Account Balances shall be presented in the Balance Sheet in accordance with the relevant Indian Accounting Standards.

PART II

STATEMENT OF PROFIT AND LOSS

Name of the Company…….

Statement of Profit and Loss for the period ended ……

(Rupees in……)

	Particulars	*Note No.*	*Figures for the current reporting period*	*Figures for the previous reporting period*
I	Revenue from Operations			
II	Other Income			
III	Total Income (I+II)			
IV	**EXPENSES**			
	Cost of materials consumed			
	Purchases of Stock-in-Trade			
	Changes in inventories of finished goods, Stock-in-Trade and work-in-progress			
	Employee benefits expense			
	Finance costs			
	Depreciation and amortization expense			
	Other expenses			
	Total expenses (IV)			
V	Profit/(loss) before exceptional items and tax (I- IV)			
VI	Exceptional Items			
VII	Profit/(loss) before tax (V-VI)			
VIII	Tax expense:			
	(1) Current tax			
	(2) Deferred tax			
IX	Profit (Loss) for the period from continuing operations (VII-VIII)			
X	Profit/(loss) from discontinued operations			
XI	Tax expense of discontinued operations			
XII	Profit/(loss) from Discontinued operations (after tax) (X-XI)			
XIII	Profit/(loss) for the period (IX+XII)			
XIV	Other Comprehensive Income			
	A (*i*) Items that will not be reclassified to profit or loss			
	(*ii*) Income tax relating to items that will not be reclassified to profit or loss			
	B (*i*) Items that will be reclassified to profit or loss			
	(*ii*) Income tax relating to items that will be reclassified to profit or loss			
XV	Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit (Loss) and Other Comprehensive Income for the period)			
XVI	Earnings per equity share (for continuing operation):			
	(1) Basic			
	(2) Diluted			

XVII	Earnings per equity share (for discontinued operation):
	(1) Basic
	(2) Diluted
XVIII	Earnings per equity share (for discontinued & continuing operations)
	(1) Basic
	(2) Diluted

***See* accompanying notes to the financial statements**

Notes:

GENERAL INSTRUCTIONS FOR PREPARATION OF STATEMENT OF PROFIT AND LOSS

1. The provisions of this Part shall apply to the income and expenditure account, in like manner as they apply to a Statement of Profit and Loss.

2. The Statement of Profit and Loss shall include:

(1) Profit or loss for the period;

(2) Other Comprehensive Income for the period.

The sum of (1) and (2) above is 'Total Comprehensive Income'.

3. Revenue from operations shall disclose separately in the notes

(*a*) sale of products (including Excise Duty);

(*b*) sale of services; **[***]**

[(ba) *Grants or donations received (relevant in case of section 8 companies only); and***]**

(*c*) other operating revenues.

4. Finance Costs: Finance costs shall be classified as—

(*a*) interest;

(*b*) dividend on redeemable preference shares;

(*c*) exchange differences regarded as an adjustment to borrowing costs; and

(*d*) other borrowing costs (specify nature).

5. Other income: Other income shall be classified as—

(*a*) interest Income;

(*b*) dividend Income; and

(*c*) other non-operating income (net of expenses directly attributable to such income).

6. Other Comprehensive Income shall be classified into—

(A) Items that will not be reclassified to profit or loss

(*i*) Changes in revaluation surplus;

(*ii*) Remeasurements of the defined benefit plans;

(*iii*) Equity Instruments through Other Comprehensive Income;

(*iv*) Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss;

(*v*) Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent not to be classified into profit or loss; and

(*vi*) Others (specify nature).

(B) Items that will be reclassified to profit or loss;

(*i*) Exchange differences in translating the financial statements of a foreign operation;

(*ii*) Debt Instruments through Other Comprehensive Income;

(*iii*) The effective portion of gains and loss on hedging instruments in a cash flow hedge;

(*iv*) Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent to be classified into profit or loss; and

(*v*) Others (specify nature).

7. Additional Information: A Company shall disclose by way of notes, additional information regarding aggregate expenditure and income on the following items:

(*a*) employee benefits expense [showing separately (*i*) salaries and wages, (*ii*) contribution to provident and other funds, (*iii*) share based payments to employees, (*iv*) staff welfare expenses].

(*b*) depreciation and amortisation expense;

(*c*) any item of income or expenditure which exceeds one per cent of the revenue from operations or Rs.10,00,000, whichever is higher, in addition to the consideration of 'materiality' as specified in clause 7 of the General Instructions for Preparation of Financial Statements of a Company;

(*d*) interest Income;

(*e*) interest Expense;

(*f*) dividend income;

(*g*) net gain or loss on sale of investments;

(*h*) net gain or loss on foreign currency transaction and translation (other than considered as finance cost);

(*i*) payments to the auditor as (*a*) auditor, (*b*) for taxation matters, (*c*) for company law matters, (*d*) for other services, (*e*) for reimbursement of expenses;

(*j*) in case of companies covered under section 135, amount of expenditure incurred on corporate social responsibility activities;

(*k*) details of items of exceptional nature; and

[(*l*) *Undisclosed income*

The Company shall give details of any transaction not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961), unless there is immunity for disclosure under any scheme and shall also state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.

(m) *Corporate Social Responsibility (CSR)*

Where the company covered under section 135 of the Companies Act, the following shall be disclosed with regard to CSR activities:—

(i) *amount required to be spent by the company during the year,*
(ii) *amount of expenditure incurred,*
(iii) *shortfall at the end of the year,*
(iv) *total of previous years shortfall,*
(v) *reason for shortfall,*
(vi) *nature of CSR activities,*
(vii) *details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard,*
(viii) *where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year shall be shown separately.*

(n) *details of Crypto Currency or Virtual Currency*

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed:—

(i) *profit or loss on transactions involving Crypto currency or Virtual Currency,*
(ii) *amount of currency held as at the reporting date,*
(iii) *deposits or advances from any person for the purpose of trading or investing in Crypto Currency or virtual currency.*]

8. Changes in Regulatory Deferral Account Balances shall be presented in the Statement of Profit and Loss in accordance with the relevant Indian Accounting Standards.

PART III

GENERAL INSTRUCTIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

1. Where a company is required to prepare Consolidated Financial Statements, *i.e.*, consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of profit and loss, the company shall *mutatis mutandis* follow the requirements of this Schedule as applicable to a company in the preparation of balance sheet, statement of changes in equity and statement of profit and loss. In addition, the consolidated financial statements shall disclose the information as per the requirements specified in the applicable Indian Accounting Standards notified under the Companies (Indian Accounting Standards) Rules, 2015, including the following, namely:—

(*i*) Profit or loss attributable to 'non-controlling interest' and to 'owners of the parent' in the statement of profit and loss shall be presented as allocation for the period. Further, 'total comprehensive income' for the period attributable to 'non-controlling interest' and to 'owners of the parent' shall be presented in the statement of profit and loss as allocation for the period. The aforesaid disclosures for 'total comprehensive income' shall also be made in the statement of changes in equity. In addition to the disclosure requirements in the Indian Accounting Standards, the aforesaid disclosures shall also be made in respect of 'other comprehensive income'.

(*ii*) 'Non-controlling interests' in the Balance Sheet and in the Statement of Changes in Equity, within equity, shall be presented separately from the equity of the 'owners of the parent'.

(*iii*) Investments accounted for using the equity method.

2. In Consolidated Financial Statements, the following shall be disclosed by way of additional information:

Name of the entity in the Group	*Net Assets*, i.e., *total assets minus total liabilities*		*Share in profit or loss*		*Share in other comprehensive income*		*Share in total comprehensive income*	
	As % of Consolidated net assets	*Amount*	*As % of consolidated profit or loss*	*Amount*	*As % of consolidated other comprehensive income*	*Amount*	*As % of total comprehensive income*	*Amount*
Parent								
Subsidiaries								
Indian								
1.								
2.								
3.								
.								
.								
.								
Foreign								
1.								

2.

3.

.
.

.

Non-controlling Interests in all subsidiaries

Associates (Investment as per the equity method)

Indian

1.

2.

3.

.
.
.

Foreign

1.

2.

3.

.
.

.

Joint Ventures (investment as per the equity method)

Indian

1.

2.

3.

.
.

.

Foreign

1.

2.

3.

.

.

Total

3. All subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under consolidated financial statements.

4. An entity shall disclose the list of subsidiaries or associates or joint ventures which have not been consolidated in the consolidated financial statements along with the reasons of not consolidating.]

[DIVISION III

FINANCIAL STATEMENTS FOR A NON-BANKING FINANCIAL COMPANY (NBFC) WHOSE FINANCIAL STATEMENTS ARE DRAWN UP IN COMPLIANCE OF THE COMPANIES (INDIAN ACCOUNTING STANDARDS) RULES, 2015

GENERAL INSTRUCTIONS FOR PREPARATION OF FINANCIAL STATEMENTS OF A NON-BANKING FINANCIAL COMPANY (NBFC) THAT IS REQUIRED TO COMPLY WITH INDIAN ACCOUNTING STANDARDS (Ind AS)

1. Every Non-Banking Financial Company as defined in the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 to which Indian Accounting Standards apply, shall prepare its financial statements in accordance with this Schedule or with such modification as may be required under certain circumstances.
2. Where compliance with the requirements of relevant Act, Regulations, Guidelines or Circulars issued by the relevant regulator from time to time including Indian Accounting Standards (Ind AS) (except the option of presenting assets and liabilities in accordance with current, non-current classification as provided by relevant Ind AS) as applicable to the NBFCs require any change in treatment or disclosure including addition, amendment, substitution or deletion in the head or sub-head or any changes *inter se*, in the financial statements or statements forming part thereof, the same shall be made and the requirements under this Schedule shall stand modified accordingly.
3. The disclosure requirements specified in this Schedule are in addition to and not in substitution of the disclosure requirements specified in the Indian Accounting Standards. Additional disclosures specified in the Indian Accounting Standards shall be made in the Notes or by way of additional statement or statements unless required to be disclosed on the face of the Financial Statements. Similarly, all other disclosures as required by the Companies Act, 2013 shall be made in the Notes in addition to the requirements set out in this Schedule.
4. (*i*) Notes shall contain information in addition to that presented in the Financial Statements and shall provide where required—
   (*a*) narrative descriptions or disaggregations of items recognised in those statements; and
   (*b*) information about items that do not qualify for recognition in those statements.
   (*ii*) Each item on the face of the Balance Sheet, Statement of Changes in Equity and Statement of Profit and Loss shall be cross-referenced to any related information in the Notes. In preparing the Financial Statements including the Notes, a balance shall be maintained between providing excessive details that may not assist users of Financial Statements and not providing important information as a result of too much aggregation.
5. Depending upon the total income of the NBFC, the figures appearing in the Financial Statements shall be rounded off as below:

Total Income	Rounding off
(*i*) Less than one hundred crore rupees	To the nearest hundreds, thousands, lakhs or millions, or decimals thereof.
(*ii*) One hundred crore rupees or more	To the nearest, lakhs, millions or crores, or decimals thereof.

   Once a unit of measurement is used, it should be used uniformly in the Financial Statements.
6. Financial Statements shall contain the corresponding amounts (comparatives) for the immediately preceding reporting period for all items shown in the Financial Statements including Notes except in the case of first Financial Statements after incorporation.
7. Financial Statements shall disclose all 'material' items, *i.e.*, the items if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size or nature of the item or a combination of both, to be judged in the particular circumstances.
8. For the purpose of this Schedule, the terms used herein shall have the same meanings assigned to them in Indian Accounting Standards.
9. Where any Act, Regulation, Guidelines or Circulars issued by the relevant regulators from time to time requires specific disclosures to be made in the standalone financial statements of an NBFC, the said disclosures shall be made in addition to those required under this Schedule.
10. The NBFCs preparing financial statements as per this Schedule may change the order of presentation of line items on the face of financial statements or order of line items within the schedules in order of liquidity, if appropriate, considering the operations performed by the NBFC.

Note: This Schedule sets out the minimum requirements for disclosure on the face of the Financial Statements, *i.e.*, Balance Sheet, Statement of Changes in Equity for the period, the Statement of Profit and Loss for the period (The term 'Statement of Profit and Loss' has the same meaning as 'Profit and Loss Account') and Notes. Cash flow statement shall be prepared, where applicable, in accordance with the requirements of the relevant Indian Accounting Standard.

Line items, sub-line items and sub-totals shall be presented as an addition or substitution on the face of the Financial Statements when such presentation is relevant to an understanding of the NBFC's financial position or performance or to cater to categories of NBFCs as prescribed by the relevant regulator or sector-specific disclosure requirements or when required for compliance with the amendments to the relevant statutes or under the Indian Accounting Standards.

PART I

BALANCE SHEET

Name of the Non-Banking Financial Company…….

Balance Sheet as at ……

(Rupees in……)

Particulars	*Note No.*	*Figures as at the end of current reporting period*	*Figures as at the end of the previous reporting period*
1		*2*	*3*
ASSETS			
(1) Financial Assets			
(*a*) Cash and cash equivalents			
(*b*) Bank Balance other than (*a*) above			
(*c*) Derivative financial instruments			
(*d*) Receivables			
(I) Trade Receivables			
(II) Other Receivables			

(*e*) Loans
(*f*) Investments
(*g*) Other Financial assets (to be specified)

(2) Non-financial Assets
(*a*) Inventories
(*b*) Current tax assets (Net)
(*c*) Deferred tax Assets (Net)
(*d*) Investment Property
(*e*) Biological assets other than bearer plants
(*f*) Property, Plant and Equipment
(*g*) Capital work-in-progress
(*h*) Intangible assets under development
(*i*) Goodwill
(*j*) Other Intangible assets
(*k*) Other non-financial assets (to be specified)

Total Assets

LIABILITIES AND EQUITY

LIABILITIES

(1) Financial Liabilities
(*a*) Derivative financial instruments
(*b*) Payables
(I)Trade Payables
(*i*) total outstanding dues of micro enterprises and small enterprises
(*ii*) total outstanding dues of creditors other than micro enterprises and small enterprises
(II) Other Payables
(*i*) total outstanding dues of micro enterprises and small enterprises
(*ii*) total outstanding dues of creditors other than micro enterprises and small enterprises
(*c*) Debt Securities
(*d*) Borrowings (Other than Debt Securities)
(*e*) Deposits
(*f*) Sub-ordinated Liabilities
(*g*) Other financial liabilities (to be specified)

(2) Non-Financial Liabilities
(*a*) Current tax liabilities (Net)
(*b*) Provisions
(*c*) Deferred tax liabilities (Net)
(*d*) Other non-financial liabilities (to be specified)

(3) Equity
(*a*) Equity Share capital
(*b*) Other Equity

Total Liabilities and Equity

See accompanying notes to the financial statements

[STATEMENT OF CHANGES IN EQUITY

Name of the Company……..

A. Equity Share Capital

(1) Current reporting period

Balance at the beginning of the current reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the current year	Balance at the end of the current reporting period

(2) Previous reporting period

Balance at the beginning of the previous reporting period	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the previous reporting period	Changes in equity share capital during the previous year	Balance at the end of the previous reporting period

B. Other Equity

(1) Current reporting period

	Share application money pending allotment	Equity component of compound financial instruments	Reserves and Surplus				Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income (specify nature)	Money received against share warrants	Total
			Capital Reserve	Securities Premium	Other Reserves (specify nature)	Retained Earnings								
Balance at the beginning of the current reporting period														
Changes in accounting policy/prior period errors														
Restated balance at the beginning of the current reporting period														
Total Comprehensive Income for the current year														
Dividends														
Transfer to retained earnings														
Any other change (to be specified)														
Balance at the end of the current reporting period														

(2) Previous reporting period

	Share application money pending allotment	Equity component of compound financial instruments	Reserves and Surplus				Debt instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income (specify nature)	Money received against share warrants	Total
			Capital Reserve	Securities Premium	Other Reserves (specify nature)	Retained Earnings								
Balance at the beginning of the previous reporting period														
Changes in accounting policy/prior period errors														
Restated balance at the beginning of the previous reporting period														
Total Comprehensive Income for the previous year														
Dividends														
Transfer to retained earnings														
Any other change (to be specified)														

Balance at the end of the previous reporting period

Note:*Remeasurement of defined benefit plans and fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss shall be recognised as a part of retained earnings with separate disclosure of such items alongwith the relevant amounts in the Notes or shall be shown as a separate column under Reserves and Surplus.***]**

Notes

GENERAL INSTRUCTIONS FOR PREPARATION OF BALANCE SHEET

A Non-Banking Financial Company shall disclose the following in the notes to accounts:

(A) Cash and cash equivalents: Cash and cash equivalents shall be classified as:

(*i*) Cash on hand;
(*ii*) Balances with Banks (of the nature of cash and cash equivalents);
(*iii*) Cheques, drafts on hand; and
(*iv*) Others (specify nature).

Cash and Bank balances: The following disclosures with regard to cash and bank balances shall be made:

(*i*) Earmarked balances with banks (for example, for unpaid dividend) shall be separately stated.
(*ii*) Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments shall be disclosed separately.
(*iii*) Repatriation restrictions, if any, in respect of cash and bank balances shall be separately stated.

(B) Derivative financial Instruments

1. *Explain use of derivatives*
2. *Cross-reference to Financial Risks section for management of risks arising from derivatives*

	(Current Year)			(Previous Year)		
Part I	**Notional amounts**	**Fair Value -Assets**	**Fair Value - Liabilities**	**Notional amounts**	**Fair Value -Assets**	**Fair Value - Liabilities**
(*i*) Currency derivatives:						
-Spot and forwards						
-Currency Futures						
-Currency swaps						
-Options purchased						
-Options sold (written)						
-Others						
Sub-total (i)						
(*ii*) Interest rate derivatives						
-Forward Rate Agreements and Interest Rate Swaps						
-Options purchased						
-Options sold (written)						
-Futures						
-Others						
Sub-total (*ii*)						
(*iii*) Credit derivatives						
(*iv*) Equity linked derivatives						
(*v*) Other derivatives (Please specify)						
Total Derivative Financial Instruments (*i*)+(*ii*)+(*iii*)+(*iv*)+(*v*)						
Part II						

Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:

(*i*) Fair value hedging:

- Currency derivatives
- Interest rate derivatives
- Credit derivatives
- Equity linked derivatives
- Others

Sub-total (*i*)

(*ii*) Cash flow hedging:

- Currency derivatives
- Interest rate derivatives
- Credit derivatives
- Equity linked derivatives
- Others

Sub-total (*ii*)

(*iii*) Net investment hedging:

(*iv*) Undesignated Derivatives

Total Derivative Financial Instruments (*i*)+ (*ii*)+ (*iii*)+(*iv*)

With respect to hedges and hedge accounting, NBFCs may provide a description in accordance with the requirements of Indian Accounting Standards, of how derivatives are used for hedging, explain types of hedges recognized for accounting purposes and their usage/application by the entity.

(C) Receivables:

(*i*) Receivables shall be sub-classified as:
  (*a*) Receivables considered good - Secured;
  (*b*) Receivables considered good - Unsecured;
  (*c*) Receivables which have significant increase in Credit Risk; and
  (*d*) Receivables - credit impaired.

(*ii*) Allowance for impairment loss allowance shall be disclosed under the relevant heads separately.

(*iii*) Debts due by directors or other officers of the NBFC or any of them either severally or jointly with any other person or debts due by firms including limited liability partnerships (LLPs), private companies respectively in which any director is a partner or a director or a member should be separately stated.

[(iv) *For trade receivables outstanding, following ageing schedule shall be given:*

Trade Receivables ageing schedule

*(*Amount in Rs.*)*

Particulars	Outstanding for following periods from due date of payment#					
	Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i) *Undisputed Trade receivables - considered goods*						
(ii) *Undisputed Trade Receivables - which have significant increase in credit risk*						
(iii) *Undisputed Trade Receivables - credit impaired*						
(iv) *Disputed Trade Receivables- considered goods*						
(v) *Disputed Trade Receivables - which have significant increase in credit risk*						
(vi) *Disputed Trade Receivables - credit impaired*						

*#Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction. Unbilled dues shall be disclosed separately.***]**

(D) Loans

	(Current Year)						(Previous Year)					
	Amortised cost	At Fair Value			Sub-total	Total	Amortised cost	At Fair Value			Sub-total	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss				Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss		
	(1)	(2)	(3)	(4)	(5=2+3+4)	(6=1+5)	(7)	(8)	(9)	(10)	(11=8+9+10)	(12)=(7)+(11)
Loans												
(A)												
(*i*) Bills Purchased and Bills Discounted												
(*ii*) Loans repayable on Demand												
(*iii*) Term Loans												
(*iv*) Leasing												
(*v*) Facto-ring												
(*vi*) Others (to be specified)												
Total (A) -Gross												
Less: Impairment loss allowance												
Total (A) - Net												
(B)												
(*i*) Secured by tangible assets												
(*ii*) Secured by intangible assets												
(*iii*) Covered by Bank/Government Guarantees												
(*iv*) Unsecured												
Total (B)-Gross												
Less: Impairment loss allowance												
Total (B)-Net												
(C) (I) Loans in India												
(*i*) Public Sector												
(*ii*) Others (to be specified)												
Total (C)- Gross												
Less: Impairment loss allowance												
Total(C) (I)-Net												
(C) (II)Loans outside India												
Less: Impairment loss allowance												
Total (C) (II)- Net												
Total C(I) and C(II)												

(E) Investments

Investments

Investments	(Current Year)							(Previous Year)						
	Amortised cost	At Fair Value			Sub-Total	Others*	Total	Amortised cost	At Fair Value			Sub-Total	Others*	Total
		Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss					Through Other Comprehensive Income	Through profit or loss	Designated at fair value through profit or loss			
	(1)	(2)	(3)	(4)	(5)=(2)+(3)+(4)	(6)	(7)=(1)+(5)+(6)	(8)	(9)	(10)	(11)	(12)=(9)+(10)+(11)	(13)	(14)=(8)+(12)+(13)
Mutual funds														
Government securities														

Other approved securities	
Debt securities	
Equity instruments	
Subsidiaries	
Associates	
Joint Ventures	
Others (specify)	
Total – Gross (A)	
(*i*) Investments outside India	
(*ii*) Investments in India	
Total (B)	
Total (A) to tally with (B)	
Less: Allowance for Impairment loss (C)	
Total – Net D= (A)-(C)	
*Other basis of measurement such as cost may be explained as a footnote.	

(F) Investment Property

A reconciliation of the gross and net carrying amounts of each class of property at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.

(G) Biological Assets other than bearer plants

A reconciliation of the carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations and other adjustments shall be disclosed separately.

(H) Property, Plant and Equipment

(*i*) Classification shall be given as:
- (*a*) Land
- (*b*) Buildings
- (*c*) Plant and Equipment
- (*d*) Furniture and Fixtures
- (*e*) Vehicles
- (*f*) Office equipment
- (*g*) Bearer Plants
- (*h*) Others (specify nature)

(*ii*) Assets under lease shall be separately specified under each class of asset.

[(iii) *A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment) and other adjustments and the related depreciation and impairment losses or reversals shall be disclosed separately.***]**

(I) Goodwill

A reconciliation of the gross and net carrying amount of goodwill at the beginning and end of the reporting period showing additions, impairments, disposals and other adjustments.

(J) Other Intangible assets

(*i*) Classification shall be given as:
- (*a*) Brands or trademarks
- (*b*) Computer software
- (*c*) Mastheads and publishing titles
- (*d*) Mining rights
- (*e*) Copyrights, patents, other intellectual property rights, services and operating rights
- (*f*) Recipes, formulae, models, designs and prototypes
- (*g*) Licenses and franchises
- (*h*) Others (specify nature)

[(ii) *A reconciliation of the gross and net carrying amounts of each class of assets at the beginning and end of the reporting period showing additions, disposals, acquisitions through business combinations, amount of change due to revaluation (if change is 10% or more in the aggregate of the net carrying value of each class of intangible assets) and other adjustments and the related amortization and impairment losses or reversals shall be disclosed separately.***]**

(K) Payables

The following details relating to Micro, Small and Medium Enterprises shall be disclosed:

(*a*) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier at the end of each accounting year;

(*b*) the amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year;

(*c*) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006;

(*d*) the amount of interest accrued and remaining unpaid at the end of each accounting year; and

(*e*) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.

Explanation.—The terms 'appointed day', 'buyer', 'enterprise', 'micro enterprise', 'small enterprise' and 'supplier', shall have the same meaning assigned to those under clauses (*b*), (*d*), (*e*), (*h*), (*m*) and (*n*) respectively of section 2 of the Micro, Small and Medium Enterprises Development Act, 2006.

**[(*KA) For trade payables due for payment, following ageing schedule shall be given:*

Trade Payables ageing schedule

*(*Amount in Rs.*)*

Particulars	Outstanding for following periods from due date of payment#				
	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) *MSME*					
(ii) *Others*					
(iii) *Disputed dues -MSME*					
(iv) *Disputed dues -Others*					

#Similar information shall be given where no due date of payment is specified in that case disclosure shall be from the date of the transaction.

Unbilled dues shall be disclosed separately]

(L) Debt Securities

	(Current year)				(Previous year)			
	At Amortised Cost	**At Fair Value through profit or loss**	**Designated at fair value through profit or loss**	**Total**	**At Amortised Cost**	**At Fair Value through profit or loss**	**Designated at fair value through profit or loss**	**Total**
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)	(7)	(8)=(5)+(6)+(7)
Liability component of compound financial instruments								
Others (Bonds/Debenture etc.)								
Total (A)								
Debt securities in India								
Debt securities outside India								
Total (B) to tally with (A)								

(*i*) bonds or debentures (along with the rate of interest, and particulars of redemption or conversion, as the case may be) shall be stated in descending order of maturity or conversion, starting from earliest redemption or conversion date, as the case may be. Where bonds/debentures are redeemable by instalments, the date of maturity for this purpose must be reckoned as the date on which the first instalment becomes due;

(*ii*) particulars of any redeemed bonds or debentures which the NBFC has power to re-issue shall be disclosed.

(M) Borrowings (Other than Debt Securities)

	(Current year)				(Previous year)			
	At Amortised Cost	**At fair value through profit or loss**	**Designated at fair value through profit or loss**	**Total**	**At Amortised Cost**	**At fair value through profit or loss**	**Designated at fair value through profit or loss**	**Total**

	(1)	(2)	(3)	(4)= (1)+ (2)+(3)	(1)	(2)	(3)	(4)= (1)+ (2)+(3)
(*a*) Term loans								
(*i*) from banks								
(*ii*) from other parties								
(*b*) Deferred payment liabilities								
(*c*) Loans from related parties								
(*d*) Finance lease obligations								
(*e*) Liability component of compound financial instruments								
(*f*) Loans repayable on demand								
(*i*) from banks								
(*ii*) from other parties								
(*g*) Other loans (specify nature)								
Total (A)								
Borrowings in India								
Borrowings outside India								
Total (B) to tally with (A)								

(*i*) Borrowings shall further be sub-classified as secured and unsecured. Nature of security shall be specified separately in each case;

(*ii*) Where borrowings have been guaranteed by directors or others, the aggregate amount of such borrowings under each head shall be disclosed;

(*iii*) Terms of repayment of term loans and other loans shall be stated; and

(*iv*) Period and amount of default as on the balance sheet date in repayment of borrowings and interest shall be specified separately in each case.

(N) Deposits

	(Current year)				(Previous year)			
	At Amortised Cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total	At Amortised Cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total
	(1)	(2)	(3)	(4)= (1)+ (2)+(3)	(5)	(6)	(7)	(8)= (5)+ (6)+(7)
Deposits								
(*i*) Public Deposits								
(*ii*) From Banks								
(*iii*) From Others								
Total								

(O) Subordinated Liabilities

	(Current year)	(Previous year)

	At Amortised Cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total	At Amortised Cost	At fair value through profit or loss	Designated at fair value through profit or loss	Total
	(1)	(2)	(3)	(4)= (1)+ (2)+(3)	(5)	(6)	(7)	(8)= (5)+ (6)+(7)
Perpetual Debt Instruments to the extent that do not qualify as equity								
Preference Shares other than those that qualify as Equity								
Others (specifying the nature and type of instrument issued)								
Total (A)								
Subordinated Liabilities in India								
Subordinated liabilities outside India								
Total (B) to tally with (A)								

(P) Other Financial Liabilities (to be specified): Other Financial liabilities shall be classified as—

(*a*) Interest accrued;
(*b*) Unpaid dividends;
(*c*) Application money received for allotment of securities to the extent refundable and interest accrued thereon;
(*d*) Unpaid matured deposits and interest accrued thereon;
(*e*) Unpaid matured debentures and interest accrued thereon;
(*f*) Margin money (to be specified); and
(*g*) Others (specify nature)

(Q) Provisions: The amounts shall be classified as—

(*a*) Provision for employee benefits; and
(*b*) Others (specify nature)

(R) Other Non-financial liabilities (to be specified):

(*a*) Revenue received in advance;
(*b*) Other advances (specify nature); and
(*c*) Others (specify nature).

(S) Equity Share Capital : For each class of equity share capital:

(*a*) the number and amount of shares authorized;
(*b*) the number of shares issued, subscribed and fully paid, and subscribed but not fully paid;
(*c*) par value per share;
(*d*) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
(*e*) the rights, preferences and restrictions attaching to each class of shares including restrictions on the distribution of dividends and the repayment of capital;
(*f*) shares in respect of each class in the company held by its holding company or its ultimate holding company including shares held by or by subsidiaries or associates of the holding company or the ultimate holding company in aggregate;
(*g*) shares in the company held by each shareholder holding more than five per cent shares specifying the number of shares held;
(*h*) shares reserved for issue under options and contracts/commitments for the sale of shares or disinvestment, including the terms and amounts;
(*i*) for the period of five years immediately preceding the date at which the Balance Sheet is prepared:
- Aggregate number and class of shares allotted as fully paid up pursuant to contract without payment being received in cash;
- Aggregate number and class of shares allotted as fully paid up by way of bonus shares; and
- Aggregate number and class of shares bought back;

(*j*) terms of any securities convertible into equity shares issued along with the earliest date of conversion in descending order starting from the farthest such date;

(*k*) calls unpaid (showing aggregate value of calls unpaid by directors and officers);

(*l*) forfeited shares (amount originally paid up);

(*m*) An NBFC shall disclose information that enables users of its financial statements to evaluate the NBFC's objectives, policies and processes for managing capital.

[(n) *A company shall disclose Shareholding of Promoters* as under:*

		Shares held by promoters at the end of the year		% Change during the year***
Sl. No.	Promoter name	No. of Shares**	% of total shares	
Total				

**Promoter here means promoter as defined in the Companies Act, 2013.*

***Details shall be given separately for each class of shares*

****Percentage change shall be computed with respect to the number at the beginning of the year or if issued during the year for the first time then with respect to the date of issue.***]**

(T) Other Equity

(*i*) Other Reserves' shall be classified in the notes as:

(*a*) Capital Redemption Reserve;
(*b*) Debenture Redemption Reserve;
(*c*) Share Options Outstanding Account;
(*d*) Statutory Reserves; and
(*e*) Others - (specify the nature and purpose of each reserve and the amount in respect thereof);

(Additions and deductions since last balance sheet to be shown under each of the specified heads)

(*ii*) Retained Earnings represents surplus *i.e.* balance of the relevant column in the Statement of Changes in Equity;

(*iii*) A reserve specifically represented by earmarked investments shall disclose the fact that it is so represented;

(*iv*) Debit balance of Statement of Profit and Loss shall be shown as a negative figure under the head 'retained earnings'. Similarly, the balance of 'Other Equity', after adjusting negative balance of retained earnings, if any, shall be shown under the head 'Other Equity' even if the resulting figure is in the negative;

(*v*) Under the sub-head 'Other Equity', disclosure shall be made for the nature and amount of each item; and

(*vi*) Under the sub-head 'Other Equity', disclosure shall be made for conditions or restrictions for distribution attached to statutory reserves.

(U) Contingent Liabilities and commitments (to the extent not provided for)

(*i*) Contingent Liabilities shall be classified as:

(*a*) Claims against the company not acknowledged as debt;
(*b*) Guarantees excluding financial guarantees; and
(*c*) Other money for which the company is contingently liable.

(*ii*) Commitments shall be classified as:

(*a*) Estimated amount of contracts remaining to be executed on capital account and not provided for;
(*b*) Uncalled liability on shares and other investments partly paid;
(*c*) Other commitments (specify nature).

(V) The amount of dividends proposed to be distributed to equity and preference shareholders for the period and the related amount per share shall be disclosed separately. Arrears of fixed cumulative dividends on irredeemable preference shares shall also be disclosed separately.

(W) Where in respect of an issue of securities made for a specific purpose the whole or part of amount has not been used for the specific purpose at the Balance Sheet date, there shall be indicated by way of note how such unutilized amounts have been used or invested.

[*(WA)* *Where the company has not used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date, the company shall disclose the details of where they have been used.*

(WB) Additional Regulatory Information

(i) ***Title deeds of Immovable Properties not held in name of the Company***

The company shall provide the details of all the immovable property (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) whose title deeds are not held in the name of the company in following format and where such immovable property is jointly held with others, details are required to be given to the extent of the company's share.

Relevant line item in the Balance Sheet	Description of item of property	Gross carrying value	Title deeds held in the name of	Whether title deed holder is a promoter, director or relative# of promoter/director or employee of promoter/director	Property held since which date	Reason for not being held in the name of the company**
PPE	*Land*	-	-	-	-	***also indicate if in dispute*
-	*Building*					
Investment property	*Land*					
-	*Building*					

Non-current asset held for sale	*Land*
-	*Building*
Other	

#Relative here means relative as defined in the Companies Act, 2013.

**Promoter here means promoter as defined in the Companies Act, 2013.*

(ii) *The company shall disclose as to whether the fair value of investment property (as measured for disclosure purposes in the financial statements) is based on the valuation by a registered valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.*

(iii) *Where the Company has revalued its Property, Plant and Equipment (including Right-of-Use Assets), the company shall disclose as to whether the revaluation is based on valuation by a Registered Valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.*

(iv) *Where the Company has revalued its Intangible assets, the company shall disclose as to whether the revaluation is based on valuation by a Registered Valuer as defined under rule 2 of Companies (Registered Valuers and Valuation) Rules, 2017.*

(v) *Following disclosures shall be made where loans or advances in the nature of loans are granted to promoters, directors, KMPs and the related parties (as defined under the Companies Act, 2013), either severally or jointly with any other person that are:*

(a) *repayable on demand or*

(b) *without specifying any terms or period of repayment*

Type of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage to the total Loans and Advances in the nature of loans
Promoter		
Directors		
KMPs		
Related Parties		

(vi) ***Capital-Work-in Progress (CWIP)***

(a) *For Capital-work-in progress, following ageing schedule shall be given:*
CWIP ageing schedule

(Amount in Rs.)

CWIP	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

**Total shall tally with CWIP amount in the balance sheet.*

(b) *For capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan, following CWIP completion schedule shall be given**:*

(Amount in Rs.)

CWIP	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				
Project 2				

***Details of projects where activity has been suspended shall be given separately.*

(vii) ***Intangible assets under development:***

(a) *For Intangible assets under development, following ageing schedule shall be given:*
Intangible assets under development ageing schedule

(Amount in Rs.)

Intangible assets under development	Amount in CWIP for a period of				Total*
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress					
Projects temporarily suspended					

** Total shall tally with the amount of Intangible assets under development in the balance sheet.*

(b) *For Intangible assets under development, whose completion is overdue or has exceeded its cost compared to its original plan, following Intangible assets under development completion schedule shall be given**:*

(Amount in Rs.)

Intangible assets under development	To be completed in			
	Less than 1 year	1-2 years	2-3 years	More than 3 years
Project 1				

Project 2

***Details of projects where activity has been suspended shall be given separately.*

(viii) ***Details of Benami Property held***

Where any proceedings have been initiated or pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder, the company shall disclose the following:—

(a) *Details of such property,*
(b) *Amount thereof,*
(c) *Details of Beneficiaries,*
(d) *If property is in the books, then reference to the item in the Balance Sheet,*
(e) *If property is not in the books, then the fact shall be stated with reasons,*
(f) *Where there are proceedings against the company under this law as an abetter of the transaction or as the transferor then the details shall be provided.*
(g) *Nature of proceedings, status of same and company's view on same.*

(ix) ***Where the Company has borrowings from banks or financial institutions on the basis of security of current assets, it shall disclose the following:—***

(a) *whether quarterly returns or statements of current assets filed by the Company with banks or financial institutions are in agreement with the books of account,*
(b) *if not, summary of reconciliation and reasons of material discrepancies if any to be adequately disclosed.*

(x) ***Wilful Defaulter****

Where a company is a declared wilful defaulter by any bank or financial Institution or other lender, following details shall be given, namely:—

(a) *date of declaration as wilful defaulter,*
(b) *details of defaults (amount and nature of defaults).*

**"wilful defaulter" here means a person or an issuer who or which is categorized as a wilful defaulter by any bank or financial institution (as defined under the Companies Act, 2013) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.*

(xi) ***Relationship with struck off Companies***

Where the company has any transactions with the companies struck off under section 248 of Companies Act, 2013 or section 560 of Companies Act, 1956, the Company shall disclose the following details, namely:—

Name of struck off Company	Nature of transactions with struck-off Company	Balance outstanding	Relationship with the Struck off company, if any, to be disclosed
	Investments in securities		
	Receivables		
	Payables		
	Shares held by struck off company		
	Other outstanding balances (to be specified)		

(xii) ***Registration of charges or satisfaction with Registrar of Companies (ROC)***

Where any charges or satisfaction yet to be registered with ROC beyond the statutory period, details and reasons thereof shall be disclosed.

(xiii) ***Compliance with number of layers of companies***

Where the company has not complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, the name and CIN of the companies beyond the specified layers and the relationship/extent of holding of the company in such downstream companies shall be disclosed.

(xiv) ***Following Ratios shall be disclosed***

(a) *Capital to risk-weighted assets ratio (CRAR)*
(b) *Tier I CRAR*
(c) *Tier II CRAR*
(d) *Liquidity Coverage Ratio*

(xv) ***Compliance with approved Scheme(s) of Arrangements***

Where any Scheme of Arrangements has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013, the Company shall disclose that the effect of such Scheme of Arrangements have been accounted for in the books of account of the Company 'in accordance with the Scheme' and 'in accordance with accounting standards'. Any deviation in this regard shall be explained.

(xvi) ***Utilisation of Borrowed funds and share premium***

(A) *Where company has advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall*
  (i) *directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or*
  (ii) *provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;*

the company shall disclose the following:—
  (I) *date and amount of fund advanced or loaned or invested in Intermediaries with complete details of each Intermediary;*
  (II) *date and amount of fund further advanced or loaned or invested by such Intermediaries to other intermediaries or Ultimate Beneficiaries alongwith complete details of the ultimate beneficiaries;*
  (III) *date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries;*
  (IV) *declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).*

(B) *Where a company has received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall—*

(i) *directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or*

(ii) *provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries, the company shall disclose the following:—*

(I) *date and amount of fund received from Funding parties with complete details of each Funding party.*

(II) *date and amount of fund further advanced or loaned or invested other intermediaries or Ultimate Beneficiaries alongwith complete details of the other intermediaries' or ultimate beneficiaries.*

(III) *date and amount of guarantee, security or the like provided to or on behalf of the Ultimate Beneficiaries*

(IV) *declaration that relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with for such transactions and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).***]**

(X) Other Classification related General Instructions

1. When an NBFC applies an accounting policy retrospectively or makes a restatement of items in the financial statements or when it reclassifies items in its financial statements, the NBFC shall attach to the Balance Sheet, a "Balance Sheet" as at the beginning of the earliest comparative period presented.
2. Share application money pending allotment shall be classified into equity or liability in accordance with relevant Indian Accounting Standards. Share application money to the extent not refundable shall be shown under the head Equity and share application money to the extent refundable shall be separately shown under 'Other financial liabilities'.
3. Preference shares including premium received on issue, shall be classified and presented as 'Equity' or 'Liability' in accordance with the requirements of the relevant Indian Accounting Standards. Accordingly, the disclosure and presentation requirements in this regard applicable to the relevant class of equity or liability shall be applicable *mutatis mutandis* to the preference shares. For instance, plain vanila redeemable preference shares shall be classified and presented under 'liabilities' as 'borrowings' or 'subordinated liability' and the disclosure requirements in this regard applicable to such borrowings shall be applicable *mutatis mutandis* to redeemable preference shares.
4. Compound financial instruments such as convertible debentures, where split into equity and liability components, as per the requirements of the relevant Indian Accounting Standards, shall be classified and presented un der the relevant heads in 'Liabilities and Equity'.
5. Regulatory Deferral Account Balances shall be presented in the Balance Sheet in accordance with the relevant Indian Accounting Standards.

PART II

STATEMENT OF PROFIT AND LOSS

Name of the Non-Banking Financial Company……

Statement of Profit and Loss for the period ended ……

(Rupees in……)

	Particulars	Note No.	Figures for the current reporting period	Figures for the previous reporting period
	Revenue from operations			
(*i*)	Interest Income			
(*ii*)	Dividend Income			
(*iii*)	Rental Income			
(*iv*)	Fees and commission Income			
(*v*)	Net gain on fair value changes			
(*vi*)	Net gain on derecognition of financial instruments under amortised cost category			
(*vii*)	Sale of products (including Excise Duty)			
(*viii*)	Sale of services			
(*ix*)	Others (to be specified)			
(I)	**Total Revenue from operations**			
(II)	Other Income (to be specified)			
(III)	**Total Income (I+II)**			
	Expenses			
(*i*)	Finance Costs			
(*ii*)	Fees and commission expense			
(*iii*)	Net loss on fair value changes			
(*iv*)	Net loss on derecognition of financial instruments under amortised cost category			
(*v*)	Impairment on financial instruments			

(*vi*)	Cost of materials consumed
(*vii*)	Purchases of Stock-in-trade
(*viii*)	Changes in Inventories of finished goods, stock-in-trade and work-in-progress
(*ix*)	Employee Benefits Expenses
(*x*)	Depreciation, amortization and impairment
(*xi*)	Others expenses (to be specified)
(IV)	**Total Expenses (IV)**
(V)	Profit/(loss) before exceptional items and tax (III-IV)
(VI)	Exceptional items
(VII)	Profit/(loss) before tax (V -VI)
(VIII)	Tax Expense:
	(1) Current Tax
	(2) Deferred Tax
(IX)	Profit/(loss) for the period from continuing operations (VII-VIII)
(X)	Profit/(loss) from discontinued operations
(XI)	Tax Expense of discontinued operations
(XII)	Profit/(loss) from discontinued operations (After tax) (X-XI)
(XIII)	**Profit/(loss) for the period (IX+XII)**
(XIV)	**Other Comprehensive Income**
	(A) (*i*) Items that will not be reclassified to profit or loss (specify items and amounts)
	(*ii*) Income tax relating to items that will not be reclassified to profit or loss
	Sub-total (A)
	(B) (*i*) Items that will be reclassified to profit or loss (specify items and amounts)
	(*ii*) Income tax relating to items that will be reclassified to profit or loss
	Sub-total (B)
	Other Comprehensive Income (A + B)
(XV)	**Total Comprehensive Income for the period (XIII+XIV) (Comprising Profit (Loss) and other Comprehensive Income for the period)**
(XVI)	**Earnings per equity share (for continuing operations)**
	Basic (Rs.)
	Diluted (Rs.)
(XVII)	**Earnings per equity share (for discontinued operations)**
	Basic (Rs.)
	Diluted (Rs.)
(XVIII)	**Earnings per equity share (for continuing and discontinued operations)**
	Basic (Rs.)
	Diluted (Rs.)

See accompanying notes to the financial statements

Notes

GENERAL INSTRUCTIONS FOR PREPARATION OF STATEMENT OF PROFIT AND LOSS

1. The provisions of this Part shall apply to the income and expenditure account, in like manner as they apply to a Statement of Profit and Loss.

2. The Statement of Profit and Loss shall include:
   (A) Profit or loss for the period;
   (B) Other Comprehensive Income for the period.
   The sum of (A) and (B) above is 'Total Comprehensive Income'.

3. Interest Income

Particulars	(Current Year)			(Previous Year)		
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	Interest Income on Financial Assets classified at fair value through profit or loss	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	Interest Income on Financial Assets classified at fair value through profit or loss
Interest on Loans						
Interest income from investments						
Interest on deposits with Banks						
Other interest Income						
Total						

4. Net gain/(loss) on fair value changes*

Particulars	(Current Year)	(Previous Year)
(A) Net gain/(loss) on financial instruments at fair value through profit or loss		
(*i*) On trading portfolio		
- Investments		
- Derivatives		
- Others		
(*ii*) On financial instruments designated at fair value through profit or loss		
(B) Others (to be specified)		
Total Net gain/(loss) on fair value changes (C)		
Fair Value changes:		
-Realised		
-Unrealised		
Total Net gain/(loss) on fair value changes (D) to tally with (C)		

*Fair value changes in this schedule are other than those arising on account of accrued interest income/expense.

5. Other Income (to be specified)

Particulars	(Current Year)	(Previous Year)
Net gain/(loss) on ineffective portion of hedges		
Net gain/(loss) on derecognition of property, plant and equipment		
Net gain or loss on foreign currency transaction and translation (other than considered as finance cost) (to be specified)		
Others (to be specified)*		
Total		

* Any item under the sub-head 'Others' which exceeds one per cent of the total income to be presented separately.

6. Finance Costs

Particulars	(Current Year)		(Previous Year)	
	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost
Interest on deposits				
Interest on borrowings				

Interest on debt securities	
Interest on sub-ordinated liabilities	
Other interest expense	
Total	

7. Employee Benefits Expenses

Particulars	(Current Year)	(Previous Year)
Salaries and wages		
Contribution to provident and other funds		
Share Based Payments to employees		
Staff welfare expenses		
Others (to be specified)		
Total		

8. Impairment on financial instruments

Particulars	(Current Year)		(Previous Year)	
	On Financial instruments measured at fair value through OCI	On Financial instruments measured at Amortised Cost	On Financial instruments measured at fair value through OCI	On Financial instruments measured at Amortised Cost
Loans				
Investments				
Others (to be specified)				
Total				

9. Other expenses (to be specified)

Particulars	(Current Year)	(Previous Year)
Rent, taxes and energy costs		
Repairs and maintenance		
Communication Costs		
Printing and stationery		
Advertisement and publicity		
Director's fees, allowances and expenses		
Auditor's fees and expenses		
Legal and Professional charges		
Insurance		
Other expenditure*		
Total		

* Any item under the sub-head 'Others expenditure' which exceeds one per cent of the total income to be presented separately.

10. Other Comprehensive Income shall be classified into-

(A) Items that will not be reclassified to profit or loss :
- *i.* Changes in revaluation surplus;
- *ii.* Remeasurements of the defined benefit plans;
- *iii.* Equity Instruments through Other Comprehensive Income;
- *iv.* Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss;
- *v.* Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent not to be classified into profit or loss; and
- *vi.* Others (specify nature).

(B) Items that will be reclassified to profit or loss :
- *i.* Exchange differences in translating the financial statements of a foreign operation;
- *ii.* Debt Instruments through Other Comprehensive Income;
- *iii.* The effective portion of gains and loss on hedging instruments in a cash flow hedge;
- *iv.* Share of Other Comprehensive Income in Associates and Joint Ventures, to the extent to be classified into profit or loss; and
- *v.* Others (specify nature).

11. Additional Information: An NBFC shall disclose by way of notes, additional information regarding aggregate expenditure and income on the following items:
- *i.* depreciation, amortisation and impairment;

ii. payments to the auditor as (*a*) auditor, (*b*) for taxation matters, (*c*) for company law matters, (*d*) for other services, (*e*) for reimbursement of expenses;

iii. in case of NBFCs covered under section 135, amount of expenditure incurred on corporate social responsibility activities; and

iv. details of items of exceptional nature;

[v. *undisclosed income*

The Company shall give details of any transactions not recorded in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income-tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income-tax Act, 1961), unless there is immunity for disclosure under any scheme. Also, state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.

vi. *Corporate Social Responsibility (CSR)*

Where the company (NBFC) covered under section 135 of the Companies Act, the following shall be disclosed with regard to CSR activities:—

(a) *amount required to be spent by the company during the year,*

(b) *amount of expenditure incurred,*

(c) *shortfall at the end of the year,*

(d) *total of previous years shortfall,*

(e) *reason for shortfall,*

(f) *nature of CSR activities,*

(g) *details of related party transactions, e.g., contribution to a trust controlled by the company in relation to CSR expenditure as per relevant Accounting Standard,*

(h) *where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year shall be shown separately.*

vii. *details of Crypto Currency or Virtual Currency*

Where the Company has traded or invested in Crypto currency or Virtual Currency during the financial year, the following shall be disclosed: —

(a) *profit or loss on transactions involving Crypto currency or Virtual Currency,*

(b) *amount of currency held as at the reporting date,*

(c) *deposits or advances from any person for the purpose of trading or investing in Crypto Currency or virtual currency.***]**

PART III

GENERAL INSTRUCTIONS FOR THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(1) Where a Non-Banking Financial Company (NBFC) is required to prepare Consolidated Financial Statements, *i.e.*, consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of profit and loss, the NBFC shall *mutatis mutandis* follow the requirements of this Schedule as applicable to an NBFC in the preparation of balance sheet, statement of changes in equity and statement of profit and loss. However, where the consolidated financial statements contains elements pertaining to NBFCs and other than NBFCs, mixed basis of presentation may be followed for consolidated financial statements where both kinds of operations are significant. In addition, the consolidated financial statements shall disclose the information as per the requirements specified in the applicable Indian Accounting Standards notified under the Companies (Indian Ac counting Standards) Rules, 2015, including the following, namely:—

(*i*) Profit or loss attributable to 'non-controlling interest' and to 'owners of the parent' in the statement of profit and loss shall be presented as allocation for the period. Further, 'total comprehensive income' for the period attributable to 'non-controlling interest' and to 'owners of the parent' shall be presented in the statement of profit and loss as allocation for the period. The aforesaid disclosures for 'total comprehensive income' shall also be made in the statement of changes in equity. In addition to the disclosure requirements in the Indian Accounting Standards, the aforesaid disclosures shall also be made in respect of 'other comprehensive income'.

(*ii*) 'Non-controlling interests' in the Balance Sheet and in the Statement of Changes in Equity, within equity, shall be presented separately from the equity of the 'owners of the parent'.

(*iii*) Investments accounted for using the equity method.

(2) In Consolidated Financial Statements, the following shall be disclosed by way of additional information:

Name of the entity in the Group	**Net Assets, i.e., total assets *minus* total liabilities**		**Share in profit or loss**		**Share in other comprehensive income**		**Share in total comprehensive income**	
	As % of consolidated net assets	Amount	As % of consolidated profit or loss	Amount	As % of consolidated other comprehensive income	Amount	As % of total comprehensive income	Amount

Parent Subsidiaries
Indian
1.
2.
3.
.
.
Foreign
1.
2.
3.
.
.
Non-controlling Interests in all subsidiaries

Associates (Investment as per the equity method)
Indian
1.
2.
3.
.
.
Foreign
1.
2.
3.
.
.
Joint Ventures (as per the equity method)
Indian
1.
2.
3.
.
.
Foreign
1.
2.
3.
.
.
Total

(3) All subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under consolidated financial statements.

(4) An entity shall disclose the list of subsidiaries or associates or joint ventures which have not been consolidated in the consolidated financial statements along with the reasons of not consolidating.]

---

5. Corresponds to Schedule VI of the 1956 Act.
6. Enforced with effect from 1-4-2014. For exemptions granted to Government Companies, *see* Notification No. [F.No. 1/19/2013/CL-V], dated 4-9-2015 (*See* **Division Three**).
7. Substituted for "General Instructions for preparation of Balance Sheet and Statement of Profit and Loss of a Company" by Notification No. GSR 404(E), dated 6-4-2016, w.e.f. 6-4-2016.
8. Substituted for "turnover" by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
9. Substituted for "may" by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
10. Substituted for "Turnover" by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.

11. Substituted for "shall" by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
12. Substituted by Notification No. GSR 679(E), dated 4-9-2015, w.e.f. 4-9-2015. Prior to its substitution, sub-para (*b*) read as under :
"(*b*) Trade payables"
13. Substituted for "Fixed assets" by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
14. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
15. Substituted for "Tangible assets" by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
16. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
17. Word "Reserve" omitted by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
18. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
19. Inserted by Notification No. GSR 679(E), dated 4-9-2015, w.e.f. 4-9-2015.
20. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
21. Omitted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
22. Substituted for "Tangible assets" by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
23. Substituted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.

*Word "in" be inserted before the word "property".

24. Omitted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
25. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
26. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
27. Substituted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
28. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
29. Substituted for "fixed assets" by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
30. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
31. Omitted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
32. Substituted for "Revenue" by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
33. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
34. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
35. Inserted by Notification No. GSR 404(E), dated 6-4-2016, w.e.f. 6-4-2016.
36. Substituted for "turnover" by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
37. Substituted for "turnover" by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021.**
38. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
39. Substituted for "Trade payables" by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
40. Substituted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
41. Substituted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
42. Substituted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
43. Substituted by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
44. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
45. Omitted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
46. Substituted by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
47. Substituted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
48. Substituted by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
49. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
50. Omitted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
51. Substituted by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
52. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021.**
53. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021.**
54. Omitted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021.**
55. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
56. Omitted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
57. Inserted by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
58. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
59. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
60. Omitted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**. Earlier, heading K was inserted by Notification No. GSR 308(E), dated 30-3-2017, w.e.f. 30-3-2017.
61. Inserted by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.
62. Word "and" omitted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
63. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
64. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
65. Inserted by Notification No. GSR 1022(E), dated 11-10-2018, w.e.f. 11-10-2018.

66. Substituted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
67. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
68. Substituted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
69. Substituted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
70. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
71. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
72. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.
73. Inserted by Notification No. GSR 207(E), dated 24-3-2021, w.e.f. **1-4-2021**.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

SCHEDULE IV

[*See* section 149(8)]

CODE FOR INDEPENDENT DIRECTORS

The Code is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

I. Guidelines of professional conduct :

An independent director shall :

(*1*) uphold ethical standards of integrity and probity;

(*2*) act objectively and constructively while exercising his duties;

(*3*) exercise his responsibilities in a *bona fide* manner in the interest of the company;

(*4*) devote sufficient time and attention to his professional obligations for informed and balanced decision making;

(*5*) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;

(*6*) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;

(*7*) refrain from any action that would lead to loss of his independence;

(*8*) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;

(*9*) assist the company in implementing the best corporate governance practices.

II. Role and functions :

The independent directors shall :

(*1*) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

(*2*) bring an objective view in the evaluation of the performance of board and management;

(*3*) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

(*4*) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

(*5*) safeguard the interests of all stakeholders, particularly the minority shareholders;

(*6*) balance the conflicting interest of the stakeholders;

(*7*) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;

(*8*) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

III. Duties :

The independent directors shall—

(*1*) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;

(*2*) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;

(*3*) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;

(*4*) participate constructively and actively in the committees of the Board in which they are chairpersons or members;

(*5*) strive to attend the general meetings of the company;

(*6*) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;

(*7*) keep themselves well informed about the company and the external environment in which it operates;

(*8*) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;

(*9*) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;

(*10*) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;

(*11*) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

(*12*) **[***act within their authority***]**, assist in protecting the legitimate interests of the company, shareholders and its employees;

(*13*) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

IV. Manner of appointment :

(*1*) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.

(*2*) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.

(*3*) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.

(*4*) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out :

(*a*) the term of appointment;

(*b*) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;

(*c*) the fiduciary duties that come with such an appointment along with accompanying liabilities;

(*d*) provision for Directors and Officers (D and O) insurance, if any;

(*e*) the Code of Business Ethics that the company expects its directors and employees to follow;

(*f*) the list of actions that a director should not do while functioning as such in the company; and

(*g*) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Board's and other meetings and profit related commission, if any.

(*5*) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.

(*6*) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

V. Re-appointment :

The re-appointment of independent director shall be on the basis of report of performance evaluation.

VI. Resignation or removal :

(*1*) The resignation or removal of an independent director shall be in the same manner as is provided in sections and of the Act.

(*2*) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within **[***three months***]** from the date of such resignation or removal, as the case may be.

(*3*) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

VII. Separate meetings :

(*1*) The independent directors of the company shall hold at least one meeting **[***in a financial year***]**, without the attendance of non-independent directors and members of management;

(*2*) All the independent directors of the company shall strive to be present at such meeting;

(*3*) The meeting shall :

(*a*) review the performance of non-independent directors and the Board as a whole;

(*b*) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;

(*c*) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

VIII. Evaluation mechanism :

(*1*) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

(*2*) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

[*Note*: *The provisions of sub-paragraphs (2) and (7) of paragraph II, paragraph IV, paragraph V, clauses (a) and (b) of sub-paragraph (3) of paragraph VII and paragraph VIII shall not apply in the case of a Government company as defined under clause (45) of section 2 of the Companies Act, 2013 (18 of 2013), if the requirements in respect of matters specified in these paragraphs are specified by the concerned Ministries or Departments of the Central Government or as the case may be, the State Governments and such requirements are complied with by the Government companies*.**]**

SCHEDULE V

(*See* sections 196 and 197)

PART I

CONDITIONS TO BE FULFILLED FOR THE APPOINTMENT OF A MANAGING OR WHOLE-TIME DIRECTOR OR A MANAGER WITHOUT THE APPROVAL OF THE CENTRAL GOVERNMENT

APPOINTMENTS

No person shall be eligible for appointment as a managing or whole-time director or a manager (hereinafter referred to as managerial person) of a company unless he satisfies the following conditions, namely:—

(*a*) he had not been sentenced to imprisonment for any period, or to a fine exceeding one thousand rupees, for the conviction of an offence under any of the following Acts, namely:—

(*i*) the Indian Stamp Act, 1899 (2 of 1899);
(*ii*) the Central Excise Act, 1944 (1 of 1944);
(*iii*) the Industries (Development and Regulation) Act, 1951 (65 of 1951);
(*iv*) the Prevention of Food Adulteration Act, 1954 (37 of 1954);
(*v*) the Essential Commodities Act, 1955 (10 of 1955);
[(*vi*) the Companies Act, 2013 (18 of 2013) or any previous company law;]
(*vii*) the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
(*viii*) the Wealth-tax Act, 1957 (27 of 1957);
(*ix*) the Income-tax Act, 1961 (43 of 1961);
(*x*) the Customs Act, 1962 (52 of 1962);
(*xi*) the Competition Act, 2002 (12 of 2003);
(*xii*) the Foreign Exchange Management Act, 1999 (42 of 1999);
(*xiii*) the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986);
(*xiv*) the Securities and Exchange Board of India Act, 1992 (15 of 1992);
(*xv*) the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992);
(*xvi*) the Prevention of Money-laundering Act, 2002 (15 of 2003);
[(xvii) *the Insolvency and Bankruptcy Code, 2016 (31 of 2016)*
(xviii) *the Goods and Services Tax Act, 2017 (12 of 2017)*
(xix) *the Fugitive Economic Offenders Act, 2018 (17 of 2018)***]**

(*b*) he had not been detained for any period under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (52 of 1974):

Provided that where the Central Government has given its approval to the appointment of a person convicted or detained under sub-paragraph (*a*) or sub-paragraph (*b*), as the case may be, no further approval of the Central Government shall be necessary for the subsequent appointment of that person if he had not been so convicted or detained subsequent to such approval.

(*c*) he has completed the age of twenty-one years and has not attained the age of seventy years:

Provided that where he has attained the age of seventy years; and where his appointment is approved by a special resolution passed by the company in general meeting, no further approval of the Central Government shall be necessary for such appointment;

(*d*) **[*******]**

(*e*) he is resident of India.

Explanation I.—For the purpose of this Schedule, resident in India includes a person who has been staying in India for a continuous period of not less than twelve months immediately preceding the date of his appointment as a managerial person and who has come to stay in India,—

(*i*) for taking up employment in India; or

(*ii*) for carrying on a business or vacation in India.

Explanation II.—This condition shall not apply to the companies in Special Economic Zones as notified by Department of Commerce from time to time :

Provided that a person, being a non-resident in India shall enter India only after obtaining a proper Employment Visa from the concerned Indian mission abroad. For this purpose, such person shall be required to furnish, along with the visa application form, profile of the company, the principal employer and terms and conditions of such person's appointment.

PART II

REMUNERATION

SECTION I

Remuneration payable by companies having profits

Subject to the provisions of section 197, a company having profits in a financial year may pay remuneration to a managerial person or persons **[***or other director or directors***]** not exceeding the limits specified in such section.

[SECTION II

Remuneration payable by companies having no profit or inadequate profit [***]

Where in any financial year during the currency of tenure of a managerial person **[***or other director***]**, a company has no profits or its profits are inadequate, it may, **[*******]**, pay remuneration to the managerial person **[***or other director***]** not exceeding the limits under table (*A*) and (*B*) given below:—

[*Table* (*A*)

(1)	*(2)*	*(3)*

Sl.No.	*Where the effective capital (in rupees) is*	*Limit of yearly remuneration payable shall not exceed (in rupees) in case of a managerial person*	*Limit of yearly remuneration payable shall not exceed (in rupees) in case of other director*
(i)	*Negative or less than 5 crores.*	*60 lakhs*	*12 lakhs*
(ii)	*5 crores and above but less than 100 crores.*	*84 lakhs*	*17 lakhs*
(iii)	*100 crores and above but less than 250 crores.*	*120 lakhs*	*24 lakhs*
(iv)	*250 crores and above.*	*120 lakhs plus 0.01% of the effective capital in excess of Rs. 250 crores :*	*24 lakhs plus 0.01% of the effective capital in excess of Rs. 250 crores :***]**

[Provided *that the remuneration in excess of above limits may be paid***]** if the resolution passed by the shareholders is a special resolution.

Explanation.—It is hereby clarified that for a period less than one year, the limits shall be pro-rated.

(*B*) In case of a managerial person **[***or other director***]** who is functioning in a professional capacity, **[***remuneration as per item (A) may be paid***]**, if such managerial person **[***or other director***]** is not having any interest in the capital of the company or its holding company or any of its subsidiaries directly or indirectly or through any other statutory structures and not having any direct or indirect interest or related to the directors or promoters of the company or its holding company or any of its subsidiaries at any time during the last two years before or on or after the date of appointment and possesses graduate level qualification with expertise and specialised knowledge in the field in which the company operates:

Provided that any employee of a company holding shares of the company not exceeding 0.5% of its paid up share capital under any scheme formulated for allotment of shares to such employees including Employees Stock Option Plan or by way of qualification shall be deemed to be a person not having any interest in the capital of the company:

Provided further that the limits specified under items (A) and (B) of this section shall apply, if—

(*i*) payment of remuneration is approved by a resolution passed by the Board and, in the case of a company covered under sub-section (1) of section 178 also by the Nomination and Remuneration Committee;

[(ii) *the company has not committed any default in payment of dues to any bank or public financial institution or non-convertible debenture holders or any other secured creditor, and in case of default, the prior approval of the bank or public financial institution concerned or the non-convertible debenture holders or other secured creditor, as the case may be, shall be obtained by the company before obtaining the approval in the general meeting*.**]**

(*iii*) an ordinary resolution or a special resolution, as the case may be, has been passed for payment of remuneration as per **[***]** item (*A*) or a special resolution has been passed for payment of remuneration as per item (*B*), at the general meeting of the company for a period not exceeding three years;

(*iv*) a statement along with a notice calling the general meeting referred to in clause (*iii*) is given to the shareholders containing the following information, namely:—

I. General information:
(1) Nature of industry
(2) Date or expected date of commencement of commercial production
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus
(4) Financial performance based on given indicators
(5) Foreign investments or collaborations, if any.

II. Information about the appointee:
(1) Background details
(2) Past remuneration
(3) Recognition or awards
(4) Job profile and his suitability
(5) Remuneration proposed
(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin)
(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.

III. Other information:
(1) Reasons of loss or inadequate profits
(2) Steps taken or proposed to be taken for improvement
(3) Expected increase in productivity and profits in measurable terms

IV. Disclosures

The following disclosures shall be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the financial statement:

(*i*) all elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the directors;
(*ii*) details of fixed component and performance linked incentives along with the performance criteria;
(*iii*) service contracts, notice period, severance fees; and
(*iv*) stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.

Explanation.—For the purposes of Section II of this part, "Statutory Structure" means any entity which is entitled to hold shares in any company formed under any statute.]

SECTION III

Remuneration payable by companies having no profit or inadequate profit [***] in certain special circumstances

In the following circumstances a company may, **[*******]**, pay remuneration to a managerial person **[***or other director***]** in excess of the amounts provided in Section II above:—

(*a*) where the remuneration in excess of the limits specified in Section I or Section II is paid by any other company and that other company is either a foreign company or has got the approval of its shareholders in general meeting to make such payment, and treats this amount as managerial remuneration for the purpose of section 197 and the total managerial remuneration payable by such other company to its managerial persons **[***or other directors***]** including such amount or amounts is within permissible limits under section 197.

[(*b*) where the company—

(*i*) is a newly incorporated company, for a period of seven years from the date of its incorporation, or

(*ii*) is a sick company, for whom a scheme of revival or rehabilitation has been ordered by the Board for Industrial and Financial Reconstruction for a period of five years from the date of sanction of scheme of revival, or

(*iii*) is a company in relation to which a resolution plan has been approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016 for a period of five years from the date of such approval,

it may pay **[***any remuneration to its managerial persons* **[***or other director***]]**.]

(*c*) where remuneration of a managerial person **[***or other director***]** exceeds the limits in Section II but the remuneration has been fixed by the Board for Industrial and Financial Reconstruction or the National Company Law Tribunal:

Provided that the limits under this section shall be applicable subject to meeting all the conditions specified under Section II and the following additional conditions:—

(*i*) except as provided in para (*a*) of this section, the managerial person is not receiving remuneration from any other company;

(*ii*) the auditor or Company Secretary of the company or where the company has not appointed a Secretary, a Secretary in whole-time practice, certifies that all secured creditors and term lenders have stated in writing that they have no objection for the appointment of the managerial person **[***or other director***]** as well as the quantum of remuneration and such certificate is filed along with the return as prescribed under sub-section (4) of section 196.

(*iii*) the auditor or Company Secretary or where the company has not appointed a secretary, a secretary in whole-time practice certifies that there is no default on payments to any creditors, and all dues to deposit holders are being settled on time.

(*d*) **[*******]**

[Explanation.- *For the purposes of Section I, Section II and Section III, the term "or other director" shall mean a non-executive director or an independent director*.**]**

SECTION IV

PART - I

Perquisites not included in managerial remuneration

1. A managerial person shall be eligible for the following perquisites which shall not be included in the computation of the ceiling on remuneration specified in Section II and Section III:—

(*a*) contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961 (43 of 1961);

(*b*) gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and

(*c*) encashment of leave at the end of the tenure.

2. In addition to the perquisites specified in paragraph 1 of this section, an expatriate managerial person (including a non-resident Indian) shall be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration specified in Section II or Section III—

(*a*) *Children's education allowance :* In case of children studying in or outside India, an allowance limited to a maximum of Rs. 12,000 per month per child or actual expenses incurred, whichever is less. Such allowance is admissible up to a maximum of two children.

(*b*) *Holiday passage for children studying outside India or family staying abroad :* Return holiday passage once in a year by economy class or once in two years by first class to children and to the members of the family from the place of their study or stay abroad to India if they are not residing in India, with the managerial person.

(*c*) *Leave travel concession :* Return passage for self and family in accordance with the rules specified by the company where it is proposed that the leave be spent in home country instead of anywhere in India.

PART - II

Effective Capital†

Explanation I.— For the purposes of Section II of this Part, "effective capital" means the aggregate of the paid-up share capital (excluding share application money or advances against shares); amount, if any, for the time being standing to the credit of share premium account; reserves and surplus (excluding revaluation reserve); long-term loans and deposits repayable after one year (excluding working capital loans, overdrafts, interest due on loans unless funded, bank guarantee, etc., and other short-term arrangements) as reduced by the aggregate of any investments (except in case of investment by an investment company whose principal business is acquisition of shares, stock, debentures or other securities), accumulated losses and preliminary expenses not written off.

Explanation II.— (*a*) Where the appointment of the managerial person is made in the year in which company has been incorporated, the effective capital shall be calculated as on the date of such appointment;

(*b*) In any other case the effective capital shall be calculated as on the last date of the financial year preceding the financial year in which the appointment of the managerial person is made.

Explanation III.— For the purposes of this Schedule, "family" means the spouse, dependent children and dependent parents of the managerial person.

Explanation IV.— The Nomination and Remuneration Committee while approving the remuneration under Section II or Section III, shall—

(*a*) take into account, financial position of the company, trend in the industry, appointee's qualification, experience, past performance, past remuneration, etc;

(*b*) be in a position to bring about objectivity in determining the remuneration package while striking a balance between the interest of the company and the shareholders.

Explanation V.—For the purposes of this Schedule, "negative effective capital" means the effective capital which is calculated in accordance with the provisions contained in *Explanation I* of this Part is less than zero.

Explanation VI.—For the purposes of this Schedule:—

(A) **[***]**

(*B*) "Remuneration" means remuneration as defined in clause (*78*) of section 2 and includes reimbursement of any direct taxes to the managerial person.

SECTION V

Remuneration payable to a managerial person in two companies

Subject to the provisions of sections I to IV, a managerial person shall draw remuneration from one or both companies, provided that the total remuneration drawn from the companies does not exceed the higher maximum limit admissible from any one of the companies of which he is a managerial person.

PART III

PROVISIONS APPLICABLE TO PARTS I AND II OF THIS SCHEDULE

1. The appointment and remuneration referred to in Part I and Part II of this Schedule shall be subject to approval by a resolution of the shareholders in general meeting.

2. The auditor or the Secretary of the company or where the company is not required to appoint a Secretary, a Secretary in whole-time practice shall certify that the requirement of this Schedule have been complied with and such certificate shall be incorporated in the return filed with the Registrar under sub-section (4) of section 196.

PART IV

EXEMPTION TO CERTAIN COMPANIES

The Central Government may, by notification, exempt any class or classes of companies from any of the requirements contained in this Schedule.

---

28. Corresponds to Schedule XIII of the 1956 Act.

29. Enforced with effect from 1-4-2014.

29a. Substituted by Notification No. S.O. 2922(E), dated 12-9-2016, w.e.f. 12-9-2016. Prior to its substitution, sub-paragraph (*vi*) read as under :

"(*vi*) the Companies Act, 2013 (18 of 2013);"

***Word "Part I" should appear above "Appointments".**

29b. Substituted by Notification No. S.O. 2922(E), dated 12-9-2016, w.e.f. 12-9-2016.

29aa. Items (*xvii*), (*xviii*) and (*xix*) inserted by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29ab. Para (*d*) omitted by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29ac. Inserted by Notification No. S.O. 1256(E) [F.No. 1/5/2013-CL-V], dated 18-3-2021, w.e.f. **18-3-2021.**

29bb. Words "without Central Government approval" omitted by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29bc. Words "without Central Government approval" omitted by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29bcb. Substituted by Notification No. S.O. 1256(E) [F.No. 1/5/2013-CL-V], dated 18-3-2021, w.e.f. **18-3-2021**. Prior to its substitution table (A) read as under:

"Table (A) :

(1)	(2)
Where the effective capital is	Limit of yearly remuneration payable shall not exceed (Rupees)
(*i*) Negative or less than 5 crores	60 lakhs
(*ii*) 5 crores and above but less than 100 crores	84 lakhs
(*iii*) 100 crores and above but less than 250 crores	120 lakhs
(*iv*) 250 crores and above	120 lakhs plus 0.01% of the effective capital in excess of Rs. 250 crores :"

29bd. Substituted for "Provided that the above limits shall be doubled" by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29be. Substituted for "no approval of Central Governmen is required" by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29bf. Clause (*ii*) substituted by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29bg. Words "the limits laid down in" omitted by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29bh. Words "without Central Government approval" omitted by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29bi. Words "without the Central Government approval" omitted by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29bj. Clause (*b*) subtituted by the Insolvency and Bankruptcy Code, 2016, w.e.f. 15-11-2016. Prior to its substitution, said clause read as under :

"(*b*) where the company—

(*i*) is a newly incorporated company, for a period of seven years from the date of its incorporation, or

(*ii*) is a sick company, for whom a scheme of revival or rehabilitation has been ordered by the Board for Industrial and Financial Reconstruction or Natioanl Company Law Tribunal, for a period of five years from the date of sanction of scheme of revival,

it may pay remuneration up to two times the amount permissible under Section II."

29bk. Substituted for "remuneration up to two times the amount permissible under Section II" by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29bl. Clause (*d*) omitted by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

29bm. Clause (*A*) omitted by Notification {F.No.1/5/2013-CL-V], dated **12-9-2018**.

†Heading is provided by the Editor.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

SCHEDULE VI

(*See* and)

INFRASTRUCTURE PROJECTS/INFRASTRUCTURAL FACILITIES

The term "infrastructural projects" or "infrastructural facilities" includes the following projects or activities:—

(1) Transportation (including inter modal transportation), includes the following:—

(*a*) roads, national highways, State highways, major district roads, other district roads and village roads, including toll roads, bridges, highways, road transport providers and other road-related services;

(*b*) rail system, rail transport providers, metro rail roads and other railway related services;

(*c*) ports (including minor ports and harbours), inland waterways, coastal shipping including shipping lines and other port related services;

(*d*) aviation, including airports, heliports, airlines and other airport related services;

(*e*) logistics services.

(2) *Agriculture,* including the following, namely:—

(*a*) infrastructure related to storage facilities;

(*b*) construction relating to projects involving agro-processing and supply of inputs to agriculture;

(*c*) construction for preservation and storage of processed agro-products, perishable goods such as fruits, vegetables and flowers including testing facilities for quality.

(3) *Water management,* including the following, namely:—

(*a*) water supply or distribution;

(*b*) irrigation;

(*c*) water treatment.

(4) *Telecommunication,* including the following, namely:—

(*a*) basic or cellular, including radio paging;

(*b*) domestic satellite service (*i.e.*, satellite owned and operated by an Indian company for providing telecommunication service);

(*c*) network of trunking, broadband network and internet services.

(5) *Industrial, commercial and social development and maintenance,* including the following, namely:—

(*a*) real estate development, including an industrial park or special economic zone;

(*b*) tourism, including hotels, convention centres and entertainment centres;

(*c*) public markets and buildings, trade fair, convention, exhibition, cultural centres, sports and recreation infrastructure, public gardens and parks;

(*d*) construction of educational institutions and hospitals;

(*e*) other urban development, including solid waste management systems, sanitation and sewerage systems.

(6) *Power,* including the following:—

(*a*) generation of power through thermal, hydro, nuclear, fossil fuel, wind and other renewable sources;

(*b*) transmission, distribution or trading of power by laying a network of new transmission or distribution lines.

(7) *Petroleum and natural gas,* including the following:—

(*a*) exploration and production;

(*b*) import terminals;

(*c*) liquefaction and re-gasification;

(*d*) storage terminals;

(*e*) transmission networks and distribution networks including city gas infrastructure.

(8) *Housing,* including the following:—

(*a*) urban and rural housing including public/mass housing, slum rehabilitation, etc.;

(*b*) other allied activities such as drainage, lighting, laying of roads, sanitation and facilities.

(9) *Other miscellaneous facilities/services,* including the following:—

(*a*) mining and related activities;

(*b*) technology related infrastructure;

(*c*) manufacturing of components and materials or any other utilities or facilities required by the infrastructure sector like energy saving devices and metering devices;

(*d*) environment related infrastructure;

(*e*) disaster management services;

(*f*) preservation of monuments and icons;

(*g*) emergency services (including medical, police, fire and rescue).

(10) Such other facility service as may be prescribed.

SCHEDULE VII

(*See* section 135)

ACTIVITIES WHICH MAY BE INCLUDED BY COMPANIES IN THEIR CORPORATE SOCIAL RESPONSIBILITY POLICIES

Activities relating to:—

[(*i*) eradicating hunger, poverty and malnutrition, [promoting health care including preventive health care] and sanitation [including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation] and making available safe drinking water;

(*ii*) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;

(*iii*) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

(*iv*) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water [including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga];

(*v*) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;

(*vi*) measures for the benefit of armed forces veterans, war widows and their dependents **[***Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;***]**

(*vii*) training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;

(*viii*) contribution to the Prime Minister's National Relief Fund **[***or Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM CARES Fund)***]** or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

[*(ix)* (a) *Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and*

(b) *Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs).***]***

(*x*) rural development projects;]

[(*xi*) slum area development.

Explanation.— For the purposes of this item, the term 'slum area' shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force.]

[*(*xii*) disaster management, including relief, rehabilitation and reconstruction activities*.***]**

---

31. Enforced with effect from 1-4-2014.

32. Substituted by Notification No. GSR 130(E), dated 27-2-2014, w.e.f. 1-4-2014. Prior to their substitution, items (*i*) to (*x*) read as under :

"(*i*) eradicating extreme hunger and poverty;
(*ii*) promotion of education;
(*iii*) promoting gender equality and empowering women;
(*iv*) reducing child mortality and improving maternal health;
(*v*) combating human immuno-deficiency virus, acquired immuno-deficiency syndrome, malaria and other diseases;
(*vi*) ensuring environmental sustainability;
(*vii*) employment enhancing vocational skills;
(*viii*) social business projects;
(*ix*) contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and
(*x*) such other matters as may be prescribed."

33. Amended *vide* GSR 261(E), dated 31-3-2014.

34. Inserted by Notification No. GSR 741(E), dated 24-10-2014, w.e.f. 24-10-2014.

34a. Inserted by Notification No. G.S.R. 399(E), dated 23-6-2020, w.e.f. **23-6-2020.**

34b. Inserted by Notification No. G.S.R. 313(E), dated 26-5-2020, w.r.e.f. **28-3-2020.**

34c. Substituted by Notification No. G.S.R. 525(E), Dated 24-8-2020, w.e.f. **24-8-2020**. Prior to its substitution, item (ix) was amended by Notification No. G.S.R. 776(E), Dated 11-10-2019, w.e.f. 11-10-2019, read as under:

"(ix) *Contribution to incubators funded by Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government, and contributions to public funded Universities, Indian Institute of Technology (IITs), National Laboratories and Autonomous Bodies (established under the auspices of Indian Council of Agricultural Research (ICAR), Indian Council of Medical Research (ICMR),*

Council of Scientific and Industrial Research (CSIR), Department of Atomic Energy (DAE), Defence Research and Development Organisation (DRDO), Department of Science and Technology (DST), Ministry of Electronics and Information Technology) engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs)"

35. Inserted by Notification No. GSR 568(E), dated 6-8-2014, w.e.f. 7-8-2014.
36. Inserted by Notification No. G.S.R.390(E) F. No. 05/01/2019-CSR, Dated 30-5-2019, w.e.f. **30-5-2019**.

APPENDIX I

PROVISIONS OF OTHER ACTS REFERRED TO IN COMPANIES ACT, 2013

Section of Companies Act, 2013	*Section of the other Acts referred to*
(1)	*(2)*
	SECTION 5(*c*) OF BANKING REGULATION ACT, 1949
2(*9*)	**Interpretation.** **5.** In this Act, unless there is anything repugnant in the subject or context,—
	** ** **
	(*c*) "banking company" means any company which transacts the business of banking in India ; *Explanation*.—Any company which is engaged in the manufacture of goods or carries on any trade and which accepts deposits of money from the public merely for the purpose of financing its business as such manufacturer or trader shall not be deemed to transact the business of banking within the meaning of this clause ;
	SECTIONS 2(1)(*b*) AND 6(1) OF CHARTERED ACCOUNTANTS ACT, 1949
2(*17*)	**Interpretation.** **2.** (1) In this Act, unless there is anything repugnant in the subject or context,—
	** ** **
	(*b*) "chartered accountant" means a person who is a member of the Institute;
	** ** **
	Certificate of practice. **6.** (1) No member of the Institute shall be entitled to practice whether in India or elsewhere unless he has obtained from the Council a certificate of practice.
	** ** **
	SECTION 2(1)(*e*) OF CHARTERED ACCOUNTANTS ACT, 1949
132(4)	**Interpretation** **2.** (1) In this Act, unless there is anything repugnant in the subject or context,—
	** ** **
	(*e*) "Institute" means the Institute of Chartered Accountants of India constituted under this Act;
	SECTION 3 OF CHARTERED ACCOUNTANTS ACT, 1949
133/143(10)	**Incorporation of the Institute.** **3.** (1) All persons whose names are entered in the Register at the commencement of this Act and all persons who may hereafter have their names entered in the Register under the provisions of this Act, so long as they continue to have their names borne on the said Register, are hereby constituted a body corporate by the name of the Institute of Chartered Accountants of India, and all such persons shall be known as members of the Institute. (2) The Institute shall have perpetual succession and a common seal and shall have power to acquire, hold and dispose of property, both movable and immovable, and shall by its name sue or be sued.
	SECTION 22 OF CHARTERED ACCOUNTANTS ACT, 1949
132(4), *Expln.*	**Professional or other misconduct defined.** **22.** For the purposes of this Act, the expression 'professional or other misconduct' shall be deemed to include any act or omission provided in any of the Schedules, but nothing in this section shall be construed to limit or abridge in any way the power conferred or duty cast on the Director (Discipline) under sub-section (1) of to inquire into the conduct of any member of the Institute under any other circumstances.

FIRST SCHEDULE OF CHARTERED ACCOUNTANTS ACT, 1949

[*See* , 21A(3) and]

PART I

PROFESSIONAL MISCONDUCT IN RELATION TO CHARTERED ACCOUNTANTS IN PRACTICE

141

A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he —

(*1*) allows any person to practice in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by him;

(*2*) pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of a deceased partner, or a member of any other professional body or with such other persons having such qualifications as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.

Explanation.— In this item, "partner" includes a person residing outside India with whom a chartered accountant in practice has entered into partnership which is not in contravention of item (*4*) of this Part;

(*3*) accepts or agrees to accept any part of the profits of the professional work of a person who is not a member of the Institute:

Provided that nothing herein contained shall be construed as prohibiting a member from entering into profit sharing or other similar arrangements, including receiving any share commission or brokerage in the fees, with a member of such professional body or other person having qualifications, as is referred to in item (*2*) of this Part;

(*4*) enters into partnership, in or outside India, with any person other than a chartered accountant in practice or such other person who is a member of any other professional body having such qualifications as may be prescribed, including a resident who but for his residence abroad would be entitled to be registered as a member under clause (*v*) of sub-section (1) of or whose qualifications are recognised by the Central Government or the Council for the purpose of permitting such partnerships;

(*5*) secures, either through the services of a person who is not an employee of such chartered accountant or who is not his partner or by means which are not open to a chartered accountant, any professional business:

Provided that nothing herein contained shall be construed as prohibiting any arrangement permitted in terms of items (*2*), (*3*) and (*4*) of this Part;

(*6*) solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means:

Provided that nothing herein contained shall be construed as preventing or prohibiting—

(*i*) any chartered accountant from applying or requesting for or inviting or securing professional work from another chartered accountant in practice; or

(*ii*) a member from responding to tenders or enquiries issued by various users of professional services or organisations from time to time and securing professional work as a consequence;

(*7*) advertises his professional attainments or services, or uses any designation or expressions other than chartered accountant on professional documents, visiting cards, letter heads or sign boards, unless it be a degree of a University established by law in India or recognised by the Central Government or a title indicating membership of the Institute of Chartered Accountants of India or of any other institution that has been recognised by the Central Government or may be recognised by the Council:

Provided that a member in practice may advertise through a write up, setting out the services provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council;

(*8*) accepts a position as auditor previously held by another chartered accountant or a certified auditor who has been issued certificate under the Restricted Certificate Rules, 1932 without first communicating with him in writing;

(*9*) accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of section 225 of the Companies Act, 1956 (1 of 1956) in respect of such appointment have been duly complied with;

(*10*) charges or offers to charge, accepts or offers to accept in respect of any professional employment, fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except as permitted under any regulation made under this Act;

(*11*) engages in any business or occupation other than the profession of chartered accountant unless permitted by the Council so to engage:

Provided that nothing contained herein shall disentitle a chartered accountant from being a director of a company (not being a managing director or a wholetime director) unless he or any of his partners is interested in such company as an auditor;

(*12*) allows a person not being a member of the Institute in practice, or a member not being his partner to sign on his behalf or on behalf of his firm, any balance-sheet, profit and loss account, report or financial statements.

PART II

PROFESSIONAL MISCONDUCT IN RELATION TO MEMBERS OF THE INSTITUTE IN SERVICE

A member of the Institute (other than a member in practice) shall be deemed to be guilty of professional misconduct, if he being an employee of any company, firm or person—

(*1*) pays or allows or agrees to pay directly or indirectly to any person any share in the emoluments of the employment undertaken by him;

(*2*) accepts or agrees to accept any part of fees, profits or gains from a lawyer, a chartered accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification.

PART III

PROFESSIONAL MISCONDUCT IN RELATION TO MEMBERS OF THE INSTITUTE GENERALLY

A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he—

(*1*) not being a fellow of the Institute, acts as a fellow of the Institute;

(*2*) does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority;

(*3*) while inviting professional work from another chartered accountant or while responding to tenders or enquiries or while advertising through a write up, or anything as provided for in items (6) and (7) of Part I of this Schedule, gives information knowing it to be false.

PART IV

OTHER MISCONDUCT IN RELATION TO MEMBERS OF THE INSTITUTE GENERALLY

A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he—

(*1*) is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term not exceeding six months;

(*2*) in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work.

SECOND SCHEDULE OF CHARTERED ACCOUNTANTS ACT, 1949

[*See* , 21B(3) and]

PART I

PROFESSIONAL MISCONDUCT IN RELATION TO CHARTERED ACCOUNTANTS IN PRACTICE

A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he—

(*1*) discloses information acquired in the course of his professional engagement to any person other than his client so engaging him, without the consent of his client or otherwise than as required by any law for the time being in force;

(*2*) certifies or submits in his name, or in the name of his firm, a report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another chartered accountant in practice;

(*3*) permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transactions in a manner which may lead to the belief that he vouches for the accuracy of the forecast;

(*4*) expresses his opinion on financial statements of any business or enterprise in which he, his firm, or a partner in his firm has a substantial interest;

(*5*) fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity;

(*6*) fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity;

(*7*) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties;

(*8*) fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion;

(*9*) fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances;

(*10*) fails to keep moneys of his client other than fees or remuneration or money meant to be expended in a separate banking account or to use such moneys for purposes for which they are intended within a reasonable time.

PART II

PROFESSIONAL MISCONDUCT IN RELATION TO MEMBERS OF THE INSTITUTE GENERALLY

A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he—

(*1*) contravenes any of the provisions of this Act or the regulations made thereunder or any guidelines issued by the Council;

(*2*) being an employee of any company, firm or person, discloses confidential information acquired in the course of his employment except as and when required by any law for the time being in force or except as permitted by the employer;

(*3*) includes in any information, statement, return or form to be submitted to the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false;

(*4*) defalcates or embezzles moneys received in his professional capacity.

PART III

OTHER MISCONDUCT IN RELATION TO MEMBERS OF THE INSTITUTE GENERALLY

A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term exceeding six months.

SECTION 24 OF CODE OF CRIMINAL PROCEDURE, 1973

सत्यमेव जयते
INCOME TAX DEPARTMENT

443

Public Prosecutors.

24. (1) For every High Court, the Central Government or the State Government shall, after consultation with the High Court, appoint a Public Prosecutor and may also appoint one or more Additional Public Prosecutors, for conducting in such Court, any prosecution, appeal or other proceeding on behalf of the Central Government or State Government, as the case may be.

(2) The Central Government may appoint one or more Public Prosecutors for the purpose of conducting any case or class of cases in any district or local area.

(3) For every district, the State Government shall appoint a Public Prosecutor and may also appoint one or more Additional Public Prosecutors for the district :

Provided that the Public Prosecutor or Additional Public Prose-cutor appointed for one district may be appointed also to be a Public Prosecutor or an Additional Public Prosecutor, as the case may be, for another district.

(4) The District Magistrate shall, in consultation with the Sessions Judge, prepare a panel of names of persons, who are, in his opinion fit to be appointed as Public Prosecutors or Additional Public Prosecutors for the district.

(5) No person shall be appointed by the State Government as the Public Prosecutor or Additional Public Prosecutor for the district unless his name appears in the panel of names prepared by the District Magistrate under sub-section (4).

(6) Notwithstanding anything contained in sub-section (5), where in a State there exists a regular Cadre of Prosecuting Officers, the State Government shall appoint a Public Prosecutor or an Additional Public Prosecutor only from among the persons constituting such Cadre :

Provided that where, in the opinion of the State Government, no suitable person is available in such Cadre for such appointment that Government may appoint a person as Public Prosecutor or Additional Public Prosecutor, as the case may be, from the panel of names prepared by the District Magistrate under sub-section (4).

Explanation.—For the purposes of this sub-section,—

(*a*) "regular Cadre of Prosecuting Officers" means a Cadre of Prosecuting Officers which includes therein the post of a Public Prosecutor, by whatever name called, and which provides for promotion of Assistant Public Prosecutors, by whatever name called, to that post;

(*b*) "Prosecuting Officer" means a person, by whatever name called, appointed to perform the functions of a Public Prosecutor, an Additional Public Prosecutor or an Assistant Public Prosecutor under this Code.

(7) A person shall be eligible to be appointed as a Public Prosecutor or an Additional Public Prosecutor under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (6), only if he has been in practice as an advocate for not less than seven years.

(8) The Central Government or the State Government may appoint, for the purposes of any case or class of cases, a person who has been in practice as an advocate for not less than ten years as a Special Public Prosecutor :

Provided that the Court may permit the victim to engage an advocate of his choice to assist the prosecution under this sub-section.

(9) For the purposes of sub-section (7) and sub-section (8), the period during which a person has been in practice as a pleader, or has rendered (whether before or after the commencement of this Code) service as a Public Prosecutor or as an Additional Public Prosecutor or Assistant Public Prosecutor or other Prose-cuting Officer, by whatever name called, shall be deemed to be the period during which such person has been in practice as an advocate.

SECTION 167 OF CODE OF CRIMINAL PROCEDURE, 1973

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

436(1)(*b*) & (*c*) **Procedure when investigation cannot be completed in twenty-four hours.**

167. (1) Whenever any person is arrested and detained in custody, and it appears that the investigation cannot be completed within the period of twenty-four hours fixed by , and there are grounds for believing that the accusation or information is well-founded, the officer in charge of the police station or the police officer making the investigation, if he is not below the rank of sub-inspector, shall forthwith transmit to the nearest Judicial Magistrate a copy of the entries in the diary hereinafter prescribed relating to the case, and shall at the same time forward the accused to such Magistrate.

(2) The Magistrate to whom an accused person is forwarded under this section may, whether he has or has not jurisdiction to try the case, from time to time, authorise the detention of the accused in such custody as such Magistrate thinks fit, for a term not exceeding fifteen days in the whole; and if he has no jurisdiction to try the case or commit it for trial, and considers further detention unnecessary, he may order the accused to be forwarded to a Magistrate having such jurisdiction :

Provided that—

(*a*) the Magistrate may authorise the detention of the accused person, otherwise than in the custody of the police, beyond the period of fifteen days, if he is satisfied that adequate grounds exist for doing so, but no Magistrate shall authorise the detention of the accused person in custody under this paragraph for a total period exceeding,—

(*i*) ninety days, where the investigation relates to an offence punishable with death, imprisonment for life or imprisonment for a term of not less than ten years ;

(*ii*) sixty days, where the investigation relates to any other offence, and, on the expiry of the said period of ninety days, or sixty days, as the case may be, the accused person shall be released on bail if he is prepared to and does furnish bail, and every person released on bail under this sub-section shall be deemed to be so released under the provisions of Chapter XXXIII for the purposes of that Chapter ;

(*b*) no Magistrate shall authorise detention of the accused in custody of the police under this section unless the accused is produced before him in person for the first time and subsequently every time till the accused remains in the custody of the police, but the Magistrate may extend further detention in judicial custody on production of the accused either in person or through the medium of electronic video linkage ;

(*c*) no Magistrate of the second class, not specially empowered in this behalf by the High Court, shall authorise detention in the custody of the police.

Explanation I : For the avoidance of doubts, it is hereby declared that, notwithstanding the expiry of the period specified in paragraph (*a*), the accused shall be detained in custody so long as he does not furnish bail.

Explanation II : If any question arises whether an accused person was produced before the Magistrate as required under clause (*b*), the production of the accused person may be proved by his signature on the order authorising detention or by the order certified by the Magistrate as to production of the accused person through the medium of electronic video linkage, as the case may be:

Provided further that in case of a woman under eighteen years of age, the detention shall be authorised to be in the custody of a remand home or recognised social institution.

(2A) Notwithstanding anything contained in sub-section (1) or sub-section (2), the officer in charge of the police station or the police officer making the investigation, if he is not below the rank of a sub-inspector, may, where a Judicial Magistrate is not available, transmit to the nearest Executive Magistrate, on whom the powers of a Judicial Magistrate or Metropolitan Magistrate have been conferred, a copy of the entry in the diary hereinafter prescribed relating to the case, and shall, at the same time, forward the accused to such Executive Magistrate, and thereupon such Executive Magistrate, may, for reasons to be recorded in writing, authorise the detention of the accused person in such custody as he may think fit for a term not exceeding seven days in the aggregate; and on the expiry of the period of detention so authorised, the accused person shall be released on bail except where an order for further detention of the accused person has been made by a Magistrate competent to make such order ; and, where an order for such further detention is made, the period during which the accused person was detained in custody under the orders made by an Executive Magistrate under this sub-section, shall be taken into account in computing the period specified in paragraph (*a*) of the proviso to sub-section (2) :

Provided that before the expiry of the period aforesaid, the Executive Magistrate shall transmit to the nearest Judicial Magistrate the records of the case together with a copy of the entries in the diary relating to the case which was transmitted to him by the officer in charge of the police station or the police officer making the investigation, as the case may be.

(3) A Magistrate authorising under this section detention in the custody of the police shall record his reasons for so doing.

(4) Any Magistrate other than the Chief Judicial Magistrate making such order shall forward a copy of his order, with his reasons for making it, to the Chief Judicial Magistrate.

(5) If in any case triable by a Magistrate as a summons case, the investigation is not concluded within a period of six months from the date on which the accused was arrested, the Magistrate shall make an order stopping further investigation into the offence unless the officer making the investigation satisfies the Magistrate that for special reasons and in the interests of justice the continuation of the investigation beyond the period of six months is necessary.

(6) Where any order stopping further investigation into an offence has been made under sub-section (5), the Sessions Judge may, if he is satisfied, on an application made to him or otherwise, that further investigation into the offence ought to be made, vacate the order made under sub-section (5) and direct further investigation to be made into the offence subject to such directions with regard to bail and other matters as he may specify.

SECTION 173 OF CODE OF CRIMINAL PROCEDURE, 1973

212(15) **Report of police officer on completion of investigation.**

173. (1) Every investigation under this Chapter shall be completed without unnecessary delay.

(1A) The investigation in relation to rape of a child may be completed within three months from the date on which the information was recorded by the officer-in-charge of the police station.

(2) (*i*) As soon as it is completed, the officer-in-charge of the police station shall forward to a Magistrate empowered to take cognizance of the offence on a police report, a report in the form prescribed by the State Government, stating—

(*a*) the names of the parties;
(*b*) the nature of the information;
(*c*) the names of the persons who appear to be acquainted with the circumstances of the case;
(*d*) whether any offence appears to have been committed and, if so, by whom;
(*e*) whether the accused has been arrested;
(*f*) whether he has been released on his bond and, if so, whether with or without sureties;
(*g*) whether he has been forwarded in custody under ;
(*h*) whether the report of medical examination of the woman has been attached where investigation relates to an offence under section 376, 376A, 376B, 376C, 376D or section 376E of the Indian Penal Code (45 of 1860).

(*ii*) The officer shall also communicate, in such manner as may be prescribed by the State Government, the action taken by him, to the person, if any, by whom the information relating to the commission of the offence was first given.

(3) Where a superior officer of police has been appointed under , the report, shall, in any case in which the State Government by general or special order so directs, be submitted through that officer, and he may, pending the orders of the Magistrate, direct the officer-in-charge of the police station to make further investigation.

(4) Whenever it appears from a report forwarded under this section that the accused has been released on his bond, the Magistrate shall make such order for the discharge of such bond or otherwise as he thinks fit.

(5) When such report is in respect of a case to which applies, the police officer shall forward to the Magistrate along with the report—

(*a*) all documents or relevant extracts thereof on which the prosecution proposes to rely other than those already sent to the Magistrate during investigation;
(*b*) the statements recorded under of all the persons whom the prosecution proposes to examine as its witnesses.

(6) If the police officer is of opinion that any part of any such statement is not relevant to the subject-matter of the proceedings or that its disclosure to the accused is not essential in the interests of justice and is inexpedient in the public interest, he shall indicate that part of the statement and append a note requesting the Magistrate to exclude that part from the copies to be granted to the accused and stating his reasons for making such request.

(7) Where the police officer investigating the case finds it convenient so to do, he may furnish to the accused copies of all or any of the documents referred to in sub-section (5).

(8) Nothing in this section shall be deemed to preclude further investigation in respect of an offence after a report under sub-section (2) has been forwarded to the Magistrate and, where upon such investigation, the officer-in-charge of the police station obtains further evidence, oral or documentary, he shall forward to the Magistrate a further report or reports regarding such evidence in the form prescribed; and the provisions of sub-sections (2) to (6) shall, as far as may be, apply in relation to such report or reports as they apply in relation to a report forwarded under sub-section (2).

SECTION 195 OF CODE OF CRIMINAL PROCEDURE, 1973

INCOME TAX DEPARTMENT

424(4) **Prosecution for contempt of lawful authority of public servants, for offences against public justice and for offences relating to documents given in evidence.**

195. (1) No Court shall take cognizance—

(*a*) (*i*) of any offence punishable under sections 172 to 188 (both inclusive) of the Indian Penal Code (45 of 1860), or

(*ii*) of any abetment of, or attempt to commit, such offence, or

(*iii*) of any criminal conspiracy to commit such offence,

except on the complaint in writing of the public servant concerned or of some other public servant to whom he is administratively subordinate;

(*b*) (*i*) of any offence punishable under any of the following sections of the Indian Penal Code (45 of 1860), namely, sections 193 to 196 (both inclusive), 199, 200, 205 to 211 (both inclusive) and 228, when such offence is alleged to have been committed in, or in relation to, any proceeding in any Court, or

(*ii*) of any offence described in , or punishable under section 471, section 475 or section 476, of the said Code, when such offence is alleged to have been committed in respect of a document produced or given in evidence in a proceeding in any Court, or

(*iii*) of any criminal conspiracy to commit, or attempt to commit, or the abetment of, any offence specified in sub-clause (*i*) or sub-clause (*ii*),

except on the complaint in writing of that Court or by such officer of the Court as that Court may authorise in writing in this behalf, or of some other Court to which that Court is subordinate.

(2) Where a complaint has been made by a public servant under clause (*a*) of sub-section (1) any authority to which he is administratively subordinate may order the withdrawal of the complaint and send a copy of such order to the Court ; and upon its receipt by the Court, no further proceedings shall be taken on the complaint :

Provided that no such withdrawal shall be ordered if the trial in the Court of first instance has been concluded.

(3) In clause (*b*) of sub-section (1), the term "Court" means a Civil, Revenue or Criminal Court, and includes a Tribunal constituted by or under a Central, Provincial or State Act if declared by that Act to be a Court for the purposes of this section.

(4) For the purposes of clause (*b*) of sub-section (1), a Court shall be deemed to be subordinate to the Court to which appeals ordinarily lie from the appealable decrees or sentences of such former Court, or in the case of a Civil Court from whose decrees no appeal ordinarily lies, to the principal Court having ordinary original civil jurisdiction within whose local jurisdiction such Civil Court is situate :

Provided that—

(*a*) where appeals lie to more than one Court, the Appellate Court of inferior jurisdiction shall be the Court to which such Court shall be deemed to be subordinate ;

(*b*) where appeals lie to a civil and also to a Revenue Court, such Court shall be deemed to be subordinate to the Civil or Revenue Court according to the nature of the case or proceeding in connection with which the offence is alleged to have been committed.

SECTION 250 OF CODE OF CRIMINAL PROCEDURE, 1973

445 **Compensation for accusation without reasonable cause.**

250. (1) If, in any case instituted upon complaint or upon information given to a police officer or to a Magistrate, one or more persons is or are accused before a Magistrate of any offence triable by a Magistrate, and the Magistrate by whom the case is heard discharges or acquits all or any of the accused, and is of opinion that there was no reasonable ground for making the accusation against them or any of them, the Magistrate may, by his order of discharge or acquittal, if the person upon whose complaint or information the accusation was made is present, call upon him forthwith to show cause why he should not pay compensation to such accused or to each or any of such accused when there are more than one, or, if such person is not present, direct the issue of a summons to him to appear and show cause as aforesaid.

(2) The Magistrate shall record and consider any cause which such complainant or informant may show and if he is satisfied that there was no reasonable ground for making the accusation, may, for reasons to be recorded, make an order that compensation to such amount not exceeding the amount of fine he is empowered to impose, as he may determine, be paid by such complainant or informant to the accused or to each or any of them.

(3) The Magistrate may, by the order directing payment of the compensation under sub-section (2), further order that, in default of payment, the person ordered to pay such compensation shall undergo simple imprisonment for a period not exceeding thirty days.

(4) When any person is imprisoned under sub-section (3), the provisions of sections 68 and 69 of the Indian Penal Code (45 of 1860) shall, so far as may be, apply.

(5) No person who has been directed to pay compensation under this section shall, by reason of such order, be exempted from any civil or criminal liability in respect of the complaint made or information given by him:

Provided that any amount paid to an accused person under this section shall be taken into account in awarding compensation to such person in any subsequent civil suit relating to the same matter.

(6) A complainant or informant who has been ordered under sub-section (2) by a Magistrate of the second class to pay compensation exceeding one hundred rupees, may appeal from the order, as if such complainant or informant had been convicted on a trial held by such Magistrate.

(7) When an order for payment of compensation to an accused person is made in a case which is subject to appeal under sub-section (6), the compensation shall not be paid to him before the period allowed for the presentation of the appeal has elapsed, or, if an appeal is presented, before the appeal has been decided; and where such order is made in a case which is not so subject to appeal the compensation shall not be paid before the expiration of one month from the date of the order.

(8) The provisions of this section apply to summons-cases as well as to warrant cases.

CHAPTER XXVI OF CODE OF CRIMINAL PROCEDURE, 1973

CHAPTER XXVI

PROVISIONS AS TO OFFENCES AFFECTING THE ADMINISTRATION OF JUSTICE

424(4)

Procedure in cases mentioned in .

340. (1) When, upon an application made to it in this behalf or otherwise, any Court is of opinion that it is expedient in the interests of justice that an inquiry should be made into any offence referred to in clause (*b*) of sub-section (1) of , which appears to have been committed in or in relation to a proceeding in that Court or, as the case may be, in respect of a document produced or given in evidence in a proceeding in that Court, such Court may, after such preliminary inquiry, if any, as it thinks necessary,—

(*a*) record a finding to that effect;
(*b*) make a complaint thereof in writing;
(*c*) send it to a Magistrate of the first class having jurisdiction;
(*d*) take sufficient security for the appearance of the accused before such Magistrate, or if the alleged offence is non-bailable and the Court thinks it necessary so to do, send the accused in custody to such Magistrate; and
(*e*) bind over any person to appear and give evidence before such Magistrate.

(2) The power conferred on a Court by sub-section (1) in respect of an offence may, in any case where that Court has neither made a complaint under sub-section (1) in respect of that offence nor rejected an application for the making of such complaint, be exercised by the Court to which such former Court is subordinate within the meaning of sub-section (4) of .

(3) A complaint made under this section shall be signed,—

(*a*) where the Court making the complaint is a High Court, by such officer of the Court as the Court may appoint;
(*b*) in any other case, by the presiding officer of the Court or by such officer of the Court as the Court may authorise in writing in this behalf.

(4) In this section, "Court" has the same meaning as in .

Appeal

341. (1) Any person on whose application any Court other than a High Court has refused to make a complaint under sub-section (1) or sub-section (2) of , or against whom such a complaint has been made by such Court, may appeal to the Court to which such former Court is subordinate within the meaning of sub-section (4) of , and the superior Court may thereupon, after notice to the parties concerned, direct the withdrawal of the complaint or, as the case may be, making of the complaint which such former Court might have made under , and if it makes such complaint, the provisions of that section shall apply accordingly.

(2) An order under this section and subject to any such order, an order under , shall be final, and shall not be subject to revision.

Power to order costs.

342. Any Court dealing with an application made to it for filing a complaint under or an appeal under , shall have power to make such order as to costs as may be just.

Procedure of Magistrate taking cognizance.

343. (1) A Magistrate to whom a complaint is made under or shall, notwithstanding anything contained in Chapter XV, proceed, as far as may be, to deal with the case as if it were instituted on a police report.

(2) Where it is brought to the notice of such Magistrate, or of any other Magistrate to whom the case may have been transferred, that an appeal is pending against the decision arrived at in the judicial proceeding out of which the matter has arisen, he may, if he thinks fit, at any stage, adjourn the hearing of the case until such appeal is decided.

Summary procedure for trial for giving false evidence.

344. (1) If, at the time of delivery of any judgment or final order disposing of any judicial proceeding, a Court of Session or Magistrate of the first class expresses an opinion to the effect that any witness appearing in such proceeding had knowingly or wilfully given false evidence or had fabricated false evidence with the intention that such evidence should be used in such proceeding, it or he may, if satisfied that it is necessary and expedient in the interest of justice that the witness should be tried summarily for giving or fabricating, as the case may be, false evidence, take cognizance of the offence and may, after giving the offender a reasonable opportunity of showing cause why he should not be punished for such offence, try such offender summarily and sentence him to imprisonment for a term which may extend to three months, or to fine which may extend to five hundred rupees, or with both.

(2) In every such case the Court shall follow, as nearly as may be practicable, the procedure prescribed for summary trials.

(3) Nothing in this section shall affect the power of the Court to make a complaint under for the offence, where it does not choose to proceed under this section.

(4) Where, after any action is initiated under sub-section (1), it is made to appear to the Court of Session or Magistrate of the first class that an appeal or an application for revision has been preferred or filed against the judgment or order in which the opinion referred to in that sub-section has been expressed, it or he shall stay further proceedings of the trial until the disposal of the appeal or the application for revision, as the case may be, and thereupon the further proceedings of the trial shall abide by the results of the appeal or application for revision.

Procedure in certain cases of contempt.

345. (1) When any such offence as is described in section 175, section 178, section 179, section 180 or section 228 of the Indian Penal Code (45 of 1860) is committed in the view or presence of any Civil, Criminal or Revenue Court, the Court may cause the offender to be detained in custody and may, at any time before the rising of the Court on the same day, take cognizance of the offence and, after giving the offender a reasonable opportunity of showing cause why he should not be punished under this section, sentence the offender to fine not exceeding two hundred rupees, and, in default of payment of fine, to simple imprisonment for a term which may extend to one month, unless such fine be sooner paid.

(2) In every such case the Court shall record the facts constituting the offence, with the statement (if any) made by the offender as well as the finding and sentence.

(3) If the offence is under section 228 of the Indian Penal Code (45 of 1860), the record shall show the nature and stage of the judicial proceeding in which the Court interrupted or insulted was sitting, and the nature of the interruption or insult.

Procedure where Court considers that case should not be dealt with under .

346. (1) If the Court in any case considers that a person accused of any of the offences referred to in and committed in its view or presence should be imprisoned otherwise than in default of payment of fine, or that a fine exceeding two hundred rupees should be imposed upon him, or such Court is for any other reason of opinion that the case should not be disposed of under , such Court, after recording the facts constituting the offence and the statement of the accused as hereinbefore provided, may forward the case to a Magistrate having jurisdiction to try the same, and may require security to be given for the appearance of such person before such Magistrate, or if sufficient security is not given shall forward such person in custody to such Magistrate.

(2) The Magistrate to whom any case is forwarded under this section shall proceed to deal with, as far as may be, as if it were instituted on a police report.

When Registrar or Sub-Registrar to be deemed a Civil Court.

347. When the State Government so directs, any Registrar or any Sub-Registrar appointed under the Registration Act, 1908 (16 of 1908), shall be deemed to be a Civil Court within the meaning of sections 345 and 346.

Discharge of offender on submission of apology.

348. When any Court has under adjudged an offender to punishment, or has under forwarded him to a Magistrate for trial, for refusing or omitting to do anything which he was lawfully required to do or for any intentional insult or interruption, the Court may, in its discretion, discharge the offender or remit the punishment on his submission to the order or requisition of such Court, or on apology being made to its satisfaction.

Imprisonment or committal of person refusing to answer or produce document.

349. If any witness or person called to produce a document or thing before a Criminal Court refuses to answer such questions as are put to him or to produce any document or thing in his possession or power which the Court requires him to produce, and does not, after a reasonable opportunity has been given to him so to do, offer any reasonable excuse for such refusal, such Court may, for reasons to be recorded in writing, sentence him to simple imprisonment or by warrant under the hand of the Presiding Magistrate or Judge commit him to the custody of an officer of the Court for any term not exceeding seven days, unless in the meantime, such person consents to be examined and to answer, or to produce the document or thing and in the event of his persisting in his refusal, he may be dealt with according to the provisions of or .

Summary procedure for punishment for non-attendance by a witness in obedience to summons.

350. (1) If any witness being summoned to appear before a Criminal Court is legally bound to appear at a certain place and time in obedience to the summons and without just excuse neglects or refuses to attend at that place or time or departs from the place where he has to attend before the time at which it is lawful for him to depart, and the Court before which the witness is to appear is satisfied that it is expedient in the interests of justice that such a witness should be tried summarily, the Court may take cognizance of the offence and after giving the offender an opportunity of showing cause why he should not be punished under this section, sentence him to fine not exceeding one hundred rupees.

(2) In every such case the Court shall follow, as nearly as may be practicable, the procedure prescribed for summary trials.

Appeals from convictions under , , and .

351. (1) Any person sentenced by any Court other than a High Court under , , , or may, notwithstanding anything contained in this Code appeal to the Court to which decrees or orders made in such Court are ordinarily appealable.

(2) The provisions of Chapter XXIX shall, so far as they are applicable, apply to appeals under this section, and the Appellate Court may alter or reverse the finding, or reduce or reverse the sentence appealed against.

(3) An appeal from such conviction by a Court of Small Causes shall lie to the Court of Session for the sessions division within which such Court is situate.

(4) An appeal from such conviction by any Registrar or Sub-Registrar deemed to be a Civil Court by virtue of a direction issued under shall lie to the Court of Session for the sessions division within which the office of such Registrar or Sub-Registrar is situate.

Certain Judges and Magistrates not to try certain offences when committed before themselves.

352. Except as provided in , , and , no Judge of a Criminal Court (other than a Judge of a High Court) or Magistrate shall try any person for any offence referred to in , when such offence is committed before himself or in contempt of his authority, or is brought under his notice as such Judge or Magistrate in the course of a judicial proceeding.

CHAPTERS XXIX AND XXX OF CODE OF CRIMINAL PROCEDURE, 1973

CHAPTER XXIX

APPEALS

INCOME TAX DEPARTMENT

437

No appeal to lie unless otherwise provided.

372. No appeal shall lie from any judgment or order of a Criminal Court except as provided for by this Code or by any other law for the time being in force :

Provided that the victim shall have a right to prefer an appeal against any order passed by the Court acquitting the accused or convicting for a lesser offence or imposing inadequate compensation, and such appeal shall lie to the Court to which an appeal ordinarily lies against the order of conviction of such Court.

Appeal from orders requiring security or refusal to accept or rejecting surety for keeping peace or good behaviour.

373. Any person,—

(*i*) who has been ordered under to give security for keeping the peace or for good behaviour, or

(*ii*) who is aggrieved by any order refusing to accept or rejecting a surety under ,

may appeal against such order to the Court of Session :

Provided that nothing in this section shall apply to persons the proceedings against whom are laid before a Sessions Judge in accordance with the provisions of sub-section (2) or sub-section (4) of .

Appeals from convictions.

374. (1) Any person convicted on a trial held by a High Court in its extraordinary original criminal jurisdiction may appeal to the Supreme Court.

(2) Any person convicted on a trial held by a Sessions Judge or an Additional Sessions Judge or on a trial held by any other Court in which a sentence of imprisonment for more than seven years has been passed against him or against any other person convicted at the same trial, may appeal to the High Court.

(3) Save as otherwise provided in sub-section (2), any person,—

(*a*) convicted on a trial held by a Metropolitan Magistrate or Assistant Sessions Judge or Magistrate of the first class, or of the second class, or

(*b*) sentenced under , or

(*c*) in respect of whom an order has been made or a sentence has been passed under by any Magistrate,

may appeal to the Court of Session.

No appeal in certain cases when accused pleads guilty.

375. Notwithstanding anything contained in , where an accused person has pleaded guilty and has been convicted on such plea, there shall be no appeal,—

(*a*) if the conviction is by a High Court; or

(*b*) if the conviction is by a Court of Session, Metropolitan Magistrate or Magistrate of the first or second class, except as to the extent or legality of the sentence.

No appeal in petty cases.

376. Notwithstanding anything contained in , there shall be no appeal by a convicted person in any of the following cases, namely :—

(*a*) where a High Court passes only a sentence of imprisonment for a term not exceeding six months or of fine not exceeding one thousand rupees, or of both such imprisonment and fine;

(*b*) where a Court of Session or a Metropolitan Magistrate passes only a sentence of imprisonment for a term not exceeding three months or of fine not exceeding two hundred rupees, or of both such imprisonment and fine;

(*c*) where a Magistrate of the first class passes only a sentence of fine not exceeding one hundred rupees; or

(*d*) where, in a case tried summarily, a Magistrate empowered to act under passes only a sentence of fine not exceeding two hundred rupees :

Provided that an appeal may be brought against any such sentence if any other punishment is combined with it, but such sentence shall not be appealable merely on the ground—

(*i*) that the person convicted is ordered to furnish security to keep the peace; or

(*ii*) that a direction for imprisonment in default of payment of fine is included in the sentence; or

(*iii*) that more than one sentence of fine is passed in the case, if the total amount of fine imposed does not exceed the amount hereinbefore specified in respect of the case.

Appeal by the State Government against sentence.

377. (1) Save as otherwise provided in sub-section (2), the State Government may, in any case of conviction on a trial held by any Court other than a High Court, direct the Public Prosecutor to present an appeal against the sentence on the ground of its inadequacy—

(*a*) to the Court of Session, if the sentence is passed by the Magistrate; and

(*b*) to the High Court, if the sentence is passed by any other Court.

(2) If such conviction is in a case in which the offence has been investigated by the Delhi Special Police Establishment, constituted under the Delhi Special Police Establishment Act, 1946 (25 of 1946), or by any other agency empowered to make investigation into an offence under any Central Act other than this Code, the Central Government may also direct the Public Prosecutor to present an appeal against the sentence on the ground of its inadequacy—

(*a*) to the Court of Session, if the sentence is passed by the Magistrate; and

(*b*) to the High Court, if the sentence is passed by any other Court.

(3) When an appeal has been filed against the sentence on the ground of its inadequacy, the Court of Session or, as the case may be, the High Court shall not enhance the sentence except after giving to the accused a reasonable opportunity of showing cause against such enhancement and while showing cause, the accused may plead for his acquittal or for the reduction of the sentence.

Appeal in case of acquittal.

378. (1) Save as otherwise provided in sub-section (2), and subject to the provisions of sub-sections (3) and (5),—

(*a*) the District Magistrate may, in any case, direct the Public Prosecutor to present an appeal to the Court of Session from an order of acquittal passed by a Magistrate in respect of a cognizable and non-bailable offence;

(*b*) the State Government may, in any case, direct the Public Prosecutor to present an appeal to the High Court from an original or appellate order of an acquittal passed by any Court other than a High Court [not being an order under clause (*a*)] or an order of acquittal passed by the Court of Session in revision.

(2) If such an order of acquittal is passed in any case in which the offence has been investigated by the Delhi Special Police Establishment constituted under the Delhi Special Police Establishment Act, 1946 (25 of 1946) or by any other agency empowered to make investigation into an offence under any Central Act other than this Code, the Central Government may, subject to the provisions of sub-section (3), also direct the Public Prosecutor to present an appeal—

(*a*) to the Court of Session, from an order of acquittal passed by a Magistrate in respect of a cognizable and non-bailable offence;

(*b*) to the High Court from an original or appellate order of an acquittal passed by any Court other than a High Court [not being an order under clause (*a*)] or an order of acquittal passed by the Court of Session in revision.

(3) No appeal to the High Court under sub-section (1) or sub-section (2) shall be entertained except with the leave of the High Court.

(4) If such an order of acquittal is passed in any case instituted upon complaint and the High Court, on an application made to it by the complainant in this behalf, grants special leave to appeal from the order of acquittal, the complainant may present such an appeal to the High Court.

(5) No application under sub-section (4) for the grant of special leave to appeal from an order of acquittal shall be entertained by the High Court after the expiry of six months, where the complainant is a public servant, and sixty days in every other case, computed from the date of that order of acquittal.

(6) If, in any case, the application under sub-section (4) for the grant of special leave to appeal from an order of acquittal is refused, no appeal from that order of acquittal shall lie under sub-section (1) or under sub-section (2).

Appeal against conviction by High Court in certain cases.

379. Where the High Court has, on appeal, reversed an order of acquittal of an accused person and convicted him and sentenced him to death or to imprisonment for life or to imprisonment for a term of ten years or more, he may appeal to the Supreme Court.

Special right of appeal in certain cases.

380. Notwithstanding anything contained in this Chapter, when more persons than one are convicted in one trial, and an appealable judgment or order has been passed in respect of any of such persons, all or any of the persons convicted at such trial shall have a right of appeal.

Appeal to Court of Session how heard.

381. (1) Subject to the provisions of sub-section (2), an appeal to the Court of Session or Sessions Judge shall be heard by the Sessions Judge or by an Additional Sessions Judge:

Provided that an appeal against a conviction on a trial held by a Magistrate of the second class may be heard and disposed of by an Assistant Sessions Judge or a Chief Judicial Magistrate.

(2) An Additional Sessions Judge, Assistant Sessions Judge or a Chief Judicial Magistrate shall hear only such appeals as the Sessions Judge of the division may, by general or special order, make over to him or as the High Court may, by special order, direct him to hear.

Petition of appeal.

382. Every appeal shall be made in the form of a petition in writing presented by the appellant or his pleader, and every such petition shall (unless the Court to which it is presented otherwise directs) be accompanied by a copy of the judgment or order appealed against.

Procedure when appellant in jail.

383. If the appellant is in jail, he may present his petition of appeal and the copies accompanying the same to the officer in charge of the jail, who shall thereupon forward such petition and copies to the proper Appellate Court.

Summary dismissal of appeal.

384. (1) If upon examining the petition of appeal and copy of the judgment received under or , the Appellate Court considers that there is no sufficient ground for interfering, it may dismiss the appeal summarily :

Provided that—

(*a*) no appeal presented under shall be dismissed unless the appellant or his pleader has had a reasonable opportunity of being heard in support of the same;

(*b*) no appeal presented under shall be dismissed except after giving the appellant a reasonable opportunity of being heard in support of the same, unless the Appellate Court considers that the appeal is frivolous or that the production of the accused in custody before the Court would involve such inconvenience as would be disproportionate in the circumstances of the case;

(*c*) no appeal presented under shall be dismissed summarily until the period allowed for preferring such appeal has expired.

(2) Before dismissing an appeal under this section, the Court may call for the record of the case.

(3) Where the Appellate Court dismissing an appeal under this section is a Court of Session or of the Chief Judicial Magistrate, it shall record its reasons for doing so.

(4) Where an appeal presented under has been dismissed summarily under this section and the Appellate Court finds that another petition of appeal duly presented under on behalf of the same appellant has not been considered by it, that Court may, notwithstanding anything contained in , if satisfied that it is necessary in the interest of justice so to do, hear and dispose of such appeal in accordance with law.

Procedure for hearing appeals not dismissed summarily.

385. (1) If the Appellate Court does not dismiss the appeal summarily, it shall cause notice of the time and place at which such appeal will be heard to be given—

(*i*) to the appellant or his pleader;

(*ii*) to such officer as the State Government may appoint in this behalf;

(*iii*) if the appeal is from a judgment of conviction in a case instituted upon complaint to the complainant;

(*iv*) if the appeal is under or , to the accused, and shall also furnish such officer, complainant and accused with a copy of the grounds of appeal.

(2) The Appellate Court shall then send for the record of the case, if such record is not already available in that Court and hear the parties :

Provided that if the appeal is only as to the extent or the legality of the sentence, the Court may dispose of the appeal without sending for the record.

(3) Where the only ground for appeal from a conviction is the alleged severity of the sentence, the appellant shall not except with the leave of the Court, urge or be heard in support of any other ground.

Powers of the Appellate Court.

386. After perusing such record and hearing the appellant or his pleader, if he appears, and the Public Prosecutor, if he appears, and in case of an appeal under or , the accused, if he appears, the Appellate Court may, if it considers that there is no sufficient ground for interfering, dismiss the appeal, or may—

(*a*) in an appeal from an order of acquittal, reverse such order and direct that further inquiry be made, or that the accused be re-tried or committed for trial, as the case may be, or find him guilty and pass sentence on him according to law;

(*b*) in an appeal from a conviction—

(*i*) reverse the finding and sentence and acquit or discharge the accused, or order him to be re-tried by a Court of competent jurisdiction subordinate to such Appellate Court or committed for trial, or

(*ii*) alter the finding, maintaining the sentence, or

(*iii*) with or without altering the finding, alter the nature or the extent, or the nature and extent, of the sentence, but not so as to enhance the same;

(*c*) in an appeal for enhancement of sentence—

(*i*) reverse the finding and sentence and acquit or discharge the accused or order him to be re-tried by a Court competent to try the offence, or

(*ii*) alter the finding maintaining the sentence, or

(*iii*) with or without altering the finding, alter the nature or the extent, or the nature and extent, of the sentence, so as to enhance or reduce the same;

(*d*) in an appeal from any other order, alter or reverse such order;

(*e*) make any amendment or any consequential or incidental order that may be just or proper :

Provided that the sentence shall not be enhanced unless the accused has had an opportunity of showing cause against such enhancement :

Provided further that the Appellate Court shall not inflict greater punishment for the offence which in its opinion the accused has committed, than might have been inflicted for that offence by the Court passing the order or sentence under appeal.

Judgments of subordinate Appellate Court.

387. The rules contained in Chapter XXVII as to the judgment of a Criminal Court of original jurisdiction shall apply, so far as may be practicable, to the judgment in appeal of a Court of Session or Chief Judicial Magistrate :

Provided that unless the Appellate Court otherwise directs, the accused shall not be brought up, or required to attend, to hear judgment delivered.

Order of High Court on appeal to be certified to lower Court.

388. (1) Whenever a case is decided on appeal by the High Court under this Chapter, it shall certify its judgment or order to the Court by which the finding, sentence or order appealed against was recorded or passed and if such Court is that of a Judicial Magistrate other than the Chief Judicial Magistrate, the High Court's judgment or order shall be sent through the Chief Judicial Magistrate; and if such Court is that of an Executive Magistrate, the High Court's judgment or order shall be sent through the District Magistrate.

(2) The Court to which the High Court certifies its judgment or order shall thereupon make such orders as are conformable to the judgment or order of the High Court; and, if necessary, the record shall be amended in accordance therewith.

Suspension of sentence pending the appeal; release of appellant on bail.

389. (1) Pending any appeal by a convicted person, the Appellate Court may, for reasons to be recorded by it in writing, order that the execution of the sentence or order appealed against be suspended and, also, if he is in confinement, that he be released on bail, or on his own bond :

Provided that the Appellate Court shall, before releasing on bail or on his own bond a convicted person who is convicted of an offence punishable with death or imprisonment for life or imprisonment for a term of not less than ten years, shall give opportunity to the Public Prosecutor for showing cause in writing against such release :

Provided further that in cases where a convicted person is released on bail it shall be open to the Public Prosecutor to file an application for the cancellation of the bail.

(2) The power conferred by this section on an Appellate Court may be exercised also by the High Court in the case of an appeal by a convicted person to a Court subordinate thereto.

(3) Where the convicted person satisfies the Court by which he is convicted that he intends to present an appeal, the Court shall,—

(*i*) where such person, being on bail, is sentenced to imprisonment for a term not exceeding three years, or

(*ii*) where the offence of which such person has been convicted is a bailable one, and he is on bail,

order that the convicted person be released on bail, unless there are special reasons for refusing bail, for such period as will afford sufficient time to present the appeal and obtain the orders of the Appellate Court under sub-section (1), and the sentence of imprisonment shall, so long as he is so released on bail, be deemed to be suspended.

(4) When the appellant is ultimately sentenced to imprisonment for a term or to imprisonment for life, the time during which he is so released shall be excluded in computing the term for which he is so sentenced.

Arrest of accused in appeal from acquittal.

390. When an appeal is presented under , the High Court may issue a warrant directing that the accused be arrested and brought before it or any subordinate Court, and the Court before which he is brought may commit him to prison pending the disposal of the appeal or admit him to bail.

Appellate Court may take further evidence or direct it to be taken.

391. (1) In dealing with any appeal under this Chapter, the Appellate Court, if it thinks additional evidence to be necessary, shall record its reasons and may either take such evidence itself, or direct it to be taken by a Magistrate, or when the Appellate Court is a High Court, by a Court of Session or a Magistrate.

(2) When the additional evidence is taken by the Court of Session or the Magistrate, it or he shall certify such evidence to the Appellate Court, and such Court shall thereupon proceed to dispose of the appeal.

(3) The accused or his pleader shall have the right to be present when the additional evidence is taken.

(4) The taking of evidence under this section shall be subject to the provisions of Chapter XXIII, as if it were an inquiry.

Procedure where Judges of Court of Appeal are equally divided.

392. When an appeal under this Chapter is heard by a High Court before a Bench of Judges and they are divided in opinion, the appeal, with their opinions, shall be laid before another Judge of that Court, and that Judge, after such hearing as he thinks fit, shall deliver his opinion, and the judgment or order shall follow that opinion :

Provided that if one of the Judges constituting the Bench, or, where the appeal is laid before another Judge under this section, that Judge, so requires, the appeal shall be re-heard and decided by a larger Bench of Judges.

Finality of judgments and orders on appeal.

393. Judgments and orders passed by an Appellate Court upon an appeal shall be final, except in the cases provided for in , , sub-section (4) of of Chapter XXX:

Provided that notwithstanding the final disposal of an appeal against conviction in any case, the Appellate Court may hear and dispose of, on the merits,—

(*a*) an appeal against acquittal under , arising out of the same case, or

(*b*) an appeal for the enhancement of sentence under , arising out of the same case.

Abatement of appeals.

394. (1) Every appeal under or shall finally abate on the death of the accused.

(2) Every other appeal under this Chapter (except an appeal from a sentence of fine) shall finally abate on the death of the appellant :

Provided that where the appeal is against a conviction and sentence of death or of imprisonment, and the appellant dies during the pendency of the appeal, any of his near relatives may, within thirty days of the death of the appellant, apply to the Appellate Court for leave to continue the appeal; and if leave is granted, the appeal shall not abate.

Explanation : In this section, "near relative" means a parent, spouse, lineal descendant, brother or sister.

CHAPTER XXX

REFERENCE AND REVISION

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

Reference to High Court.

395. (1) Where any Court is satisfied that a case pending before it involves a question as to the validity of any Act, Ordinance or Regulation or of any provision contained in an Act, Ordinance or Regulation, the determination of which is necessary for the disposal of the case, and is of opinion that such Act, Ordinance, Regulation or provision is invalid or inoperative, but has not been so declared by the High Court to which that Court is subordinate or by the Supreme Court, the Court shall state a case setting out its opinion and the reasons therefor, and refer the same for the decision of the High Court.

Explanation : In this section, "Regulation" means any Regulation as defined in the General Clauses Act, 1897 (10 of 1897), or in the General Clauses Act of a State.

(2) A Court of Session or a Metropolitan Magistrate may, if it or he thinks fit in any case pending before it or him to which the provisions of sub-section (1) do not apply, refer for the decision of the High Court any question of law arising in the hearing of such case.

(3) Any Court making a reference to the High Court under sub-section (1) or sub-section (2) may, pending the decision of the High Court thereon, either commit the accused to jail or release him on bail to appear when called upon.

Disposal of case according to decision of High Court.

396. (1) When a question has been so referred, the High Court shall pass such order thereon as it thinks fit, and shall cause a copy of such order to be sent to the Court by which the reference was made, which shall dispose of the case conformably to the said order.

(2) The High Court may direct by whom the costs of such reference shall be paid.

Calling for records to exercise powers of revision.

397. (1) The High Court or any Sessions Judge may call for and examine the record of any proceeding before any inferior Criminal Court situate within its or his local jurisdiction for the purpose of satisfying itself or himself as to the correctness, legality or propriety of any finding, sentence or order, recorded or passed, and as to the regularity of any proceedings of such inferior Court, and may, when calling for such record, direct that the execution of any sentence or order be suspended, and if the accused is in confinement, that he be released on bail or on his own bond pending the examination of the record.

Explanation : All Magistrates, whether Executive or Judicial, and whether exercising original or appellate jurisdiction, shall be deemed to be inferior to the Sessions Judge for the purposes of this sub-section and of .

(2) The powers of revision conferred by sub-section (1) shall not be exercised in relation to any interlocutory order passed in any appeal, inquiry, trial or other proceeding.

(3) If an application under this section has been made by any person either to the High Court or to the Sessions Judge, no further application by the same person shall be entertained by the other of them.

Power to order inquiry.

398. On examining any record under or otherwise, the High Court or the Sessions Judge may direct the Chief Judicial Magistrate by himself or by any of the Magistrates subordinate to him to make, and the Chief Judicial Magistrate may himself make or direct any subordinate Magistrate to make, further inquiry into any complaint which has been dismissed under or sub-section (4) of , or into the case of any person accused of an offence who has been discharged:

Provided that no Court shall make any direction under this section for inquiry into the case of any person who has been discharged unless such person has had an opportunity of showing cause why such direction should not be made.

Sessions Judge's powers of revision.

399. (1) In the case of any proceeding the record of which has been called for by himself, the Sessions Judge may exercise all or any of the powers which may be exercised by the High Court under sub-section (1) of .

(2) Where any proceeding by way of revision is commenced before a Sessions Judge under sub-section (1), the provisions of sub-sections (2), (3), (4) and (5) of shall, so far as may be, apply to such proceeding and references in the said sub-sections to the High Court shall be construed as references to the Sessions Judge.

(3) Where any application for revision is made by or on behalf of any person before the Sessions Judge, the decision of the Sessions Judge thereon in relation to such person shall be final and no further proceeding by way of revision at the instance of such person shall be entertained by the High Court or any other Court.

Power of Additional Sessions Judge.

400. An Additional Sessions Judge shall have and may exercise all the powers of a Sessions Judge under this Chapter in respect of any case which may be transferred to him by or under any general or special order of the Sessions Judge.

High Court's powers of revision.

401. (1) In the case of any proceeding the record of which has been called for by itself or which otherwise comes to its knowledge, the High Court may, in its discretion, exercise any of the powers conferred on a Court of Appeal by , , and or on a Court of Session by and, when the Judges composing the Court of revision are equally divided in opinion, the case shall be disposed of in the manner provided by .

(2) No order under this section shall be made to the prejudice of the accused or other person unless he has had an opportunity of being heard either personally or by pleader in his own defence.

(3) Nothing in this section shall be deemed to authorise a High Court to convert a finding of acquittal into one of conviction.

(4) Where under this Code an appeal lies and no appeal is brought, no proceeding by way of revision shall be entertained at the instance of the party who could have appealed.

(5) Where under this Code an appeal lies but an application for revision has been made to the High Court by any person and the High Court is satisfied that such application was made under the erroneous belief that no appeal lies thereto and that it is necessary in the interests of justice so to do, the High Court may treat the application for revision as a petition of appeal and deal with the same accordingly.

Power of High Court to withdraw or transfer revision cases.

402. (1) Whenever one or more persons convicted at the same trial makes or make application to a High Court for revision and any other person convicted at the same trial makes an application to the Sessions Judge for revision, the High Court shall decide, having regard to the general convenience of the parties and the importance of the questions involved, which of the two Courts should finally dispose of the applications for revision and when the High Court decides that all the applications for revision should be disposed of by

itself, the High Court shall direct that the applications for revision pending before the Sessions Judge be transferred to itself and where the High Court decides that it is not necessary for it to dispose of the applications for revision, it shall direct that the applications for revision made to it be transferred to the Sessions Judge.

(2) Whenever any application for revision is transferred to the High Court, that Court shall deal with the same as if it were an application duly made before itself.

(3) Whenever any application for revision is transferred to the Sessions Judge, that Judge shall deal with the same as if it were an application duly made before himself.

(4) Where an application for revision is transferred by the High Court to the Sessions Judge, no further application for revision shall lie to the High Court or to any other Court at the instance of the person or persons whose applications for revision have been disposed of by the Sessions Judge.

Option of Court to hear parties.

403. Save as otherwise expressly provided by this Code, no party has any right to be heard either personally or by pleader before any Court exercising its powers of revision; but the Court may, if it thinks fit, when exercising such powers, hear any party either personally or by pleader.

Statement by Metropolitan Magistrate of grounds of his decision to be considered by High Court.

404. When the record of any trial held by a Metropolitan Magistrate is called for by the High Court or Court of Session under , the Magistrate may submit with the record a statement setting forth the grounds of his decision or order and any facts which he thinks material to the issue; and the Court shall consider such statement before overruling or setting aside the said decision or order.

High Court's order to be certified to lower Court.

405. When a case is revised under this Chapter by the High Court or a Sessions Judge, it or he shall, in the manner provided by , certify its decision or order to the Court by which the finding, sentence or order revised was recorded or passed, and the Court to which the decision or order is so certified shall thereupon make such orders as are conformable to the decision so certified; and, if necessary, the record shall be amended in accordance therewith.

SECTION 407 OF CODE OF CRIMINAL PROCEDURE, 1973

440, proviso

Power of High Court to transfer cases and appeals.

407. (1) Whenever it is made to appear to the High Court—

(*a*) that a fair and impartial inquiry or trial cannot be had in any Criminal Court subordinate thereto, or

(*b*) that some question of law of unusual difficulty is likely to arise, or

(*c*) that an order under this section is required by any provision of this Code, or will tend to the general convenience of the parties or witnesses, or is expedient for the ends of justice,

it may order—

(*i*) that any offence be inquired into or tried by any Court not qualified under to (both inclusive), but in other respects competent to inquire into or try such offence;

(*ii*) that any particular case or appeal, or class of cases or appeals, be transferred from a Criminal Court subordinate to its authority to any other such Criminal Court of equal or superior jurisdiction;

(*iii*) that any particular case be committed for trial to a Court of Session; or

(*iv*) that any particular case or appeal be transferred to and tried before itself.

(2) The High Court may act either on the report of the lower Court, or on the application of a party interested, or on its own initiative:

Provided that no application shall lie to the High Court for transferring a case from one Criminal Court to another Criminal Court in the same sessions division, unless an application for such transfer has been made to the Sessions Judge and rejected by him.

(3) Every application for an order under sub-section (1) shall be made by motion, which shall, except when the applicant is the Advocate-General of the State, be supported by affidavit or affirmation.

(4) When such application is made by an accused person, the High Court may direct him to execute a bond, with or without sureties, for the payment of any compensation which the High Court may award under sub-section (7).

(5) Every accused person making such application shall give to the Public Prosecutor notice in writing of the application, together with a copy of the grounds on which it is made; and no order shall be made on the merits of the application unless at least twenty-four hours have elapsed between the giving of such notice and the hearing of the application.

(6) Where the application is for the transfer of a case or appeal from any subordinate Court, the High Court may, if it is satisfied that it is necessary so to do in the interests of justice, order that, pending the disposal of the application, the proceedings in the subordinate Court shall be stayed, on such terms as the High Court may think fit to impose:

Provided that such stay shall not affect the subordinate Court's power of remand under .

(7) Where an application for an order under sub-section (1) is dismissed, the High Court may, if it is of opinion that the application was frivolous or vexatious, order the applicant to pay by way of compensation to any person who has opposed the application such sum not exceeding one thousand rupees as it may consider proper in the circumstances of the case.

(8) When the High Court orders under sub-section (1) that a case be transferred from any Court for trial before itself, it shall observe in such trial the same procedure which that Court would have observed if the case had not been so transferred.

(9) Nothing in this section shall be deemed to affect any order of Government under .

SECTION 2(1)(*c*) & 2(2) OF COMPANY SECRETARIES ACT, 1980

2(*24*), (*25*)

Definitions and interpretation.

2. (1) In this Act, unless the context otherwise requires,—

** ** **

(*c*) "Company Secretary" means a person who is a member of the Institute;

** ** **

(2) Save as otherwise provided in this Act, a member of the Institute shall be deemed "to be in practice" when, individually or in partnership with one or more members of the Institute in practice or in partnership with members of such other recognised professions as may be prescribed, he, in consideration of remuneration received or to be received,—

(*a*) engages himself in the practice of the profession of Company Secretaries to, or in relation to, any company; or

(*b*) offers to perform or performs services in relation to the promotion, forming incorporation, amalgamation, reconstruction, reorganisation or winding up of companies; or

(*c*) offers to perform or performs such services as may be performed by—

(*i*) an authorised representative of a company with respect to filing, registering, presenting, attesting or verifying any documents (including forms, applications and returns) by or on behalf of the company,

(*ii*) a share transfer agent,

(*iii*) an issue house,

(*iv*) a share and stock broker,

(*v*) a secretarial auditor or consultant,

(*vi*) an adviser to a company on management, including any legal or procedural matter falling under the Capital Issues (Control) Act, 1947 (29 of 1947), the Industries (Development and Regulation) Act, 1951 (65 of 1951), the Companies Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956), any of the rules or bye-laws made by a recognised stock exchange, the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969), the Foreign Exchange Regulation Act, 1973 (46 of 1973), or under any other law for the time being in force,

(*vii*) issuing certificates on behalf of, or for the purposes of, a company; or

(*d*) holds himself out to the public as a Company Secretary in practice; or

(*e*) renders professional services or assistance with respect to matters of principle or detail relating to the practice of the profession of Company Secretaries; or

(*f*) renders such other services as, in the opinion of the Council, are or may be rendered by a Company Secretary in practice;

and the words "to be in practice" with their grammatical variations and cognate expressions, shall be construed accor-dingly.

SECTION 3 OF COMPANY SECRETARIES ACT, 1980

118(10)/205(1), *Expln.*

Incorporation of the Institute.

3. (1) All persons whose names are entered in the Register of the dissolved company immediately before the commencement of this Act and all persons who may hereafter have their names entered in the Register to be maintained under this Act, so long as they continue to have their names borne on the Register to be maintained under this Act, are hereby constituted a body corporate by the name of the Institute of Company Secretaries of India and all such persons shall be known as members of the Institute.

(2) The Institute shall have perpetual succession and a common seal and shall have power to acquire, hold and dispose of property, movable or immovable and shall by its name sue or be sued.

SECTION 7(1) OF COMPETITION ACT, 2002

230(5)

Establishment of Commission.

7. (1) With effect from such date as the Central Government may, by notification, appoint, there shall be established, for the purposes of this Act, a Commission to be called the "Competition Commission of India".

SECTION 19A OF COMPTROLLER AND AUDITOR-GENERAL'S (DUTIES, POWERS AND CONDITIONS OF SERVICE) ACT, 1971

143(7)

Laying of reports in relation to accounts of Government companies and corporations.

19A. (1) The reports of the Comptroller and Auditor-General, in relation to the accounts of a Government company or a corporation referred to in , shall be submitted to the Government or Governments concerned.

(2) The Central Government shall cause every report received by it under sub-section (1) to be laid, as soon as may be after it is received, before each House of Parliament.

(3) The State Government shall cause every report received by it under sub-section (1) to be laid, as soon as may be after it is received, before the Legislature of the State.

Explanation : For the purposes of this section, "Government" or "State Government", in relation to a Union territory having a Legislative Assembly, means the Administrator of the Union territory.

SECTION 2(1)(*b*) OF COST AND WORKS ACCOUNTANTS ACT, 1959

2(*28*)

Definitions and interpretation.

2. (1) In this Act, unless the context otherwise requires,—

** ** **

(*b*) "cost accountant" means a person who is a member of the Institute;

SECTION 2(1)(*e*) OF DEPOSITORIES ACT, 1996

2(*32*)

Definitions.

2. (1) In this Act, unless the context otherwise requires,—

** ** **

(*e*) "depository" means a company formed and registered under the Companies Act, 1956 (1 of 1956), and which has been granted a certificate of registration under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

SECTION 11 OF DEPOSITORIES ACT, 1996

88(3) **Register of beneficial owner.**

11. Every depository shall maintain a register and an index of beneficial owners in the manner provided in sections 150, 151 and 152 of the Companies Act, 1956 (1 of 1956).

SECTION 14 OF EMPLOYEES' COMPENSATION ACT, 1923

325(3)(*b*)(*iii*)/327(1)(*e*) **Insolvency of employer.**

14. (1) Where any employer has entered into a contract with any insurers in respect of any liability under this Act to any employee, then in the event of the employer becoming insolvent or making a composition or scheme of arrangement with his creditors or, if the employer is a company, in the event of the company having commenced to be wound up, the rights of the employer against the insurers as respects that liability shall, notwithstanding anything in any law for the time being in force relating to insolvency or the winding up of companies, be transferred to and vest in the employee, and upon any such transfer the insurers shall have the same rights and remedies and be subject to the same liabilities as if they were the employer, so, however, that the insurers shall not be under any greater liability to the employee than they would have been under to the employer.

(2) If the liability of the insurers to the employee is less than the liability of the employer to the employee, the employee may prove for the balance in the insolvency proceedings or liquidation.

(3) Where in any case such as is referred to in sub-section (1) the contract of the employer with the insurers is void or voidable by reason of non-compliance on the part of the employer with any terms or conditions of the contract (other than a stipulation for the payment of premia), the provisions of that sub-section shall apply as if the contract were not void or voidable, and the insurers shall be entitled to prove in the insolvency proceedings or liquidation for the amount paid to the employee :

Provided that the provisions of this sub-section shall not apply in any case in which the employee fails to give notice to the insurers of the happening of the accident and of any resulting disablement as soon as practicable after he becomes aware of the institution of the insolvency or liquidation proceedings.

(4) There shall be deemed to be included among the debts which under section 49 of the Presidency-towns Insolvency Act, 1909 (3 of 1909), or under section 61 of the Provincial Insolvency Act, 1920 (5 of 1920), or under section 530 of the Companies Act, 1956 (1 of 1956), are in the distribution of the property of an insolvent or in the distribution of the assets of a company being wound up to be paid in priority to all other debts, the amount due in respect of any compensation the liability where for accrued before the date of the order of adjudication of the insolvent or the date of the commencement of the winding up, as the case may be, and those Acts shall have effect accordingly.

(5) Where the compensation is a half-monthly payment, the amount due in respect thereof shall, for the purposes of this section, be taken to be the amount of the lump sum for which the half-monthly payment could, if redeemable, be redeemed if application were made for that purpose under , and a certificate of the Commissioner as to the amount of such sum shall be conclusive proof thereof.

(6) The provisions of sub-section (4) shall apply in the case of any amount for which an insurer is entitled to prove under sub-section (3), but otherwise those provisions shall not apply where the insolvent or the company being wound up has entered into such a contract with insurers as is referred to in sub-section (1).

(7) This section shall not apply where a company is wound up voluntarily merely for to purposes of reconstruction or of amalgamation with another company.

SECTION 6 OF GENERAL CLAUSES ACT, 1897

465(3) **Effect of repeal.**

6. Where this Act, or any Central Act or Regulation made after the commencement of this Act, repeals any enactment hitherto made or hereafter to be made, then, unless a different intention appears, the repeal shall not—

(*a*) revive anything not in force or existing at the time at which the repeal takes effect; or
(*b*) affect the previous operation of any enactment so repealed or anything duly done or suffered thereunder; or
(*c*) affect any right, privilege, obligation or liability acquired, accrued or incurred under any enactment so repealed; or
(*d*) affect any penalty, forfeiture or punishment incurred in respect of any offence committed against any enactment so repealed; or
(*e*) affect any investigation, legal proceedings or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid;

and any such investigation, legal proceeding or remedy may be instituted, continued or enforced, and any such penalty, forfeiture or punishment may be imposed as if the repealing Act or Regulation had not been passed.

SECTION 76 OF INDIAN EVIDENCE ACT, 1872

223(4)(*b*) **Certified copies of public documents.**

76. Every public officer having the custody of a public document, which any person has a right to inspect, shall give that person on demand a copy of it on payment of the legal fees therefore, together with a certificate written, at the foot of such copy that it is a true copy of such document or part thereof, as the case may be, and such certificate shall be dated and subscribed by such officer with his name and his official title, and shall be sealed, whenever such officer is authorized by law to make use of a seal; and such copies so certified shall be called certified copies.

Explanation—Any officer who, by the ordinary course of official duty, is authorized to deliver such copies, shall be deemed to have the custody of such documents within the meaning of this section.

SECTIONS 123 & 124 OF INDIAN EVIDENCE ACT, 1872

424(2)(*d*) **Evidence as to affairs of State.**

123. No one shall be permitted to give any evidence derived from unpublished official records relating to any affairs of State, except with the permission of the officer at the head of the department concerned, who shall give or withhold such permission as he thinks fit.

Official communications.

124. No public officer shall be compelled to disclose communications made to him in official confidence, when he considers that the public interests would suffer by the disclosure.

SECTION 21 OF INDIAN PENAL CODE

427 **"Public servant".**

21. The words "public servant" denote a person falling under any of the descriptions hereinafter following, namely:—

First - [***]

Second - Every Commissioned Officer in the Military, Naval or Air Forces of India;

Third - Every Judge including any person empowered by law to discharge, whether by himself or as a member of any body of persons, any adjudicatory functions;

Fourth - Every officer of a Court of Justice (including a liquidator, receiver or Commissioner) whose duty it is, as such officer, to investigate or report on any matter of law or fact, or to make, authenticate, or keep any document, or to take charge or dispose of any property, or to execute any judicial process, or to administer any oath, or to interpret, or to preserve order in the Court, and every person specially authorised by a Court of Justice to perform any of such duties;

Fifth - Every juryman, assessor, or member of a panchayat assisting a Court of Justice or public servant;

Sixth - Every arbitrator or other person to whom any cause or matter has been referred for decision or report by any Court of Justice, or by any other competent public authority;

Seventh - Every person who holds any office by virtue of which he is empowered to place or keep any person in confinement;

Eighth - Every officer of the Government whose duty it is, as such officer, to prevent offences, to give information of offences, to bring offenders to justice, or to protect the public health, safety or convenience;

Ninth - Every officer whose duty it is, as such officer, to take, receive, keep or expend any property on behalf of the Government, or to make any survey, assessment or contract on behalf of the Government, or to execute any revenue-process, or to investigate, or to report, on any matter affecting the pecuniary interests of the Government, or to make, authenticate or keep any document relating to the pecuniary interests of the Government, or to prevent the infraction of any law for the protection of the pecuniary interests of the Government;

Tenth - Every officer whose duty it is, as such officer, to take, receive, keep or expend any property, to make any survey or assessment or to levy any rate or tax for any secular common purpose of any village, town or district, or to make, authenticate or keep any document for the ascertaining of the rights of the people of any village, town or district;

Eleventh - Every person who holds any office by virtue of which he is empowered to prepare, publish, maintain or revise an electoral roll or to conduct an election or part of an election;

Twelfth - Every person—

(*a*) in the service or pay of the Government or remunerated by fees or commission for the performance of any public duty by the Government;

(*b*) in the service or pay of a local authority, a corporation established by or under a Central, Provincial or State Act or a Government company as defined in section 617 of the Companies Act, 1956 (1 of 1956).

Illustration

A Municipal Commissioner is a public servant.

Explanation 1.—Persons falling under any of the above descriptions are public servants, whether appointed by the Government or not.

Explanation 2.—Wherever the words "public servant" occur, they shall be understood of every person who is in actual possession of the situation of a public servant, whatever legal defect there may be in his right to hold that situation.

Explanation 3.—The word "election" denotes an election for the purpose of selecting members of any legislative, municipal or other public authority, of whatever character, the method of selection to which is by, or under, any law prescribed as by election.

SECTION 182 OF INDIAN PENAL CODE

348(5) **False information, with intent to cause public servant to use his lawful power to the injury of another person.**

182. Whoever gives to any public servant any information which he knows or believes to be false, intending thereby to cause, or knowing it to be likely that he will thereby cause, such public servant—

(*a*) to do or omit anything which such public servant ought not to do or omit if the true state of facts respecting which such information is given were known by him, or

(*b*) to use the lawful power of such public servant to the injury or annoyance of any person,

shall be punished with imprisonment of either description for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

Illustrations

(*a*) A informs a Magistrate that Z, a police-officer, subordinate to such Magistrate, has been guilty of neglect of duty or misconduct, knowing such information to be false, and knowing it to be likely that the information will cause the Magistrate to dismiss Z. A has committed the offence defined in this section.

(*b*) A falsely informs a public servant that Z has contraband salt in a secret place, knowing such information to be false, and knowing that it is likely that the consequence of the information will be a search of Z's premises, attended with annoyance to Z. A has committed the offence defined in this section.

(*c*) A falsely informs a policeman that he has been assaulted and robbed in the neighbourhood of a particular village. He does not mention the name of any person as one of his assailants, but knows it to be likely that in consequence of this information the police will make enquiries and institute searches in the village to the annoyance of the villagers or some of them. A has committed an offence under this section.

SECTION 193 OF INDIAN PENAL CODE

424(4) **Punishment for false evidence.**

193. Whoever intentionally gives false evidence in any stage of a judicial proceeding, or fabricates false evidence for the purpose of being used in any stage of a judicial proceeding, shall be punished with imprisonment of either description for a term which may extend to seven years, and shall also be liable to fine;

and whoever intentionally gives or fabricates false evidence in any other case, shall be punished with imprisonment of either description for a term which may extend to three years, and shall also be liable to fine.

Explanation 1.—A trial before a Court-martial is a judicial proceeding.

Explanation 2.—An investigation directed by law preliminary to a proceeding before a Court of Justice, is a stage of a judicial proceeding, though that investigation may not take place before a Court of Justice.

Illustration

A, in an enquiry before a Magistrate for the purpose of ascertaining whether Z ought to be committed for trial, makes on oath a statement which he knows to be false. As this enquiry is a stage of a judicial proceeding, A has given false evidence.

Explanation 3.—An investigation directed by a Court of justice according to law, and conducted under the authority of a Court of Justice, is a stage of a judicial proceeding, though that investigation may not take place before a Court of Justice.

Illustration

A, in an enquiry before an officer deputed by a Court of Justice to ascertain on the spot the boundaries of land, makes on oath a statement which he knows to be false. As this enquiry is a stage of a judicial proceeding. A has given false evidence.

SECTION 196 OF INDIAN PENAL CODE

424(4) **Using evidence known to be false.**

196. Whoever corruptly uses or attempts to use as true or genuine evidence any evidence which he knows to be false or fabricated, shall be punished in the same manner as if he gave or fabricated false evidence.

SECTION 228 OF INDIAN PENAL CODE

424(4) **Intentional insult or interruption to public servant sitting in judicial proceeding**

228. Whoever intentionally offers any insult, or causes any interruption to any public servant, while such public servant is sitting in any stage of a judicial proceeding, shall be punished with simple imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

SECTION 2(*s*) OF INDUSTRIAL DISPUTES ACT, 1947

325(3)(*a*) **Definitions.**

2. In this Act, unless there is anything repugnant in the subject or context,—

** ** **

(*s*) "workman" means any person (including an apprentice) employed in any industry to do any manual, unskilled, skilled, technical, operational, clerical or supervisory work for hire or reward, whether the terms of employment be express or implied, and for the purposes of any proceeding under this Act in relation to an industrial dispute, includes any such person who has been dismissed, discharged or retrenched in connection with or as a consequence of, that dispute, or whose dismissal, discharge or retrenchment has led to that dispute, but does not include any such person—

(*i*) who is subject to the Air Force Act, 1950 (45 of 1950), or the Army Act, 1950 (46 of 1950), or the Navy Act, 1957 (62 of 1957); or

(*ii*) who is employed in the police service or as an officer or other employee of a prison; or

(*iii*) who is employed mainly in a managerial or administrative capacity; or

(*iv*) who, being employed in a supervisory capacity, draws wages exceeding ten thousand rupees per mensem or exercises, either by the nature of the duties attached to the office or by reason of the powers vested in him, functions mainly of a managerial nature.

SECTION 6 OF INFORMATION TECHNOLOGY ACT, 2000

398(1) **Use of electronic records and electronic signatures in Government and its agencies.**

6. (1) Where any law provides for—

(*a*) the filing of any form, application or any other document with any office, authority, body or agency owned or controlled by the appropriate Government in a particular manner;

(*b*) the issue or grant of any licence, permit, sanction or approval by whatever name called in a particular manner;

(*c*) the receipt or payment of money in a particular manner,

then, notwithstanding anything contained in any other law for the time being in force, such requirement shall be deemed to have been satisfied if such filing, issue, grant, receipt or payment, as the case may be, is effected by means of such electronic form as may be prescribed by the appropriate Government.

(2) The appropriate Government may, for the purposes of sub-section (1), by rules, prescribe—

(*a*) the manner and format in which such electronic records shall be filed, created or issued;

(*b*) the manner or method of payment of any fee or charges for filing, creation or issue any electronic record under clause (*a*).

SECTION 3 OF LIFE INSURANCE CORPORATION ACT, 1956

2(*72*) **Establishment and incorporation of Life Insurance Corporation of India.**

3. (1) With effect from such dateas the Central Government may, by notification in the Official Gazette, appoint, there shall be established a Corporation called the Life Insurance Corporation of India.

(2) The Corporation shall be a body corporate having perpetual succession and a common seal with power, subject to the provisions of this Act, to acquire, hold and dispose of property, and may by its name sue and be sued.

SECTION 2(1)(*n*) OF LIMITED LIABILITY PARTNERSHIP ACT, 2008

139(4), *Expln.* **Definitions.**

2. (1) In this Act, unless the context otherwise requires,—

** ** **

(*n*) "limited liability partnership" means a partnership formed and registered under this Act;

** ** **

SECTION 29A OF REPRESENTATION OF THE PEOPLE ACT, 1951

182, *Expln.* **Registration with the Election Commission of associations and bodies as political parties.**

29A. (1) Any association or body of individual citizens of India calling itself a political party and intending to avail itself of the provisions of this Part shall make an application to the Election Commission for its registration as a political party for the purposes of this Act.

(2) Every such application shall be made,—

(*a*) if the association or body is in existence at the commencement of the Representation of the People (Amendment) Act, 1988 (1 of 1989), within sixty days next following such commencement;

(*b*) if the association or body is formed after such commencement, within thirty days next following the date of its formation.

(3) Every application under sub-section (1) shall be signed by the chief executive officer of the association or body (whether such chief executive officer is known as Secretary or by any other designation) and presented to the Secretary to the Commission or sent to such Secretary by registered post.

(4) Every such application shall contain the following particulars, namely:—

(*a*) the name of the association or body;

(*b*) the State in which its head office is situate;

(*c*) the address to which letters and other communications meant for it should be sent;

(*d*) the names of its president, secretary, treasurer and other office bearers;

(*e*) the numerical strength of its members, and if there are categories of its members, the numerical strength in each category;

(*f*) whether it has any local units; if so, at what levels;

(*g*) whether it is represented by any member or members in either House of Parliament or of any State Legislature; if so, the number of such member or members.

(5) The application under sub-section (1) shall be accompanied by a copy of the memorandum or rules and regulations of the association or body, by whatever name called, and such memorandum or rules and regulations shall contain a specific provision that the association or body shall bear true faith and allegiance to the Constitution of India as by law established, and to the principles of socialism, secularism and democracy, and would uphold the sovereignty, unity and integrity of India.

(6) The Commission may call for such other particulars as it may deem fit from the association or body.

(7) After considering all the particulars as aforesaid in its possession and any other necessary and relevant factors and after giving the representatives of the association or body reasonable opportunity of being heard, the Commission shall decide either to register the association or body as a political party for the purposes of this Part, or not so to register it; and the Commission shall communicate its decision to the association or body:

Provided that no association or body shall be registered as a political party under this sub-section unless the memorandum or rules and regulations of such association or body conform to the provisions of sub-section (5).

(8) The decision of the Commission shall be final.

(9) After an association or body has been registered as a political party as aforesaid, any change in its name, head office, office-bearers, address or in any other material matters shall be communicated to the Commission without delay.

SECTION 2(*e*) OF RESERVE BANK OF INDIA ACT, 1934

2(*80*) **Definitions.**

2. In this Act, unless there is anything repugnant in the subject or context,—

** ** **

(*e*) "scheduled bank" means a bank included in the Second Schedule.

SECTION 3 OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

2(*82*) **Establishment and incorporation of Board.**

3. (1) With effect from such date as the Central Government may, by notification, appoint, there shall be established, for the purposes of this Act, a Board by the name of the Securities and Exchange Board of India.

(2) The Board shall be a body corporate by the name aforesaid, having perpetual succession and a common seal, with power subject to the provisions of this Act, to acquire, hold and dispose of property, both movable and immovable, and to contract, and shall, by the said name, sue or be sued.

(3) The head office of the Board shall be at Bombay.

(4) The Board may establish offices at other places in India.

SECTIONS 11(1), (2A), (3) AND (4), (5), 11A, 11B AND 11D OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

24(2) **Functions of Board.**

11. (1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.

** ** **

(2A) Without prejudice to the provisions contained in sub-section (2), the Board may take measures to undertake inspection of any book, or register, or other document or record of any listed public company or a public company (not being intermediaries referred to in) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market.

(3) Notwithstanding anything contained in any other law for the time being in force while exercising the powers under clause (*i*) or clause (*ia*) of sub-section (2) or sub-section (2A), the Board shall have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908), while trying a suit, in respect of the following matters, namely :—

(*i*) the discovery and production of books of account and other documents, at such place and such time as may be specified by the Board;

(*ii*) summoning and enforcing the attendance of persons and examining them on oath;

(*iii*) inspection of any books, registers and other documents of any person referred to in , at any place;

(*iv*) inspection of any book, or register, or other document or record of the company referred to in sub-section (2A);

(*v*) issuing commissions for the examination of witnesses or documents.

(4*)* Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely:—

(*a*) suspend the trading of any security in a recognised stock exchange;

(*b*) restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities;

(*c*) suspend any office-bearer of any stock exchange or self-regulatory organisation from holding such position;

(*d*) impound and retain the proceeds or securities in respect of any transaction which is under investigation;

(*e*) attach, after passing of an order on an application made for approval by the Judicial Magistrate of the first class having jurisdiction, for a period not exceeding one month, one or more bank account or accounts of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made there-under :

Provided that only the bank account or accounts or any transaction entered therein, so far as it relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached;

(*f*) direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation :

Provided that the Board may, without prejudice to the provisions contained in sub-section (2) or sub-section (2A), take any of the measures specified in clause (*d*) or clause (*e*) or clause (*f*), in respect of any listed public company or a public company (not being intermediaries referred to in) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market :

Provided further that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned.

[(5) The amount disgorged, pursuant to a direction issued, under section 11B of this Act or section 12A of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or section 19 of the Depositories Act, 1996 (22 of 1996), as the case may be, shall be credited to the Investor Protection and Education Fund established by the Board and such amount shall be utilised by the Board in accordance with the regulations made under this Ordinance.]

Board to regulate or prohibit issue of prospectus, offer document or advertisement soliciting money for issue of securities.

11A. (1) Without prejudice to the provisions of the Companies Act, 1956 (1 of 1956), the Board may, for the protection of investors,—

(*a*) specify, by regulations—

(*i*) the matters relating to issue of capital, transfer of securities and other matters incidental thereto; and

(*ii*) the manner in which such matters shall be disclosed by the companies;

(*b*) by general or special orders—

(*i*) prohibit any company from issuing prospectus, any offer document, or advertisement soliciting money from the public for the issue of securities;

(*ii*) specify the conditions subject to which the prospectus, such offer document or advertisement, if not prohibited, may be issued.

(2) Without prejudice to the provisions of section 21 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Board may specify the requirements for listing and transfer of securities and other matters incidental thereto.]

** ** **

Power to issue directions.

11B. Save as otherwise provided in , if after making or causing to be made an enquiry, the Board is satisfied that it is necessary,—

(*i*) in the interest of investors, or orderly development of securities market; or

(*ii*) to prevent the affairs of any intermediary or other persons referred to in being conducted in a manner detrimental to the interest of investors or securities market; or

(*iii*) (*iii*) to secure the proper management of any such intermediary or person,

it may issue such directions,—

(*a*) to any person or class of persons referred to in , or associated with the securities market; or

(*b*) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.

[*Explanation.*—For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.]

** ** **

Cease and desist proceedings.

11D. If the Board finds, after causing an inquiry to be made, that any person has violated, or is likely to violate, any provisions of this Act, or any rules or regulations made thereunder, it may pass an order requiring such person to cease and desist from committing or causing such violation :

Provided that the Board shall not pass such order in respect of any listed public company or a public company (other than the intermediaries specified under) which intends to get its securities listed on any recognised stock exchange unless the Board has reasonable grounds to believe that such company has indulged in insider trading or market manipulation.

SECTION 12 OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

186(6) **Registration of stock brokers, sub-brokers, share transfer agents, etc.**

12. (1) No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:

Provided that a person buying or selling securities or otherwise dealing with the securities market as a stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market immediately before the establishment of the Board for which no registration certificate was necessary prior to such establishment, may continue to do so for a period of three months from such establishment or, if he has made an application for such registration within the said period of three months, till the disposal of such application :

Provided further that any certificate of registration, obtained immediately before the commencement of the Securities Laws (Amendment) Act, 1995, shall be deemed to have been obtained from the Board in accordance with the regulations providing for such registration.

(1A) No depository, participant, custodian of securities, foreign institutional investor, credit rating agency, or any other intermediary associated with the securities market as the Board may by notification in this behalf specify, shall buy or sell or deal in securities except under and in accordance with the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act :

Provided that a person buying or selling securities or otherwise dealing with the securities market as a depository, participant, custodian of securities, foreign institutional investor or credit rating agency immediately before the commencement of the Securities Laws (Amendment) Act, 1995, for which no certificate of registration was required prior to such commencement, may continue to buy or sell securities or otherwise deal with the securities market until such time regulations are made under clause (*d*) of sub-section (2) of section 30.

(1B) No person shall sponsor or cause to be sponsored or carry on or caused to be carried on any venture capital funds or collective investment schemes including mutual funds, unless he obtains a certificate of registration from the Board in accordance with the regulations :

Provided that any person sponsoring or causing to be sponsored, carrying or causing to be carried on any venture capital funds or collective investment schemes operating in the securities market immediately before the commencement of the Securities Laws (Amendment) Act, 1995, for which no certificate of registration was required prior to such commencement, may continue to operate till such time regulations are made under clause (*d*) of sub-section (2) of section 30.

Explanation.—For the removal of doubts, it is hereby declared that, for the purposes of this section, a collective investment scheme or mutual fund shall not include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a component of investment besides the component of insurance issued by an insurer.

(2) Every application for registration shall be in such manner and on payment of such fees as may be determined by regulations.

(3) The Board may, by order, suspend or cancel a certificate of registration in such manner as may be determined by regulations :

Provided that no order under this sub-section shall be made unless the person concerned has been given a reasonable opportunity of being heard.

REGULATION 2(1)(*zd*) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009

42(2), *Expln. II(i)* **Definitions.**

2. (1) In these regulations, unless the context otherwise requires:

** ** **

(*zd*) "qualified institutional buyer" means :

(*i*) a mutual fund, venture capital fund, Alternative Investment Fund and foreign venture capital investor registered with the Board;
(*ii*) a foreign institutional investor and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with the Board;
(*iii*) a public financial institution as defined in section 4A of the Companies Act, 1956;
(*iv*) a scheduled commercial bank;
(*v*) a multilateral and bilateral development financial institution;
(*vi*) a state industrial development corporation;
(*vii*) an insurance company registered with the Insurance Regulatory and Development Authority;
(*viii*) a provident fund with minimum corpus of twenty five crore rupees;
(*ix*) a pension fund with minimum corpus of twenty five crore rupees;
(*x*) National Investment Fund set up by resolution F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India;
(*xi*) insurance funds set up and managed by army, navy or air force of the Union of India;
(*xii*) insurance funds set up and managed by the Department of Posts, India;

** ** **

REGULATION 2(1)(*b*) & (*e*) OF SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 1997

236(8), *Expln.* **Definitions.**

2. (1) In these regulations, unless the context otherwise requires :—

** ** **

(*b*) "acquirer" means any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights in the target company, or acquires or agrees to acquire control over the target company, either by himself or with any person acting in concert with the acquirer;

** ** **

(*e*) "person acting in concert" comprises,—

(*1*) persons who, for a common objective or purpose of substantial acquisition of shares or voting rights or gaining control over the target company, pursuant to an agreement or understanding (formal or informal), directly or indirectly co-operate by acquiring or agreeing to acquire shares or voting rights in the target company or control over the target company,

(*2*) without prejudice to the generality of this definition, the following persons will be deemed to be persons acting in concert with other persons in the same category, unless the contrary is established :

(*i*) a company, its holding company, or sub-sidiary or such company or company under the same management either individually or together with each other;
(*ii*) a company with any of its directors, or any person entrusted with the management of the funds of the company;
(*iii*) directors of companies referred to in sub-clause (*i*) of clause (*2*) and their associates;
(*iv*) mutual fund with sponsor or trustee or asset management company;
(*v*) foreign institutional investors with sub-account(s);
(*vi*) merchant bankers with their client(s) as acquirer;
(*vii*) portfolio managers with their client(s) as acquirer;
(*viii*) venture capital funds with sponsors;
(*ix*) banks with financial advisers, stock brokers of the acquirer, or any company which is a holding company, subsidiary or relative of the acquirer :

Provided that sub-clause (*ix*) shall not apply to a bank whose sole relationship with the acquirer or with any company, which is a holding company or a subsidiary of the acquirer or with a relative of the acquirer, is by way of providing normal commercial banking services or such activities in connection with the offer such as confirming availability of funds, handling acceptances and other registration work;

(*x*) any investment company with any person who has an interest as director, fund manager, trustee, or as a shareholder having not less than 2 per cent of the paid-up capital of that company or with any other investment company in which such person or his asso-ciate holds not less than 2 per cent of the paid-up capital of the latter company.

Note : For the purposes of this clause "associate" means,—

(*a*) any relative of that person within the meaning of section 6 of the Companies Act, 1956 (1 of 1956); and
(*b*) family trusts and Hindu undivided families;

REGULATION 2(1)(a) AND (q) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVERS) REGULATIONS, 2011

236(8), *Expln.* **Definitions.**

2. (1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings assigned to them below, and their cognate expressions and variations shall be construed accordingly,—

(*a*) "acquirer" means any person who, directly or indirectly, acquires or agrees to acquire whether by himself, or through, or with persons acting in concert with him, shares or voting rights in, or control over a target company;

** ** **

(*q*) "persons acting in concert" means,—

(*1*) persons who, with a common objective or purpose of acquisition of shares or voting rights in, or exercising control over a target company, pursuant to an agreement or understanding, formal or informal, directly or indirectly co-operate for acquisition of shares or voting rights in, or exercise of control over the target company.

(*2*) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be persons acting in concert with other persons within the same category, unless the contrary is established, —

(*i*) a company, its holding company, subsidiary company and any company under the same management or control;

(*ii*) a company, its directors, and any person entrusted with the management of the company;

(*iii*) directors of companies referred to in items (*i*) and (*ii*) of this sub-clause and associates of such directors;

(*iv*) promoters and members of the promoter group;

(*v*) immediate relatives;

(*vi*) a mutual fund, its sponsor, trustees, trustee company, and asset management company;

(*vii*) a collective investment scheme and its collective investment management company, trustees and trustee company;

(*viii*) a venture capital fund and its sponsor, trus-tees, trustee company and asset management company;

(*viiia*) an alternative investment fund and its sponsor, trustees, trustee company and manager;

(*ix*) [***];

(*x*) a merchant banker and its client, who is an acquirer;

(*xi*) a portfolio manager and its client, who is an acquirer;

(*xii*) banks, financial advisors and stock brokers of the acquirer, or of any company which is a holding company or subsidiary of the acquirer, and where the acquirer is an individual, of the immediate relative of such individual:

Provided that this sub-clause shall not apply to a bank whose sole role is that of providing normal commercial banking services or activities in relation to an open offer under these regulations;

(*xiii*) an investment company or fund and any person who has an interest in such investment company or fund as a shareholder or unitholder having not less than 10 per cent of the paid-up capital of the investment company or unit capital of the fund, and any other investment company or fund in which such person or his associate holds not less than 10 per cent of the paid-up capital of that investment company or unit capital of that fund:

Provided that nothing contained in this sub-clause shall apply to holding of units of mutual funds registered with the Board.

Explanation.— For the purposes of this clause "associate" of a person means,—

(*a*) any immediate relative of such person;

(*b*) trusts of which such person or his immediate relative is a trustee;

(*c*) partnership firm in which such person or his immediate relative is a partner; and

(*d*) members of Hindu undivided families of which such person is a coparcener.

** ** **

SECTION 2 OF SECURITIES CONTRACTS (REGULATION) ACT, 1956

2(*33*), (*73*), (*81*) **Definitions.**

2. In this Act, unless the context otherwise requires,—

** ** **

(*ac*) "derivative" includes—

(*A*) a security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security;

(*B*) a contract which derives its value from the prices, or index of prices, of underlying securities;

** ** **

(*f*) "recognised stock exchange" means a stock exchange which is for the time being recognised by the Central Government under ;

** ** **

(*h*) "securities" include—

(*i*) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;

(*ia*) derivative;

(*ib*) units or any other instrument issued by any collective investment scheme to the investors in such schemes;

(*ic*) security receipt as defined in clause (*zg*) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;

(*id*) units or any other such instrument issued to the investors under any mutual fund scheme;

Explanation.—For the removal of doubts, it is hereby declared that "securities"shall not include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a combined benefit risk on the life of the persons and investment by such persons and issued by an insurer referred to in clause (*9*) of section 2 of the Insurance Act, 1938 (4 of 1938);

(*ie*) any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receiv-able, including mortgage debt, as the case may be;

(*ii*) Government securities;

(*iia*) such other instruments as may be declared by the Central Government to be securities; and

(*iii*) rights or interest in securities;

SECTION 5(1) OF SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTEREST ACT, 2002

254(1), Third proviso

Acquisition of rights or interest in financial assets.

5. (1) Notwithstanding anything contained in any agreement or any other law for the time being in force, any securitisation company or reconstruction company may acquire financial assets of any bank or financial institution,—

(*a*) by issuing a debenture or bond or any other security in the nature of debenture, for consideration agreed upon between such company and the bank or financial institution, incorporating therein such terms and conditions as may be agreed upon between them; or

(*b*) by entering into an agreement with such bank or financial institution for the transfer of such financial assets to such company on such terms and conditions as may be agreed upon between them.

** ** **

SECTION 13(4) OF SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTEREST ACT, 2002

254(1), First & Second provisos/264(6)

Enforcement of security interest.

13. ** ** **

(4) In case the borrower fails to discharge his liability in full within the period specified in sub-section (2), the secured creditor may take recourse to one or more of the following measures to recover his secured debt, namely :—

(*a*) take possession of the secured assets of the borrower including the right to transfer by way of lease, assignment or sale for realising the secured asset;

(*b*) take over the management of the business of the borrower including the right to transfer by way of lease, assignment or sale for realising the secured asset :

Provided that the right to transfer by way of lease, assignment or sale shall be exercised only where the substantial part of the business of the borrower is held as security for the debt;

(*c*) appoint any person (hereafter referred to as the manager), to manage the secured assets the possession of which has been taken over by the secured creditor;

(*d*) required at any time by notice in writing, any person who has acquired any of the secured assets from the borrower and from whom any money is due or may become due to the borrower, to pay the secured creditor, so much of the money as is sufficient to pay the secured debt.

SECTION 4 OF SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985

230(7)(*d*)

Establishment of Board.

4. (1) With effect from such date as the Central Government may, by notification, appoint, there shall be established a Board to be known as the "Board for Industrial and Financial Reconstruction" to exercise the jurisdiction and powers and discharge the functions and duties conferred or imposed on the Board by or under this Act.

(2) The Board shall consist of a Chairman and not less than two and not more than fourteen other members, to be appointed by the Central Government.

(3) The Chairman and other Members of the Board shall be persons who are or have been or are qualified to be High Court Judges, or persons of ability, integrity and standing who have special knowledge of, and professional experience of not less than fifteen years in science, technology, economics, banking industry, law, labour matters, industrial finance, industrial management, industrial reconstruction, administration, investment, accountancy, marketing or any other matter, the special knowledge of, or professional experience in which, would in the opinion of the Central Government be useful to the Board.

UNIT TRUST OF INDIA (TRANSFER OF UNDERTAKING AND REPEAL) ACT, 2002

2(72)(*iii*)

** ** **

(*h*) "specified company" means a company to be formed and registered under the Companies Act, 1956 (1 of 1956) and whose entire capital is subscribed by such financial institutions or banks as may be specified by the Central Government, by notification in the Official Gazette, for the purpose of transfer and vesting of the undertaking;

** ** **

COMPANIES (SPECIFICATION OF DEFINITION) RULES, 2014

Digital Signature Certificates

Rule 2(*b*) of the Companies (Specification of Definitions Details)

Rules, 2014 provides that 'Certifying Authority' for the purpose of Digital Signature Certificate means a person who has been granted a licence to issue a Digital Signature Certificate under section 24 of the Information Technology Act, 2000 (21 of 2000) and the Certified Filing Centre (CFC) under the Act.

Rule 2(*c*) of the Companies (Specification of Definitions Details) Rules, 2014 provides that 'digital signature' means the digital signature as defined under clause (*p*) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000).

Rule 2(*d*) of the Companies (Specification of Definitions Details) Rules, 2014 provides that 'Digital Signature Certificate' means a Digital Signature Certificate as defined under clause (*q*) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000).

SECTION 2(*p*) & (*q*) OF INFORMATION TECHNOLOGY ACT, 2000

Definitions

2. (1) In this Act, unless the context otherwise requires,—

** ** **

(*p*) "digital signature" means authentication of any electronic record by a subscriber by means of an electronic method or procedure in accordance with the provisions of ;

(*q*) "Digital Signature Certificate" means a Digital Signature Certificate issued under sub-section (4) of ;

SECTION 4 OF INFORMATION TECHNOLOGY ACT, 2000

** ** **

Legal recognition of electronic records.

4. Where any law provides that information or any other matter shall be in writing or in the typewritten or printed form, then, notwithstanding anything contained in such law, such requirement shall be deemed to have been satisfied if such information or matter is—

(*a*) rendered or made available in an electronic form; and

(*b*) accessible so as to be usable for a subsequent reference.

** ** **

SECTION 24 OF INFORMATION TECHNOLOGY ACT, 2000

Procedure for grant or rejection of licence

24. The Controller may, on receipt of an application under sub-section (1) of , after considering the documents accompanying the application and such other factors, as he deems fit, grant the licence or reject the application :

Provided that no application shall be rejected under this section unless the applicant has been given a reasonable opportunity of presenting his case.

SECTION 35 OF INFORMATION TECHNOLOGY ACT, 2000

Certifying authority to issue Electronic Signature Certificate

35. (1) Any person may make an application to the Certifying Authority for the issue of an Electronic Signature Certificate in such form as may be prescribed by the Central Government.

(2) Every such application shall be accompanied by such fee not exceeding twenty-five thousand rupees as may be prescribed by the Central Government, to be paid to the Certifying Authority:

Provided that while prescribing fees under sub-section (2) different fees may be prescribed for different classes of applicants.

(3) Every such application shall be accompanied by a certification practice statement or where there is no such statement, a statement containing such particulars, as may be specified by regulations.

(4) On receipt of an application under sub-section (1), the Certifying Authority may, after consideration of the certification practice statement or the other statement under sub-section (3) and after making such enquiries as it may deem fit, grant the Electronic Signature Certificate or for reasons to be recorded in writing, reject the application :

Provided that no application shall be rejected unless the applicant has been given a reasonable opportunity of showing cause against the proposed rejection.

Miscellaneous

RULE 2(*f*) OF COMPANIES (REGISTRATION OFFICES & FEES) RULES, 2014

** ** **

(*f*) "electronic record" means electronic record as defined under clause (*t*) of sub-section (1) of section 2 of the Information Technology Act, 2000 (21 of 2000);

** ** **

SECTION 2(1)(*t*) OF INFORMATION TECHNOLOGY ACT, 2000

Definitions

2. (1) In this Act, unless the context otherwise requires,—

** ** **

(*t*) "electronic record" means data, record or data generated, image or sound stored, received or sent in an electronic form or micro film or computer generated micro fiche;

** ** **

RULE 2(*g*) COMPANIES (REGISTRATION OFFICES AND FEES) RULES, 2014

** ** **

(*g*) "electronic Registry" means an electronic repository or storage system of the Central Government in which the information or documents are received, stored, protected and preserved in electronic form;

** ** **

RULE 2(*h*) COMPANIES (REGISTRATION OFFICES AND FEES) RULES, 2014

** ** **

(*h*) "electronic Mail" means message sent, received or forwarded in digital form using any electronic communication mechanism such that the message so sent, received or forwarded is storable and retrievable;

** ** **

RULE 2(*k*) COMPANIES (REGISTRATION OFFICES AND FEES) RULES, 2014

** ** **

(*k*) "Registrar's Facilitation Office" means an office maintained by the Central Government or an agency authorised by it to facilitate e-filing of documents into the electronic registry and their inspection and viewing;

** ** **

RULE 2(*l*) COMPANIES (REGISTRATION OFFICES AND FEES) RULES, 2014

** ** **

(*l*) "Straight Through Process" means the process in which an e-form is approved through system without manual interruption.

** ** **

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

APPENDIX II

WORDS & PHRASES JUDICIALLY NOTICED

Words & Phrases	*Judicial Interpretation*
(1)	*(2)*
'Accidental omission'/ of the 2013 Act	**Maharaja Exports *v.* Apparels Exports Promotion Council [1986]60 Comp. Cas. 353 (Delhi)** The words 'accidental omission' as occurring in section 172(3) of the 1956 Act [corresponding to of the 2013 Act] means that the omission must be not only not designed but also not deliberate. This expression implies absence of intention or deliberate design.
'Accounts'/, proviso, of the 2013 Act	**Extract from Fifth Annual Report on Working and Administra-tion of Companies Act, 1956 - Year ended 31st March, 1961** The 'accounts' [as occurring in section 228(3)(*c*) of the 1956 Act corresponding to proviso to of the 2013 Act] maintained in the branch office would necessarily depend largely on type of business carried on in branch. However, two requirements, in addition to the other requirements of section 227 of the 1956 Act [corresponding to of the 2013 Act] that might be applicable to any particular branch that have to be complied with, are namely, the auditors should certify that (*a*) proper books of account have been kept at the branch; and (*b*) that the accounts or returns of the branch show a true and fair view of the working of the branch.
'Acquisition of gain'/ of the 2013 Act	**Tan Waing *v.* Bo Hein [1933] 3 Comp. Cas. 112 (Rangoon)** 'Gains' means acquisition. It has no other meaning. Gain is something obtained or acquired. It is not limited to pecuniary gain. One has to add the word 'pecuniary' so to limit. And still less is it limited to commercial profits. The word used is not 'gains' but 'gain' in the singular. Commercial profits, no doubt, are gain, but there is nothing limiting gain simply to a commercial profit. The words 'acquisition of gain' refer to a company which is formed to acquire something, or in which the individual members are to acquire something, as distinguished from a company formed for spending something, and in which the individual members are simply to give something away or to spend something, and not to gain anything. (*See* section 11(2) of the 1956 Act)
'After commencement of winding up'/ of the 2013 Act	**S.P. Bhargava *v.* Rameshwar Shastri [1952] 22 Comp. Cas. 106(Gwalior)** The expression 'after the commencement of winding up' in section 216(2) of the 1913 Act/section 518(2) of the 1956 Act [corresponding to of the 2013 Act] does not refer to the resolution of winding up, but to the time when attachment is put into force.
'All wages or salary'/ of the 2013 Act	**Textile Labour Association *v.* Official Liquidator of JubileeMills [2000] 99 Comp. Cas. 189 (Guj.)** Expression 'all wages or salary' in section 529(3)(*b*)(*i*) of the 1956 Act [corresponding to of the 2013 Act] does not include bonus payable to workmen under the Payment of Bonus Act or otherwise.
'Allotment' as generally defined	**Florence Land & Public Works Co., In re [1885] LR 29 Ch. D.421** What is termed 'allotment' is generally neither more nor less than the acceptance by the company of the offer to take shares. To take the common case, the offer is to take a certain number of shares, or such less number of shares as may be allotted. That offer is accepted by the allotment either of the total number mentioned in the offer or a less number, to be taken by the person who made the offer. This constitutes a binding contract to take that number according to the offer and acceptance. There is no magic whatever in the term 'allotment' as used in these circumstances. It is said that the allotment is an appropriation of a specific number of shares. **Mosely *v.* Koffyfontein Mines Ltd. [1911] 1 Ch. 73** The words 'creation', 'issue', and 'allotment' are used with three different meanings familiar to business people as well as to lawyers. There are three steps with regard to new capital; first, it is created; till it is created the capital does not exist at all. When it is created it may remain unissued for years, the market may not have allowed a favourable opportunity of placing it. When it is issued it may be issued on such terms as appear for the moment expedient. Broadly speaking, it is an appropriation by the directors or the managing body of the company of shares to a particular person.
'Allotment'/ of the 2013 Act	**Sri Gopal Jalan & Co. *v.* Calcutta Stock Exchange Association Ltd. [1963] 33 Comp. Cas. 862 (SC)** 'Allotment' means the appropriation out of the previously un-appropriated capital of a company, of a certain number of shares to a person. Till such allotment, the shares do not exist as such. It is on allotment in this sense that the shares come into existence. The word 'allotment' has not been used to describe a transaction with regard to an existing share, that is, a share previously brought into existence by appropriation to a person out of the authorised capital. In every case, the words 'allotment of shares' have been used to indicate the creation of shares by appropriation out of the unappropriated share capital to a particular person. **Sri Gopal Jalan & Co. *v.* Calcutta Stock Exchange Association Ltd. [1963] 33 Comp. Cas. 862 (SC)** Re-issue of forfeited share is not 'allotment' of share within meaning of section 75(1) of the 1956 Act [corresponding to of the 2013 Act]. **Calcutta Stock Exchange Association Ltd., In re [1957] 27 Comp. Cas. 559 (Cal.)** The word 'allotment' in section 75(1) of the 1956 Act [corresponding to of the 2013 Act] means only the original or the first allotment or the allotment of new shares and not the re-issue of shares in lieu of shares which have for some reason or other been forfeited.
'Any claim'/ of the 2013 Act	**Star Engg. Works Ltd. *v.* Official Liquidator of the Krishnakumar Mills Co. Ltd. [1977] 47 Comp. Cas. 30 (Guj.)**

The words 'any claim' in section 446(2)(*b*) of the 1956 Act [corresponding to of the 2013 Act] are wide enough to cover claim of goods supplied to company.

Liberty Finance (P.) Ltd., In re [1979] 49 Comp. Cas. 287 (Delhi)/Faridabad Cold Storage & Allied Industry *v.* **Official Liquidator, Ammonia Supplies Corpn. (P.) Ltd. [1978] 48 Comp. Cas. 432 (Delhi)(FB)**

The expression 'any claim' as occurring in section 446(2)(*b*) of the 1956 Act means a claim which is legally enforceable.

Ananta Mills Ltd. *v.* **City Deputy Collector [1972] 42 Comp. Cas. 476 (Guj.)**

The grammatical construction of the expression 'claim against the company' would include a claim that can be realised by proceeding against the property of the company.

Visalakshi *v.* **Official Liquidator High Court, Madras [2008] 141 Comp. Cas. 661 (Mad.)**

The word 'claim' in clause (*b*) of section 446(2) of the 1956 Act means, a claim which is legally enforceable and not barred by limitation of time. Moreover, the term 'claim' means in the nature of an actionable claim. In this connection, it is not out of place to point out that an order passed under section 446(2)(*b*) of the 1956 Act by the competent court can be considered as a decree, which can be enforced for the purpose of realizing the amount ordered to be paid.

Official Liquidator, Radel Services (P.) Ltd. *v.* **Southern Screws (P.) Ltd. [1988] 63 Comp. Cas. 749 (Mad.)**

Considered in its widest signification, even a suit for possession based on title or a suit for a declaration of title would be considered as a claim suit. But in the context in which 'claim' is used in clause (*b*) in section 446(2) of the 1956 Act, it will have to be understood in not such wide and extensive signification. The claims referred to in clause (*b*) are in the nature of actionable money claims or debts due and owing other than mortgage debts or debts secured by pledge of movables or recovery of money or those matters which are, under the specific provisions in the Act, to be summarily dealt with, and not other types of claims by or against the company.

Official Liquidator, Security & Finance (P.) Ltd. *v.* **Pushpa Wati Puri [1978] 48 Comp. Cas. 385 (Delhi)**

The claim or liability sought to be enforced under the provisions of section 446(2)(*b*) of the 1956 Act must relate to an enforceable claim and the expression 'claim' in section 446(2) of the 1956 Act would, exclude claims that had become barred by time before the commencement of winding up.

'Any member of a company'/ of the 2013 Act

Shankar Sundaram *v.* **Amalgamations Ltd. [2002] 38 SCL 777/111 Comp. Cas. 252 (Mad.)**

The expression, 'any member of a company' as found in sections 397 and 398 of the 1956 Act [corresponding to of the 2013 Act] refers to a member or members having interest in 10 per cent share capital in the company and not outsiders and they have a right to apply by virtue of section 399 of the 1956 Act. Section 399 of the 1956 Act [corresponding to of the 2013 Act] makes it clear that the expression, 'members of a company' would include a member or members of a particular company. Hence, the expression, 'any member of a company' would refer only to a person who is recognized by the company as owner of its shares and whose name is registered in the register maintained by the company.

S.V.T. Spg. Mills (P.) Ltd. *v.* **M. Palanisami [2009] 95 SCL 112 (Mad.)**

A reading of sections 397, 398 and 399 of the 1956 Act [corres-ponding to , and of the 2013 Act] makes it abundantly clear that the right of complaining about oppression and mismanagement lies with the 'member', of course subject to the requirement under in respect of holding of share capital and the word used is 'member' in the abovesaid sections.

The term 'member' under section 2(*27*) of the 1956 Act has to be construed on a larger connotation, which means that the persons other than bearers of share warrants are to be treated as members. This is in apparent contravention of .

If the term 'member' as defined in section 41 of the 1956 Act is applied, there would be two categories *viz.*, (*i*) deemed members who are subscribers to the memorandum, who on registration are entered in the register of members; (*ii*) other persons whose names are entered in the register of members. In fact, after the Depositories Act, 1996 came into effect, even a depositor who is a beneficial owner, who is actually a person holding equity shares and whose name is entered as a beneficial depositor, can also be deemed to be a member. Taking note of certainly it is a restrictive definition and it has an apparent conflict with which defines a 'member' in a broad manner.

The applicability of and is an equitable jurisdiction which is intended to protect the minority members of the company from any oppression and mismanagement at the hands of majority of members. It was in that background, that the Supreme Court in *World Wide Agencies (P.) Ltd.* v. *Margarat T. Desor* [1990] (1) SCC 536 had held that the wider meaning of the term 'member' should be given in the context of and .

'Any order'/ of the 2013 Act

Miland Exports (P.) Ltd. *v.* **A.V. Venkatanarayana [1995] 83 Comp. Cas. 585 (Kar.)**

The words 'any order' in section 483 of the 1956 Act [corresponding to of the 2013 Act] shall have to be understood as an order which affects the right of the person who invokes the appellate jurisdiction of the Court.

'Any order under eithersection'/ of the 2013 Act

Mohinidevi Chorariа *v.* **Apsara Cinema (P.) Ltd. [1990] 69 Comp. Cas. 233 (Bom.)**

The words 'any order under either section' clearly suggest only one construction, *viz.*, that if the petitioners want to make an application under section 402 of the 1956 Act [corresponding to of the 2013 Act], they can do so only if the order made under sections 397 and 398 of the 1956 Act [corresponding to and of the 2013 Act] leaves the doors open for such an application.

'Any other order that it thinks fit'/ of the 2013 Act

Nilesh Lalit Parekh, In re [2002] 37 SCL 531/111 Comp. Cas. 177 (Bom.)

Clause (*d*) of section 443(1) of the 1956 Act [corresponding to

of the 2013 Act] enables the Court to make an order for winding up the company, or make any other order that it thinks fit. It is clear that an order for winding up may be said to be a class of its own and, therefore, the words following it, *i.e.*, 'or any other order that it thinks fit' do not contemplate a variant of a winding up order. On the other hand, it appears that the other orders contemplated are orders other than those related to winding up and would include orders such as an order for purchase of shares belonging to the petitioner; the power to issue an order for recall of a winding up order; an order for sale of the company's assets and to have the sale proceeds deposited in the court for the purpose of making payment to one of the creditors; to order the appointment of a chartered accountant to verify the exact amount payable by the company and any such order that the court may think fit for doing complete justice.

'Any time'/ of the 2013 Act

Malabar Petroleum Co. *v.* **Continental Oil Co. Ltd. [1963] 33 Comp. Cas. 367 (Mad.)**

'Any time' in section 469(1) of the 1956 Act [corresponding to of the 2013 Act] does not appear to be used with reference to limitation.

'Arrangement'/, *Explanation* of the 2013 Act

Navjivan Mills Co. Ltd., In re [1972] 42 Comp. Cas. 265 (Guj.)

'Arrangement', as occurring in section 390(*b*) of the 1956 Act[corresponding to *Explanation* to of the 2013 Act] is something by which parties agree to do a certain thing notwithstanding the fact there was no dispute between the parties.

Investment Corpn. of India Ltd., In re [1987] 61 Comp. Cas. 92 (Bom.)

The word 'arrangement' as set out in section 390(*b*) of the 1956 Act is an inclusive definition and contemplates all arrangements and not only reorganisation of the share capital. This is all the more clear, because the word used is 'includes'.

Bank of India Ltd. *v.* **Ahmedabad Mfg. & Calico Printing Co. Ltd. [1972] 42 Comp. Cas. 211 (Bom.)**

Any scheme, other than a scheme by way of compromise or reconstruction, which affects the rights of the creditors and the members of the company or any class of them, would fall within the term, 'arrangement'.

India Flour Mills, In re [1934] 4 Comp. Cas. 137 (Sind)

The word 'arrangement' as used in section 153 of the 1913 Act must mean something analogous to a compromise.

Hindusthan Commercial Bank Ltd. *v.* **Hindusthan General Electrical Corpn. [1960] 30 Comp. Cas. 367 (Cal.)**

The word 'arrangement' in section 391 of the 1956 Act is of wide import. By section 390 of the 1956 Act, 'arrangement' includes reorganisation of the share capital of the company by the consolidation of shares of different classes or by the division of shares into shares of different classes or both these methods.

Larsen & Toubro Ltd., In re [2004] 54 SCL 461/121 Comp. Cas. 523 (Bom.)

The word 'arrangement', as occurring in section 391 of the 1956 Act, though not defined specifically, yet has a wide range and ambit. Where scheme of arrangement is between the company and its shareholders, and/or creditors and the trust, by itself, it cannot be said that the scheme of arrangement is not maintainable or not sustainable.

'As the case may be'/ of the 2013 Act

Teck-men Tools (P.) Ltd., In re [2009] 92 SCL 59 (AP)

The words 'as the case may be', as found in section 391(1) of the 1956 Act [corresponding to of the 2013 Act], can only mean that where the scheme of arrangement is between a company and its members, then the Court may order a meeting of the members; and in a case where the scheme of arrangement is between the company and its creditors, then the Court may order a meeting of the creditors. The same words 'as the case may be' are also found in sub-section (2) of section 391 of the 1956 Act [corresponding to of the 2013 Act]. It is a sound rule of construction to give the same meaning to the same words occurring in different parts of a statute. It has been justly remarked that, when precision is required, no safer rule can be followed than always to call the same thing by the same name. It is, in all events, reasonable to presume that the same meaning is implied by the use of the same expression in every part of an Act.

The same expression, if it appears more than once in the same statute or for that matter in the same provision, should receive the same meaning, unless the context suggests otherwise, *i.e.*, unless there is a clear indication in the statute itself to show that the Legislature has used the words and phrases with different meanings, or where uniform construction of the words and phrases will lead to absurd conclusions and results.

Ordinarily, a word or expression used at several places in one enactment should be assigned the same meaning so as to avoid a 'head-on-clash' between two meanings assigned to the same word or expression occurring at two places in the same enactment.

Since there is nothing in section 391(1) and (2) of the 1956 Act to the contrary, it must be held that the expression 'as the case may be' used in sub-section (2) of section 391 of the 1956 Act carries the same meaning as is given to the said expression in sub-section (1) of section 391. When so read, sub-section (2) of section 391 of the 1956 Act would mean that if, in a scheme of arrangement between the company and its members, a meeting of the members is held and 3/4th of those present and voting in the said meeting approve the scheme, it would then bind the dissenting minority of members. Similarly, in a scheme of arrangement between the company and its creditors, where the Court directs that a meeting of the creditors be held and in case 3/4th of the creditors present and voting approve the scheme of arrangement, then the scheme would bind the dissenting minority of the creditors.

'Assignee'/ of the 2013 Act

William C. Leitch Bros. Ltd., In re [1933] 3 Comp. Cas. 97 (Ch.D)

For the purpose of sub-section (2) of section 275 of the English Companies Act, 1929/section 542(2)(*b*) of the 1956 Act [corresponding to of the 2013 Act] the expression 'assignee' includes any person to whom or in whose favour, by the directions of the director, the debt, obligation, mortgage or charge was created, issued or transferred or the interest created but does not include an assignee for valuable consideration (not including consideration by way of marriage) given in good faith and without notice of any of the matters on the ground of which the declaration is made.

'Assignment'/ of the 2013 Act

Oriental Metal Pressing Works (P.) Ltd. *v.* **Bhaskar Kashinath Thakoor [1961] 31 Comp. Cas. 143 (SC)**

	The word 'assignment' in section 312 of the 1956 Act [corresponding to of the 2013 Act] does not include appointment.
'Association'/, Explanation (*b*) of the 2013 Act	**Bangalore Timber Industries** *v.* **Madras Sapper Ex-Servicemen's Rehabilitation Association [1988] 63 Comp. Cas. 733 (Kar.)** The word 'association' occurring in section 582(*b*) of the 1956 Act [corresponding to *Explanation (b)* to of the 2013 Act] has to be understood in its general sense and not with reference to the provisions contained in section 11 of the 1956 Act [corresponding to of the 2013 Act], prohibiting partnerships or associations consisting of more than 20 members from carrying on any business in matters more particularly mentioned in section 11(2) of the 1956 Act. Thus construed, there could be no bar to maintain a petition for winding-up against an association like the respondents-association duly registered under the Societies Registration Act, as an unregistered company.
'At any time'/ of the 2013 Act	**Official Liquidator, Stocking & Sons (P.) Ltd.** *v.* **Dr. S.R. Sarma [1970] 40 Comp. Cas. 72 (Mad.)** The language employed by the Legislature in section 468 of the 1956 Act [corresponding to of the 2013 Act] is in *pari materia* with that employed in section 469(1) of the 1956 Act [corresponding to of the 2013 Act]. Interpreting, therefore, the expression 'at any time' appearing in in the light of the ratio in *Malabar Petroleum Co.* v. *Continental Oil Co.* [1963] 33 Comp. Cas. 367, it can only mean at such time within the bounds of the law of limitation.
'At time of making such order or at any time thereafter'/ of the 2013 Act	**Bhavnagar Vegetable Products Ltd., In re [1984] 55 Comp. Cas. 107 (Guj.)** Clause (*b*) of sub-section (1) of section 392 of the 1956 Act [corresponding to of the 2013 Act] makes it abundantly clear that the powers conferred by section 392 may be exercised 'at the time of making such order or at any time thereafter'. The provisions, therefore, envisage exercise of power at the very point of time of making the order, meaning thereby, 'before' the order is passed. The expression which follows, namely, 'at any time thereafter' lends further support to this construction, namely, that before the order is signed the power can be exercised under the earlier part of the provision and after order is signed, the power can be exercised under the second part of the provision. The expression 'or at any time thereafter' leaves no room for doubt that the preceding part contemplates exercise of power at a point of time prior to the making of the order.
'Attachment, distress or execution put in force'/ of the 2013 Act	**Ovation International (India) (P.) Ltd., In re [1969] 39 Comp. Cas. 595 (Bom.)** The expression 'attachment, distress or execution put in force' as occurring in section 537(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] does not include an attachment before judgment.
'Attachment before judgment' generally defined	**Ovation International (India) (P.) Ltd., In re [1969] 39 Comp. Cas. 595 (Bom.)** The very phrase 'attachment before judgment' implies that it is not and cannot be the same as an attachment in execution of a decree passed against a defendant on judgment being given.
'Auditor'/ of the 2013 Act	**Extract from Minutes of Meeting of Bombay Chambers' Com-pany Law Sub-Committee with Secretary, Department of Com-pany Law Administration, held on 2-6-1961** The term 'auditor' mentioned in section 225(1) of the 1956 Act [corresponding to of the 2013 Act] means statutory auditor (and not branch auditor).
'Becomes concerned orinterested'/proviso to of the 2013 Act	**M.O. Varghese** *v.* **Thomas Stephen & Co. Ltd. [1970] 40 Comp. Cas. 1131 (Ker.)** The words 'becomes concerned or interested' in section 299(2)(*a*) of the 1956 Act [corresponding to proviso to of the 2013 Act] denote a present state of things.
'Before date of applica-tion'/ of the 2013 Act	**Roshan Lal Agarwal** *v.* **Sheoram Bubna [1980] 50 Comp. Cas. 243 (Pat.)** The use of the words 'before the date of the application' makes no difference in computing the period 'within three months' as provided under section 402(*f*) of the 1956 Act [corresponding to of the 2013 Act].
'Body Corporate'/ of the 2013 Act	**Circular No. 8/48/2(7)/63-PR, dated 24-11-1962 and Circular No. 8(26)/2(7)/63-PR, dated 13-3-1963** Any corporate body, *i.e.*, a body which has been or is incorporated under some statute and which has a perpetual succession, a common seal and is a legal entity apart from the members consisting it, will come within the definition of the term 'body corporate'.
'Body Corporate'/ of the 2013 Act	**Circular No. 8/299/56-PR, dated 15-6-1956** The expression 'body corporate' occurring in section 299 of the1956 Act [corresponding to of the 2013 Act] is in conformity with the definition given to it in clause (*7*) of section 2 of the 1956 Act [corresponding to of the 2013 Act] and has not been used in any limited sense so as to apply only to private companies and not to public companies.
'Books of account and other books and papers'/ of the 2013 Act	**K. Kanagasabapathy** *v.* **T.M. Shanmugham [1972] 42 Comp. Cas. 596 (Mad.)** In the expression 'books of account and other books and papers' occurring in section 209(4) of the 1956 Act [corresponding to of the 2013 Act] the words 'other books and papers' are more general, whereas the words 'books of account' are less general.
'Business'/ of the 2013 Act	**B. Ramachandra Adityan** *v.* **Educational Trustee Co. (P.) Ltd.[2003] 41 SCL 385/113 Comp. Cas. 334 (Mad.)** The word 'business' found in section 11 of the 1956 Act [corresponding to of the 2013 Act] is to be construed to mean any useful activity and it is not necessary to confine it to commercial activity for profit. The charitable companies are not formed or not intended for commercial activities. The word, 'business' found in section 11 of the 1956 Act is not confined only to commercial activity for profit in the case of trust-companies.
'Calls'/ and of the 2013 Act	**C.P. Gnanasambandam** *v.* **Tamilnad Transports (Coimbatore) (P.) Ltd. [1971] 41 Comp. Cas. 26 (Mad.)** The word 'calls' as occurring in sections 181 and 399(1)(*a*) of the 1956 Act [corresponding to and of the 2013 Act] necessarily implies a calling which ordinarily means a calling for the amount due on the share.
'Carrying on business'/ of the 2013 Act	**Madan Gopal** *v.* **Shewal Dass [1934] 4 Comp. Cas. 339 (Lahore)** The expression 'carrying on business' as occurring in section 4 ofthe 1913 Act/Section 11 of the 1956 Act [corresponding to of the 2013 Act] implies some continuous control of the business by the association.

'Cash paid to company'/ of the 2013 Act

Matthew Ellis Ltd., In re [1933] 3 Comp. Cas. 181 (CA)

Where a man advances money to the company on the security ofa debenture, on the terms that the money so advanced is to be applied by the company in discharge of one of its existing liabilities, or in the acquisition of some asset which the company does not at the moment possess, the money paid by the lender does not cease to be 'cash paid to the company' (as occurring in section 534 of the 1956 Act [corresponding to of the 2013 Act)] merely by reason of the imposition of that condition. There are, of course, certain considerations for the issue of a debenture which plainly do not amount to payments in cash.

'Causing it to be delivered'/ of the 2013 Act

Sarkar Estates (P.) Ltd. *v.* **Kusumika Iron Works (P.) Ltd. [1962] 32 Comp. Cas. 575 (Cal.)**

The expression 'causing it to be delivered' as occurring in section 434(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] has been introduced to indicate and clarify the place where delivery is to be effected, that is, at the registered office of the company.

'Change'/ of the 2013 Act

Circular No. 8/30(303)/79-CL-V, dated 2-9-1980

Where an additional director or a director appointed in casual vacancy is appointed as a director of the company in the annual general meeting, the nature of his appointment changes radically. It would, therefore, be in the interest of such directors that such changes are notified to the Registrar under section 303(2) of the 1956 Act [corresponding to of the 2013 Act].

'Charge'/ of the 2013 Act

Calcutta National Bank Ltd. *v.* **Rangaroon Tea Co. Ltd. [1970] 40 Comp. Cas. 565 (Cal.)**

In a charge the right to sell the property is contractual and can be defeated by a *bona fide* purchaser for value without notice, whereas, in the case of a mortgage, the right to sell will consist of interest in the property being transferred to the mortgagee and as such it is a right *in rem* and for properties valued at Rs. 100 or more there is no distinction because of compulsory registration. In the case of a charge as well as in the case of a mortgage two elements are common. First, that there is a loan and, secondly, that there is a security for the repayment of the loan. The only difference between a charge and a mortgage is that in the case of a mortgage there is transfer of interest but in the case of a charge there is no transfer of interest. A mortgage is a *jus in rem* and a charge a *jus ad rem*. (*See* section 125 of the 1956 Act)

'Circumstances sugges-ting'/ of the 2013 Act

Shonkh Technologies Ltd. *v.* **UOI [2009] 89 SCL 335 (Delhi)**

The words 'circumstances suggesting' as occurring in section 237(*b*) of the 1956 Act [corresponding to of the 2013 Act] cannot be interpreted to mean conclusive proof. Otherwise, the provision would be rendered nugatory and completely toothless. An investigation is not required if facts are already esta-blished. At the same time, the Legislature has been careful to use the words 'defraud', 'fraudulent', 'unlawful purposes', 'misfeasance', 'other misconduct', 'lack of information', etc., 'circumstances suggesting' which must necessarily indicate fraud, misfeasance or like conduct or activities on the part of the company. The provision cannot be rightly invoked on a mere suspicion.

New Central Jute Mills Co. Ltd. *v.* **Dy. Secretary, Ministry of Finance [1966] 36 Comp. Cas. 512 (Cal.)**

The expression 'if in the opinion of the Central Government there are circumstances suggesting' means that if it appears to the Central Government that there is a likelihood.

'Class'/ of the 2013 Act

State Bank of India *v.* **Engg. Majdoor Sangh [2000] 27 SCL 103 (Guj.)**

Those who are offered substantially different compromises, each will form a different class. Even if there are different groups within a class, the interests of which are different from the rest of the class or who are to be treated differently in the scheme, such groups must be treated as separate classes for the purpose of the scheme. The group styled as a class should ordinarily be homogeneous and must have commonality of interest and the compromise offered to them must be identical. (*See* section 391(1) of the 1956 Act)

State Bank of India *v.* **Alstom Power Boilers Ltd. [2003] 43 SCL 449/116 Comp. Cas. 1 (Bom.)**

It is difficult to define as to what constitutes a 'class'. Whether a particular group of members or creditors would form a class distinct from other members or creditors would largely depend on the facts and circumstances of each case, the Court being required to consider several factors. One should refrain from making an attempt to comprehensively define what constitutes a 'class'. One can, however, state the following factors which would generally be taken into consideration by the Court in deciding whether a person or group of persons form a separate class so as to require convening of a separate meeting of such a class.

In case of shareholders, the Act recognises only two classes, namely, equity shareholders and the preference shareholders. Though further sub-classification amongst the equity sharehol-ders or preference shareholders is not impermissible, yet mere fact that the equity shares (equity or preference) are issued at different times would not make them a different class. Similarly, the mere fact that the preference shares are redeemable on different dates would not make them shares of different classes. However, in some cases, the equity shares which are fully paid-up and equity shares which are partly paid-up may form different classes like where they are to be exchanged for the shares of the transferee-company to be issued in different proportions, depending upon their paid-up value.

One of the tests to determine whether the two or more groups of members or creditors form a different class is whether the same scheme of arrangement or compromise offers the same terms to all or whether different terms are offered. If the scheme offers to the two groups of members or creditors different terms of arrangement, they would generally form a different class.

Another test is to see whether the rights of the two or more groups of members or creditors are so dissimilar that they cannot reasonably be expected to have a common interest and are not likely to consult together to have a common view of their common interest. If their interests are so dissimilar that they are reasonably unlikely to take the same view about the scheme and would reasonably feel that any one view would unreasonably benefit one or unreasonably prejudice the other, then they would form different classes.

The private interest of one or a group of members or creditors *vis-a-vis* the directors of the company or the persons in the management of the company are alien for the purpose of classification.

While in the case of shareholders, the Court would not generally favour a further sub-classification other than equity shareholders and preference shareholders, there may be need for making a further sub-classification in case of creditors of the company. Apart from the broad distinct classes like secured and unsecured creditors, there can be further sub-classes. In case of secured creditors, some creditors may have sufficient security of specific asset or assets which are greater than the amount of their debt while others may have security of other specific asset or assets which are not sufficient to meet their credits. Some secured creditors may have a first charge; some may have a second or subsequent charge; some may have a specific charge attached to a particular piece of property in existence on the date of creation of the charge and some may have only a floating charge hovering over and floating with the property intended to be affected, until it fastens on specific property on happening of some event. It would depend upon the facts and circumstances of each case, whether there would be any need for further sub-classification even amongst the secured creditors. Amongst unsecured creditors also there can be sub-classes.

Amongst unsecured creditors, some may be preferred like the Government, or the workers who may have a statutory preference over others. It is difficult to enumerate the circumstances under which different creditors, secured or unsecured, would form a separate sub-class. But, the general principle would be the same, namely, whether the interest of the creditors who claim to belong to a different class are so dissimilar to the interest of the other creditors that it would be impossible for them to sit and consult together and take a common view of their common interest.

Maneckchowk & Ahmedabad Mfg. Co. Ltd., In re [1970] 40 Comp. Cas. 819 (Guj.)

A 'class' of creditors must be confined to those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their common interest. Speaking very generally in order to constitute a class, members belonging to the class must form a homogeneous group with commonality of interest.

Sovereign Life Assurance Co. *v.* **Dodd [1892] 2 QB 573 (CA)**

The word 'class' is vague and to find out what is meant by it, one must look at the scope of the section, which is a section enabling the Court to order a meeting of a class of creditors to be called. It seems plain that one must give such a meaning to the term 'class' as will prevent the section being so worked as to result in confiscation and injustice, and that it must be confined to those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their common interest.

'Commencement of winding up'/ of the 2013 Act

BPL Ltd. *v.* **Inter Modal Transport Technology Systems Ltd. [2002] 35 SCL 773/[2001] 107 Comp. Cas. 313 (Kar.)**

Having regard to the provision for relating back contained in section 441 of the 1956 Act [corresponding to of the 2013 Act], the words 'commencement of the winding up' occurring in section 537(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] refer to the time of presentation of the petition for winding up and not the date of order of winding up, where the winding up order is passed under section 433 of the 1956 Act [corresponding to of the 2013 Act].

'Commission'/ of the 2013 Act

Madanlal Fakirchand Dudhediya *v.* **Shree Changdeo Sugar Mills Ltd. [1962] 32 Comp. Cas. 604 (SC)**

The word 'commission' used in clauses (*i*) to (*iii*) of section 76(1) of the 1956 [corresponding to of the 2013 Act] seems to refer to commission paid not only out of capital but also out of profits in relation to debentures.

'Company'/ of the 2013 Act

Bangalore Timber Industries *v.* **Madras Sapper Ex-Servicemen's Rehabilitation Association [1990] 68 Comp. Cas. 641 (Kar.)**

The word 'company' as it occurs in section 237 of the 1956 Act [corresponding to of the 2013 Act] is only relatable to a company which is covered by section 235 of the 1956 Act [corresponding to of the 2013 Act].

'Company'/ of the 2013 Act

Rossell Industries Ltd., In re [1995] 6 SCL 79/[1998] 91 Comp. Cas. 333 (Cal.)

The expression 'company' used in section 390 of the 1956 Act [corresponding to of the 2013 Act] applies to all companies which can be wound up and is not restricted to only those companies which are in a position to be wound up as on the date of making application under to [corresponding to to of the 2013 Act] and, as such on the date of making of application for merger or amalgamation, company may be quite prosperous and a profit making company.

'Company'/ of the 2013 Act

Vail Pattabhirama Rao *v.* **Sri Ramanuja Ginning & Rice Fac-tory (P.) Ltd. [1986] 60 Comp. Cas. 568 (AP)**

The word 'company' occurring in section 253 of the 1913 Act/565 of the 1956 Act [corresponding to of the 2013 Act] is not a company registered under the Act. It is used in the sense of a group, assembly or association of persons.

Salim Akbarali Nanji *v.* **Union of India [2003] 48 SCL 1/113**

Comp. Cas. 141 (Bom.)

The word 'company' occurring in section 566 of the 1956 Act is not a company registered under the Companies Act. It may include within its purview a co-operative society registered under the Societies Act or the Multi-State Act.

'Consent'/ of the 2013 Act

Walchandnagar Industries Ltd. *v.* **Ratanchand Khimchand Motishaw [1953] 23 Comp. Cas. 343 (Bom.)**

'Consent' as occurring in section 297(1) of the 1956 Act [corres-ponding to of the 2013 Act] implies a knowledge of the necessary facts and materials which leads to the consent.

'Consideration for charge'/ of the 2013 Act

Yeovil Glove Co. Ltd., In re [1964] 34 Comp. Cas. 847 (CA)

The word 'consideration' occurring in section 322 of English Companies Act, 1948/section 534 of the 1956 Act [corresponding to of the 2013 Act] can neither be construed in its strict sense nor in technical sense. The expression 'in consideration for the charge' means in this context 'in consideration of the fact that the charge exists', and that the relevant question of fact is whether the payments subsequently made would have been made if the charge had not been given.

The words 'in consideration of' occurring in section 322 of the English Companies Act, 1948/section 534 of the 1956 Act mean 'by reason of' or 'having regard to the existence of' the charge.

'Continuing offence'as generally defined

Hyderabad Vanaspathi Ltd. *v.* **Registrar of Companies [1986] 59 Comp. Cas. 654 (AP)/State of Bihar** *v.* **Deokaran Nenshi AIR 1973 SC 908**

Continuing offence is one which is susceptible of continuance and is distinguishable from the one which is committed once and for all. It is one of those offences which arises out of a failure to obey or comply with a rule or its requirement and which involves a penalty, the liability for which continues until the rule or its requirement is obeyed or complied with. On every occasion that such disobedience or non-compliance occurs and recurs, there is an offence committed.

'Contract'/ of the 2013 Act

A.B.C. Coupler & Engg. Co. Ltd. (No. 3), In re [1970] 40 Comp. Cas. 952 (Ch. D)

The word 'contract' in sub-section (4) of section 323 of the English Companies Act, 1948/Section 535(1)(*d*) of the 1956 Act [corresponding to of the 2013 Act] does not include a lease.

'Contribution'/ of the 2013 Act

Graphite India Ltd. *v.* **Dalpat Rai Mehta [1978] 48 Comp. Cas. 683 (Cal.)**

In *West's publication of 'Words and Phrases'* the word 'contribution' has been defined, *inter alia*, as giving money or other aid for a specified object. In other words, a contribution is an aid or payment without any consideration. Admittedly, payment for the insertion of an advertisement cannot be deemed to be a contribution as some benefit by way of publicity is being derived. By the advertisement the petitioner-company drew the attention of the public towards their products with the ultimate object of selling or marketing them. (*See* section 293A of the 1956 Act [corresponding to of the 2013 Act]).

'Contributories'/ of the 2013 Act

Raja Surrindar Singh *v.* **P.B. & A. Products Co. Ltd. [1956] 26 Comp. Cas. 41 (Pepsu)**

The word 'contributories' in section 166 of the 1913 Act/section 439 of the 1956 Act [corresponding to of the 2013 Act] includes a fully paid-up shareholder, and since no limitation in this connection is placed by the section itself one need not allege or prove that, in case of winding up, there will be substantial surplus for distribution among the shareholders.

Bayswater Trading Co. Ltd., In re [1970] 40 Comp. Cas. 1196 (Ch. D)

The word 'contributory' in section 224(1) of the English Act, 1948/section 439 of the 1956 Act [corresponding to of the 2013 Act] must be construed in a way so as to extend to personal representative of a deceased shareholder.

'Contributory'/ of the 2013 Act

Gulzari Lal Bhargava *v.* **Official Receiver-cum-Official Liquida-tor, Ammonia Supplies Corpn. (P.) Ltd. [1972] 42 Comp. Cas. 401 (Delhi)**

The term 'contributory' in section 556(1) of the 1956 Act [corres-ponding to of the 2013 Act] includes a holder of shares.

'Contributory'/ of the 2013 Act

Superintendent of Central Excise & Customs *v.* **Sri Vishnupriya Industries Ltd. (In Liquidation) [2010] 97 SCL 27 (AP)(FB)**

The word contributory is defined under section 428 of the 1956 Act [corresponding to of the 2013 Act] and by no stretch of imagination, the customs department can be brought under the definition of 'contributory'.

'Cost, charges and expenses'/ and of the 2013 Act

ITO *v.* **Official Liquidator, Swaraj Motors (P.) Ltd. [1978] 48 Comp. Cas. 11 (Ker.)**

The expression 'costs, charges and expenses' referred to in sections 476 and 520 of the 1956 Act [corresponding to and of the 2013 Act] are very general. In this will come the cost of repairs, payment of rent and tax, cost of preservation of any property, cost of realisation including costs of litigation and all expenses incurred with the leave of the Court in the winding up. Income-tax which became payable at the winding up also is an expense in the winding up. Income-tax is a necessary consequence of the acts performed by the liquidator in the course of the liquidation for the purpose of realising, the assets of the company.

'Created'/ of the 2013 Act

T.R. Tyagarajan *v.* **Official Liquidator [1960] 30 Comp. Cas. 481 (Mad.)**

The word 'created' as occurring in section 125(1) of the 1956 Act [corresponding to of the 2013 Act] does not include in its meaning 'accepted'.

'Creditor'/ of the 2013 Act

Seksaria Cotton Mills Ltd. *v.* **A.E. Naik [1967] 37 Comp. Cas. 656 (Bom.)/Uma Investments (P.) Ltd., In re [1977] 47 Comp. Cas. 242 (Bom.)**

The word 'creditor' as occurring in section 391 of the 1956 Act [corresponding to of the 2013 Act] when used in the context of winding up proceedings is not confined to a person who is entitled to recover a specific debt from the company-in-liquidation. The word has a much wider meaning. It is not necessary that a person, in order that he may be a 'creditor' in liquidation proceedings, should have an ascertained amount payable by the company. He is a 'creditor' even if he has against the company a claim, present or future, certain or contingent, ascertained or sounding only in damages.

'Creditor'/ of the 2013 Act

Harvest Lane Motor Bodies Ltd., In re [1969] 39 Comp. Cas. 961 (Ch. D.)

In using the word 'creditor' simpliciter [in section 560(6) of the 1956 Act (corresponding to of the 2013 Act)] the Legislature cannot have been intending thereby to differentiate between those creditors whose debts are fixed and ascertained and those whose debts are contingent or prospective, providing redress for the grievances of the former but ignoring the grievances of the latter. The word 'creditor' is wide enough to include a person whose debt is contingent or prospective.

'Creditor'/ of the 2013 Act

State of Andhra Pradesh *v.* **Hyderabad Vegetable Products Co. Ltd. [1962] 32 Comp. Cas. 64 (AP)**

The term 'creditor' as occurring in section 439(1)(*b*) of the 1956 Act [corresponding to of the 2013 Act] is not limited to one to whom a debt is due at the date of the petition and who can demand immediate payment. Every person having a pecuniary claim against the company, whether actual or contingent, is a creditor.

Kudremukh Iron Ore Co. Ltd. *v.* **Kooky Roadways (P.) Ltd. [1990] 69 Comp. Cas. 178 (Kar.)**

Word 'creditor' in clause (*b*) of sub-section (1) of section 439 of the 1956 Act can be understood as a person to whom a debt is payable.

'Death'/ of the 2013 Act

Severn Trent Water Purification Inc. *v.* **Chloro Controls (India) (P.) Ltd. [2008] 142 Comp. Cas. 81/82 SCL 435 (SC)**

The phrase 'or have devolved on him through the death of former holder' in section 439(4)(*b*) of the 1956 Act [corresponding to of the 2013 Act] would apply to natural persons who are holding shares in their individual capacity and not to juristic entities. The word 'death' mentioned in a statute normally refers to the ceasing of life of a natural person. In the context of company law, winding up of a body corporate is not the same thing as or equivalent to death of a member. An individual and a body corporate expressly have been treated separately.

'Debenture'/ of the 2013 Act

Chief Controlling Revenue Authority *v.* **Manager, State Bank of Mysore [1989] 65 Comp. Cas. 427 (Kar.)(FB)**

Meaning of the term 'debenture' as occurring in section 2(*12*) of the 1956 Act [corresponding to of the 2013 Act] is still obscure. Debenture is one of the means of raising funds by any one but generally by companies in the interest of trade, commerce and industry.

'Debt'/ of the 2013 Act

NEG Micon *v.* **NEPC India Ltd. [2001] 34 SCL 210/[2004] 120 Comp. Cas. 784 (Mad.)**

The word 'debt' used in clause (*e*) of section 433 of the 1956 Act [corresponding to of the 2013 Act] has to be understood in a practical and pragmatic sense. It is only when a debt becomes absolutely due in the sense that the creditor is entitled to its payment presently, when there is a relationship of a debtor and a creditor.

Madhur Food Refrigeration *v.* **Roadmaster Foods Ltd. [2000] 27 SCL 516 (Punj. & Har.)**

The expression 'debt' has been given a wider meaning and would obviously include a claim by creditor based on documents.

Newfinds (India) *v.* **Vorion Chemicals & Distilleries Ltd. [1976] 46 Comp. Cas. 87 (Mad.)**

A statutory definition of 'debt' is contained in section 434(1)(*c*) of the 1956 Act [corresponding to of the 2013 Act] which clearly means a definite sum. Therefore, it cannot be contended that the debt also includes any unliquidated damages or a sum of money capable of being ascertained.

Registrar of Companies *v.* **Kavita Benefit (P.) Ltd. [1978] 48 Comp. Cas. 231 (Guj.)**

A debt is a sum of money which is now payable or will become payable in future by reason of a present obligation.

People *v.* **Arguello [1869] 37 Calif 521**

Standing alone, the word 'debt' is applicable to a sum of money which has been promised at a future day as against a sum now due and payable. If one wishes to distinguish between the two, one can say of the former that it is a debt owing, and of the latter that it is a debt due. In other words, debts are of two kinds: *solvendum in praesenti* and *solvendum in futuro*.... A sum of money which is certainly and in all events payable is a debt, without regard to the fact whether it be payable now or at a future time. A sum payable upon a contingency, however, is not a debt, or does not become a debt, until the contingency has happened.

Greenhills Exports (P.) Ltd. *v.* **Coffee Board [2001] 34 SCL 717 (Kar.)**

It is now well-settled that where the amount claimed is damages, either for breach of a contract or in tort, it is not a 'debt' due and, therefore, a company petition will not be maintainable under section 433(*e*) of the 1956 Act.

'Damages' is what is awarded in law for an injury or wrong as a consequence of a breach of contract or tortuous act and it includes all amounts which an aggrieved party may recover under law; on the other hand, the term 'debt' refers to an ascertained sum due or a sum which is capable of being ascertained; and, therefore, a claim for damages is not a claim for a debt.

The principles that may be culled out from judicial decisions are as follows:

(*i*) 'A debt' is a sum of money which is now payable or will become payable in future by reason of a present obligation. The existing obligation to pay a sum of money is the *sine qua non* of a debt. 'Damages' is money claimed by, or ordered to be paid to, a person as compensation for loss or injury. It merely remains a claim till adjudication by a court and becomes a 'debt' when a court awards it.

(*ii*) In regard to a claim for damages (whether liquidated or unliquidated), there is no 'existing obligation' to pay any amount. No pecuniary liability in regard to a claim for damages, arises till a court adjudicates upon the claim for damages and holds that the defendant has committed breach and has incurred a liability to compensate the plaintiff for the loss and then assess the quantum of such liability. An alleged default or breach gives rise only to a right to sue for damages and not to claim any 'debt'. A claim for damages becomes a 'debt due' not when the loss is quantified by the party complaining of breach, but when a competent court holds an enquiry, that the person against whom the claim for damages is made, has committed breach and incurred a pecuniary liability towards the party complaining of breach and assess the quantum of loss and awards damages. Damages are payable on account of a fiat of the court and not on account of quantification by the person alleging breach.

(*iii*) When the contract does not stipulate the quantum of damages, the court will assess and award compensation. Where the contract stipulates the quantum of damages or amounts to be recovered as damages, then the party complaining of breach can recover reasonable compensation, the stipulated amount being merely the outside limit.

(*iv*) When a contract provides that on default by a buyer to pay for and take delivery of goods, the seller is entitled to recover the loss incurred on resale, interest on delayed recovery of the price, godown charges, insurance charges and other expenses incurred by the seller till resale, it cannot be said that the buyer incurs the liability to pay those amounts, automatically, when he fails to take deli-very. Failure to take delivery may be due to several valid or lawful reasons which may show that the failure to take delivery is not a default or 'breach' in which event, no pecuniary liability may fasten on him.

(*v*) Even if the loss is ascertainable and the amount claimed as damages has been calculated and ascertained in the manner stipulated in the contract, by the party claiming damages, that will not convert a claim for damages into a claim for an ascertained sum due. Liability to pay damages arises only when a party is found to have committed breach. Ascertainment of the amount awardable as damages is only consequential.

Priyaraj Electronics Ltd. *v.* **Motorola India (P.) Ltd. [2009] 92 SCL 263 (Punj. & Har.)**

The Act again does not make any specific reference as to whether the debt shall be a debt already owed by the company or it could even be a debt payable in future by the company. In a case where the liability is contingent, it cannot be said to be 'debt owed' by the company. The 'debt payable', on the other hand, could be even a contingent liability. *Concise Law Dictionary* 2004 edition defines the term 'payable' as having two meanings : (1) owing and (2) payable at a particular point of time, and when this expression is used without any qualification, it generally means payable at once. This assumes importance only because a petition for winding up under the Act could be invoked only for an amount that is ascertained and owned by the company. That is why there is a statutory requirement of having to issue a notice. In case where a creditor complains that the company is unable to pay its debts, the presumption is available under section 434(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] if the company is indebted in a sum exceeding one lakh rupees and company is unable to pay for three weeks after the demand is made. The 'sum due' as referred to under section 434 of the 1956 Act must, therefore, mean what has fructified and cannot merely be a contingent liability or deferred payment.

'Deemed'/ of the 2013 Act

A.C. Goel *v.* **First National Bank Ltd. [1960] 30 Comp. Cas. 317 (Punj.)**

The word 'deemed' as occurring in section 441(1) of the 1956 Act [corresponding to of the 2013 Act] means 'supposed', 'considered', 'construed', 'thought', 'taken to be', or 'presumed'. The word 'deemed' refers to 'what is supposed to be' not to 'what actually is'.

Rishabh Agro Industries Ltd. *v.* **P.N.B. Capital Services Ltd. [2000] 25 SCL 461/101 Comp. Cas. 284 (SC)**

The word 'deemed' used in section 441 of the 1956 Act would mean, 'supposed', 'considered', 'construed', 'though', 'taken to be' or 'presumed'. The words 'shall be deemed to commence' in section 441 of the 1956 Act clearly show the intention of the Legislature that, although the winding up of a petition does not, in fact, commence at the time of presentation of the petition itself, yet it shall be presumed to commence from that stage.

'Default'/ of the 2013 Act

Nazamunnessa Begum *v.* **Vidya Sagar Cotton Mills Ltd. [1963] 33 Comp. Cas. 36 (Cal.)**

Default is a purely relative term, just like negligence. It means nothing more, nothing less, than not doing what is reasonable under the circumstances - not doing something which one ought to do.

Hemendra Prasad Barooah *v.* **Bahadur Tea Co. (P.) Ltd. [1991] 70 Comp. Cas. 792 (Gauhati)**

The word 'default' as occurring in section 155/111(4)(*b*) of the 1956 Act [corresponding to of the 2013 Act] means 'omission or failure to perform a legal or contractual duty', and the meaning of the word 'refuse' is 'declination of a request or demand, or omission to comply with some requirement of law'.

'Delegation'/ of the 2013 Act

Huth *v.* **Clarke [1890] 25 QBD 391**

The word 'delegation' as occurring in section 292(1) of the 1956 Act [corresponding to of the 2013 Act] implies that powers are committed to another person or body which are as a rule always subject to resumption by the power delegating. Delegation does not imply a denudation of power and authority, and unless it is controlled by statute, the delegating power can at any time resume its authority. The word 'delegation' does not imply parting with powers by the person who grants the delegation, but points rather to the conferring of an authority to do things which otherwise that person would have to do himself. The best illustration of the word is afforded by the maxim, *delegation non potest delegare;* it is never used as implying that the delegating person parts with the power in such a manner as to denude himself of his rights.

'Direct that any person shall attend. . . examined'/ of the 2013 Act

Indian States Bank Ltd., In re [1933] 3 Comp. Cas. 263 (All.)

The wording of the Act, which is that the Court may 'direct that any person shall attend before the Court. . . . and be publicly examined' as occurring in section 196 of the 1913 Act/section 478(1) of the 1956 Act [corresponding to of the 2013 Act], does not justify the Court, on a general allegation of fraud in the management of the company, in making an order for the public examination of 'any person' not directly implicated in the application of the Official Liquidator. Justice demands that the person against whom there is an allegation of fraud should be clearly named and some facts stated in application itself to show that a *prima facie* case exists against that person.

'Direction given by Court' generally defined

Commercial Art Engravers (P.) Ltd. *v.* **Indian & Eastern Newspa-pers Society [1978] 48 Comp. Cas. 36 (Bom.)**

As defined in *Webster's Third New International Dictionary*, the expression 'direct' means : 'To prescribe especially by formal or mandatory instruction or legal enactment (a Court ordering that the person be brought to a Court hearing). (Postal Inspectors directed to destruction of the obscene matter).'

The word 'direction' has to be construed accordingly. So construed it would mean instructions given by a Court. The said dictionary, therefore, says that 'direction' means 'something that is imposed as authoritative instruction or bidding'. In the said dictionary the word 'direction' is held as synonymous with 'order' and 'command'. It, therefore, follows that the direction like an order is command of the superior authority. Direction given by a Court, therefore, is a judicial order, a command of the judicial authority. Neither conceptually nor in point of law, can there be any distinction between the direction given by a Court or the orders passed by it.

'Disposition'/ of the 2013 Act

Prudential Capital Markets Ltd. (In Liquidation), In re [2007] 140 Comp. Cas. 754/[2008] 84 SCL 239 (Cal.)

Disposition of properties and effects made by a company after the commencement of winding up is covered by section 536(2) of the 1956 Act [corresponding to of the 2013 Act] and it is for such reason that the word 'transfer' is used in sections 531(1) and 531A of the 1956 Act [corresponding to and of the 2013 Act] and the word 'disposition', an expression of wider import, is used in section 536(2) of the 1956 Act.

If transfers of company's assets brought about by scheming minds in anticipation of imminent winding up proceedings being launched can be undone under sections 531(1) and 531A of the 1956 Act, there ought to be stricter control over transactions involving a company after winding up proceedings against it has commenced. There is surely a different meaning that the Legislature intended to convey by using the word 'disposition' in section 536(2) of the 1956 Act while the word 'transfer' has been used in sections 531(1) and 531A of the 1956 Act. As section 536(2) of the 1956 Act operates during the time when winding up proceedings are pending, the legislative intent of using a different expression becomes clearer. 'Disposition' under section 536(2) of the 1956 Act would cover a wider range of transactions than 'transfer' under section 531(1) or section 531A of the 1956 Act would cover.

'Disqualified'/ of the 2013 Act

Cricket Club of India Ltd. *v.* Madhav L. Apte [1975] 45 Comp. Cas. 574 (Bom.)

The word 'disqualified' used in sub-section (3) of section 274 of the 1956 Act [corresponding to of the 2013 Act] must be understood in its plain natural meaning, which in the context would be 'not qualified' and not in the limited sense as restricted to some incapacity as a result of defect, unfitness or blemish.

'Dividend'/ of the 2013 Act

Motor Fin. (P.) Ltd. *v.* Registrar of Companies [1970] 40 Comp. Cas. 6 (AP)

The term 'dividend' as occurring in section 555(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] has to be interpreted according to the context. Section 555(1)(*a*) of the 1956 Act contemplates dividends which are declared and remain unpaid.

'Due'/'Having become due and payable'/ of the 2013 Act

STO *v.* Rajratna Naranbhai Mills Co. Ltd. [1974] 44 Comp. Cas. 65 (Guj.)

The word 'due' as occurring in section 530(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] implies or conveys different meanings in the juxtaposition in which it is used in the two parts of the same clause. The word 'due' in the first part of the clause could only mean 'outstanding at the relevant date'. If the debt for the payment of which priority is claimed was not outstanding at the relevant date, there is no question of claiming priority in payment of that amount. Therefore, when it is said that the amount in respect of which priority is claimed must be due at the relevant date, the only meaning one can give to it is that it must be outstanding at the relevant date.

Latter part of the clause reads 'having become due and payable within the twelve months next before the date'. In the field of tax laws, it is a well-known phenomenon that tax becomes due at certain time and becomes payable at some other point of time. It may become due and payable simultaneously. It may as well become due at one time and payable at some other point of time. Upon a true construction of sub-clause (*a*) priority can be claimed in respect of that amount which must fall within one of the nomenclatures set out in the sub-clauses and which must be outstanding at the relevant date and the amount becomes due, meaning thereby that the incident occurred which made the amount due and it became also payable within 12 months next before the relevant date. 'Having become due and payable' would literally mean that process or event of bringing liability into existence has occurred and fastened the liability for its being discharged. Both the events must occur within twelve months next before the relevant date.

'Having become due' indicates the tense used which would indicate the process of becoming due. At first blush one feels that the legislature was guilty of tautology in saying that debt must be due and payable because debt is either payable *in praesenti* or in *futuro*, if a date for payment is fixed and debt due is necessarily payable. But, on deeper examination of the sub-clause, the legislative intent becomes quite manifest. The amount may be outstanding and payable by the company at the relevant date but that amount may be outstanding for a long time prior to the relevant date, or, for a period preceding 12 months next before the relevant date. Such amount would undoubtedly be due from the company at the relevant date. In respect of such an amount the first part of the clause would necessarily be satisfied but before priority could be claimed and granted, it will have to be found out whether that debt which was outstanding at the relevant date became due, meaning thereby that the event which brought debt into existence occurred within 12 months and also it became payable, meaning thereby its payment could have been enforced against the company within 12 months. Three specific conditions are prescribed in sub-clause (*a*) and all the three must co-exist and be satisfied in respect of any particular debt for which priority is claimed before priority in payment can be accorded to it. These three conditions are :

(*i*) debt of the kind mentioned in clause (*a*) must be outstanding on the relevant date;

(*ii*) the debt must have become due, in the sense, it must have been incurred at any time within 12 months next before the relevant date; and

(*iii*) the debt must have become payable at any time within 12 months next before the relevant date.

Analysing the section, these three conditions emerge and all the three must be satisfied and the debt must be in respect of revenues, taxes, cesses and rates and debt must be due to the Central or State Government or a local authority.

'Expenses incurred in winding up'/ of the 2013 Act

Beni Felkai Mining Co., In re [1934] 4 Comp. Cas. 293 (Ch. D)

There is no particular reason for limiting the meaning of the phrase 'expenses of the liquidation' or 'expenses incurred in the winding up' as occurring in section 520 of the 1956 Act [corres-ponding to of the 2013 Act]. The term is not one of art, and there is no reason why it should not include any expenses which the liquidator might be compelled to pay in respect of his acts in the course of a proper liquidation of the company's assets. The sum due on account of income-tax are sums which can be properly treated as expenses in the liquidation.

'Floating charge'/ of the 2013 Act

Calcutta Tramways Co. Ltd. *v.* CWT [1972] 42 Comp. Cas. 555 (SC)

The terms 'floating security' and 'floating charge' as occurring in section 534 of the 1956 Act [corresponding to of the 2013 Act] mean a security or charge which is not to be put into immediate operation, but is to float so that the company is to be allowed to carry on its business. It contemplates, for instance, that book debts may be extinguished by payment, and other book debts may come in and take the place of those that have dis-appeared. While a specific charge is one that, without more, fastens an ascertained and definite property or property capable of being ascertained and defined, a floating charge moves with the property which it is intended to affect, until some event occurs or some act is done which causes it to settle and fasten on the subject of the charge within its reach and grasp.

It is of the essence of a floating charge that it remains dormant until the undertaking charged ceases to be a going concern, or until the person in whose favour the charge is created intervenes. His right to intervene may be suspended by agreement, but if there is no such agreement he may exercise his right whenever he pleases after default.

'For the adjustmentof rights of contribu-tories'/ and of the 2013 Act

Bombay Chlorine Products Ltd., In re [1965] 35 Comp. Cas. 282 (Bom.)

The plain meaning of the phrase 'for the adjustment of the rights of the contributories' as appearing in sections 156 and 187 of the1913 Act/sections 426 and 470(1)(*a*) of the 1956 Act [corresponding to & of the 2013 Act] must be adjustment of such rights as are vested in different classes of shareholders under the memorandum of association and the articles of association of a company. If the enforcement of these rights necessitates a call being made, the Court would be justified, having regard to the language of sections 156 and 187 of 1913 Act, in making an order for call. The question in each case must be first to ascertain the rights of shareholders of different classes and also shareholders in single class. The next question would be, how to enforce these different rights of different shareholders and, if necessary, to make a call for adjustment of these rights.

'Four months'/ ofthe 2013 Act

Western Mfg. (Reading) Ltd., In re [1957] 27 Comp. Cas. 144 (Ch.D.)

'Four months' is the maximum period within which the offer is to be accepted; section 395(1) of the 1956 Act [corresponding to of the 2013 Act] does not require that the offer must be kept open for at least four months.

'Held and conducted'/ of the2013 Act

R. Rangachari *v.* **S. Suppiah [1975] 45 Comp. Cas. 641 (SC)**

The use of the word 'and' between the words 'held' and' conducted' in clause (*a*) of sub-section (1) of section 186 of the 1956 Act [corresponding to of the 2013 Act] clearly shows that the Court has no power to make any order regarding the holding and conducting of any meeting which has already been called, without ordering a meeting of the company to be called in place of the meeting already called.

If an order under clause (*a*) has been made such ancillary or consequential directions as the court thinks expedient could be given under clause (*b*), including a direction within the meaning of the *Explanation* appended thereto. The language of sub-section (2) further fortifies the above interpretation of sub-section (1) and makes any meeting called, held and conducted in accordance with an order under sub-section (1) to be a meeting of the company duly called, held and conducted. The use of the word "or" in the first part of sub-section (1) may be disjunctive or conjunctive in the manner interpreted above. But, undoubtedly, the order under clause (*a*) has got to be for all the three purposes and not merely for holding or conducting of the meeting.

'Holder of share' asgenerally defined

Howrah Trading Co. Ltd. *v.* **CIT [1959] 29 Comp. Cas. 282 (SC)**

The scheme of the Act shows that the words 'member', 'share-holder' and 'holder of a share' have been used interchangeably in that Act. The words 'holder of a share' are really equal to the word 'shareholder', and the expression 'holder of a share' denotes, insofar as the company is concerned, only a person who, as a shareholder, has his name entered in the register of members.

'Holder of shares'/ of the 2013 Act

Kedar Nath Agarwal *v.* **Jay Engg. Works Ltd. [1963] 33 Comp. Cas. 102 (Cal.)**

A 'member' may be a 'holder' of shares but a 'holder' may not be a 'member'. A person whose name is on the register may have sold his shares and from the moment his property in the shares has passed to his purchaser he has ceased to be a 'holder' of those shares. [*See* section 81(1)(*a*) of the 1956 Act]

'Impracticable'/ of the 2013 Act

Pasari Flour Mills Ltd., In re [1962] 32 Comp. Cas. 896 (MP)/E1. Sombrero Ltd., In re [1958] 3 All ER 1 (Ch. D)/Shrimati Jain *v.* **Delhi Flour Mills Co. Ltd. [1974] 44 Comp. Cas. 228 (Delhi)/Motion Pictures Association, In re [1974] 44 Comp. Cas. 298 (Delhi)**

Since the word 'impracticable' as occurring in section 186(1) of the 1956 Act [corresponding to of the 2013 Act] is more limited than the word 'impossible', the position comes to this : Examine the circumstances of the particular case and answer the question whether, as a practical matter, the desired meeting can be conducted, there being no doubt, of course, that it can be convened and held.

Bengal & Assam Investors Ltd. *v.* **J.K. Eastern Industries (P.) Ltd. [1957] 27 Comp. Cas. 86 (Cal.)**

The word 'impracticable' appearing in section 186(1) of the 1956 Act must certainly be given a practical meaning. It must be understood to be impracticable from the business point of view. It must not be held impracticable on the slightest excuse that the directors cannot agree.

'In case of windingup'/ of the 2013 Act

Kamani Metallic Oxides Ltd. *v.* **Kamani Tubes Ltd. [1984] 56 Comp. Cas. 19 (Bom.)**

The opening words of section 536(2) of the 1956 Act [corresponding to of the 2013 Act]. 'In the case of winding up' does not mean 'after the winding up order is passed' or 'upon passing such order'. It means 'during winding up proceedings', which admittedly commence on the date on which the petition for winding up is filed.

'In course of winding up a company'/ of the 2013 Act

Vemuri Parandhajniah *v.* **R. Narasimha Rao [1950] 20 Comp. Cas. 1 (Mad.)**

The expression 'in the course of winding up a company' in section 235 of the 1913 Act/section 543(1) of the 1956 Act [corresponding to of the 2013 Act] refers to all the three modes in which a company can be wound up and, therefore, the course of winding up a company might have arisen by any of the modes indicated in the said Act.

Vishwa Pal Sharma *v.* **Sukh Sancharak Co. (P.) Ltd. [1962] 32 Comp. Cas. 947 (All.)**

The words 'in the course of winding up' in section 235(1) of the 1913 Act must relate to a point of time subsequent to the making of the order of winding up, although it may be that the appointment order of liquidator is contained in the same order by which the winding up is made.

'Indirectly'/ of the 2013 Act

Dr. Fredie Ardeshir Mehta *v.* **Union of India [1991] 70 Comp. Cas. 210 (Bom.)**

The word 'indirectly' in section 295(1) of the 1956 Act [corres-ponding to of the 2013 Act] cannot be read as converting what is not a loan into a loan.

'Information with respect to its affairs which they might reasonably expect'/ of the 2013 Act

Kumaranunni *v.* **Mathrubhumi Printing & Publishing Co. Ltd. [1983] 54 Comp. Cas. 370 (Ker.)**

When section 237(*b*)(*iii*) of the 1956 Act [corresponding tosection of the 2013 Act] speaks of 'information with respect to its affairs which they might reasonably expect', it means the information sought for must be about the affairs of the company and something which could reasonably be expected to be supplied.

Insolvency, connotation of

European Life Assurance Society, In re [1869] 9 Eq. Cas. 122

Insolvency is not in any technical sense but, plainly and commercially insolvent - that is to say, that its assets are such, and its existing liabilities are such, as to make it reasonably certain - as to make the court feel satisfied - that the existing probable assets would be insufficient to meet the existing liabilities.

'Insolvent company'/ of the2013 Act

K. Saradambal *v.* **Jagannathan & Bros. [1972] 42 Comp. Cas. 359 (Mad.)**

Though the expression 'insolvent company' in section 529(1) of the 1956 Act [corresponding to of the 2013 Act] is not defined, obviously, it refers to a company which has been ordered to be wound up on a petition founded upon section 433(*e*) of the 1956 Act, that is, the company being unable to pay its debts.

'Interest'/ of the 2013 Act

Mukkattukara Catholic Co. Ltd. *v.* **M.V. Thomas [1995] 6 SCL 135/[1999] 96 Comp. Cas. 864 (Ker.)**

The word 'interest' as occurring in sections 299(1) and 300(1) of the 1956 Act [corresponding to of the 2013 Act] means personal interest and not official or other interest. But it is not limited to financial interest only and may include interest arising out of fiduciary duties or closeness of relationship. In other words, the interest should be an 'interest' conflicting with duty as director.

Clarification issued by the Department of Company Affairs

Regarding the interpretation of the word 'interest' in sub-section (1) of section 299 of the 1956 Act [corresponding to of the 2013 Act], the principle is that the contract or arrangement hit by the section is the one in which the director has personal interest conflicting with his duties towards the company as its director. Even where the director himself has no personal interest in any contract or arrangement but any of his relatives has, the director would be deemed to be indirectly interested within the meaning of section 299 of the 1956 Act [corresponding to of the 2013 Act].

'Interest'/ of the 2013 Act

Hindustan Lever Employees' Union *v.* **Hindustan Lever Ltd. [1994] 2 SCL 157/[1995] 83 Comp. Cas. 30 (SC)**

Section 393(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] requires particulars to be given of any material interests of some person connected with the company, including the directors and managing director. The interest contemplated in this section is interest material for consideration of the scheme by the shareholders.

'Is being carriedon'/ of the 2013 Act

Coimbatore Spg. & Wvg. Co. Ltd. *v.* **M.S. Srinivasan [1959] 29 Comp. Cas. 97 (Mad.)**

The expression 'is being carried on' occurring in sub-section (7) of section 234 of the 1956 Act [corresponding to of the 2013 Act] relates to the state of affairs at the time the representation to the Registrar is made and not to something which is a matter of past history.

'Is instituted', 'arises' or 'is made'/ of the 2013 Act

Osier Electric Lamp Mfg. Co. Ltd., In re [1967] 37 Comp. Cas. 306 (Cal.)

The words 'is instituted', 'arises' or 'is made' in section 446 of the 1956 Act [corresponding to of the 2013 Act] suggest that such a suit or claim or application was made after the date of winding up of the company.

'Issued'as generally defined

Nash *v.* **Lynde [1929] AC 158 (HL)**

Though the word 'issue' is not defined in the Act, it must be noticed that in dealing with such a subject-matter, the Legislature invariably uses in many places the idiom of company business. In connection with the issue of a prospectus, the word does not mean mere delivery. It is difficult to think of a prospectus being issued without some measure of publicity, however modest, and it is impossible to do so, unless the steps taken are with the intention of inducing a subscription by the person invited to subscribe for the securities. The term is not satisfied by a single private communication between friends even if they are business friends, or even though preparations have been made for other documents to be used in other communications if none such takes place.

'Issued share capital'/ of the 2013 Act

Northern Projects Ltd. *v.* **Blue Coast Hotels and Resorts Ltd. [2008] 88 SCL 74 (Bom.)**

Preference shares, as their name implies, carry some preferential rights in relation to other class of shares, namely, equity shares. There must be two kinds of shares for one to be preference. This class is given preferential treatment over the other. Section 86 of the 1956 Act [corresponding to of the 2013 Act] deals with kinds of share capital and sub-section (1) of defines preference share capital and sub-section (2) defines equity share capital. Sub-section (1)(*a*) of section 87 of the 1956 Act [corresponding to of the 2013 Act] deals with voting rights of equity shareholders and sub-section (2)(*b*) deals with voting rights of preference shareholders. Having regard to the provisions of sections 85, 86 and 87 of the 1956 Act, the expression 'issued share capital' in section 399(1) of the 1956 Act [corresponding to of the 2013 Act] can only refer to the share capital which could be issued, *i.e.*, both equity and preference share capital and, therefore, the expression 'issued share capital' refers to both preference and equity share capital of the company.

'Its affairs'/ of the 2013 Act

Regina *v.* **Board of Trade [1964] 34 Comp. Cas. 887 (QB)**

What are 'its affairs' when the company is in full control? They must surely include its goodwill, its profits or losses, its contracts and assets including its shareholding and ability to control the affairs of a subsidiary. [*See* section 237(*b*) of the 1956 Act]

'Judgment' as generally defined

Rama Shankar *v.* **Official Liquidator, Jwala Bank Ltd. [1956] 26 Comp. Cas. 126 (All.)**

The word 'judgment' does not include the interlocutory order or orders which do not finally determine any of the rights of the parties in controversy.

'Languages in general use'/ of the 2013 Act

Clarification issued by Department of Company Law Adminis-tration

The words 'language in general use' in section 147(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] are synonymous with local language and English does not come in that category for any State in India.

'Latest'/ of the 2013 Act

Navjivan Mills Co. Ltd., In re [1972] 42 Comp. Cas. 265 (Guj.)

The word 'latest' as occurring in section 391(2) of the 1956 Act[corresponding to of the 2013 Act] is always a relative term and should be understood in relation to the date on which the petition is filed.

'Latest auditor's report'/ of the 2013 Act

Magnaquest Solutions (P.) Ltd., In re [2007] 80 SCL 496/[2008] 141 Comp. Cas. 728 (AP)

Under the proviso to section 391(2) of the 1956 Act [corresponding to of the 2013 Act], the petitioner-company must disclose all material facts, including its latest financial position and the latest auditors' report on its accounts. The words 'latest auditors' report' connote the latest auditors' report available or which should normally be available at the time of filing of the petition. There will always be a time gap between the date on which the auditor audits the accounts and prepares his report, the date on which the company petition is filed and the date on which the petition is actually heard. The statutory requirement of submission of the latest auditor's report, stipulated in the proviso to sub-section (2) of section 391 of the 1956 Act, would mean the latest auditors' report for the period for which the accounts are audited or ought to have been audited.

'Liquidator'/ of the 2013 Act

L.K. Prabhu *v.* **S.M. Ameerul Millath [2002] 40 SCL 385 (Ker.)**

The word 'liquidator' used in the first part, the second part and the third part of section 543(1) of the 1956 Act [corresponding to of the 2013 Act] has the same meaning as a liquidator of the company. He will be the Official Liquidator himself in a Court winding up or he may be a liquidator in a voluntary winding up. (*See* section 543(1) of the 1956 Act [corresponding to of the 2013 Act].)

'Liquidator *v.* receiver'

Stead, Hazel & Co. *v.* **Cooper [1933] 3 Comp. Cas. 428 (KB)**

The description 'liquidator' has a different significance to the description 'receiver' and 'manager'.

'Loans'/ of the 2013 Act

Dr. Fredie Ardeshir Mehta *v.* **Union of India [1991] 70 Comp. Cas. 210 (Bom.)**

A loan is defined by the *Oxford English Dictionary* as 'a thing lent; something the use of which is allowed for a time, on the understanding that it shall be returned or an equivalent given; esp., a sum of money lent on these conditions and usually with interest'. The essential requirement of a loan is the advance of money (or of some article) upon the understanding that it shall be returned, and it may or may not carry interest. [*See* section 295 of the 1956 Act]

'Local limits'/ of the 2013 Act

Circular No. 19/72 [F. 8/3(146)/72-CL-V], dated 26-6-1972

The expression 'local limits' in section 146(2) of the 1956 Act[corresponding to of the 2013 Act] should be taken to mean both the local body limits and the postal limits, and where the two do not coincide, the wider of the two.

'Make any interim order that it thinks fit'/ of the 2013 Act

NEPC Agro Food Ltd. *v.* **Hindustan Thompson Associated Ltd.[2001] 33 SCL 15 (Mad.)**

It cannot be held that section 443(1)(*c*) of the 1956 Act [corres-ponding to of the 2013 Act] though empowers the court to 'make any interim order that it thinks fit' on the hearing the winding up petition, that can be understood and only referable to the proceedings pertaining to the determination of the financial position of the company and to determine whether it should be wound up or not in the interests of the general body of creditors. In the absence of any limitation or restriction in section 443(1) of the 1956 Act itself or elsewhere in the Act, it has to be only taken that the court can pass any order it thinks fit and necessary in the interest of justice and in implementing or giving effect to the provisions of the Act.

'Matters'/ of the 2013 Act

Gokulchand D. Morarka *v.* **Company Law Board [1974] 44 Comp. Cas. 173 (Delhi)**

The meaning of the expression 'in the matter of' is stated in the *Concise Oxford Dictionary* to be 'as regards'. The expression 'matter' occurs in the Act in varying contexts. The expressions 'matter', 'matters' or 'in the matter of' as wherever they occur in the Act are of the widest amplitude. There is no force in the contention that orders passed under sections 397 and 398 of the 1956 Act [corresponding to of the 2013 Act] to avoid a winding up are just the contrary of those passed in the matter of winding up and hence, cannot fall within the ambit of the expression 'in the matter of'.

'May'/ of the 2013 Act

New Central Jute Mills Co. Ltd. *v.* **Deputy Secretary, Ministry of Finance [1966] 36 Comp. Cas. 512 (Cal.)**

The word 'may' in section 237(*a*) of the 1956 Act [corresponding to of the 2013 Act] merely confers a liberty upon the Central Government to prescribe the manner in which the report is to be made out.

'May'/ of the 2013 Act

Travancore National & Quilon Bank, In re [1939] 9 Comp. Cas. 14 (Mad.)

The use of the word 'may' involves that the Court has to exercise its discretion in making an order under section 153(1) and section 153(2) of the 1913 Act/section 391(1) of the 1956 Act [corresponding to of the 2013 Act] when the scheme comes before the Court for sanction after the approval of the majority of the creditors.

'May'/ of the 2013 Act

New Kerala Chits & Trades (P.) Ltd. *v.* **Official Liquidator [1981] 51 Comp. Cas. 601 (Ker.)/Dundappa Shivalingappa Adi** *v.* **S.G. Motor Transport Co. (P.) Ltd. [1966] 36 Comp. Cas. 606 (Mys.)**

The word 'may' as occurring in section 433 of the 1956 Act [corresponding to of the 2013 Act] makes it clear that the power to wind up a company is discretionary and that there is no right in any one to obtain an order that the company shall be wound up.

Thakar Gobind Singh *v.* **Merchant Mohani Flour Mills Ltd. [1944] 14 Comp. Cas. 184 (Lahore)**

The contention that the word 'may' should be interpreted as 'shall' is altogether unsound.

Smt. P. Sridevi *v.* **Cherishma Housing (P.) Ltd. [2009] 147 Comp. Cas. 130 (AP)**

It is not imperative for the Court to make a winding up order even if it forms the opinion that it was just and equitable to do so. The use of the word 'may' in section 433 of the 1956 Act creates a further discretion in the Court to order or not to order a winding up. The discretion cannot be exercised arbitrarily or according to one's own will or whim. It has to be regulated by law and the well-known rules of equity in order to assist the law; allay its rigour; advance the remedy and to relieve against abuse.

'May'/ of the 2013 Act

Manohar Gunaji Anubhawne *v.* **State of Maharashtra [2004] 120 Comp. Cas. 94/52 SCL 536 (Bom.)**

The word 'may' used in section 630(2) of the 1956 Act [corres-ponding to of the 2013 Act] deserves to be given its plain and grammatical meaning. It may be noted that the offence of wrongfully withholding of property can be in respect of any property of the company whether movable or immovable and it is just possible that by the time the employee is held guilty, he may have already lost, spent, disposed of the movable property given in his possession. In such an eventuality the Court will not be in a position to order the officer or employee to deliver it up or to refund it to the company. The Legislature appears to be alive to such an eventuality and, therefore, purposely used the word 'may' instead of the word 'shall' in sub-section (2) of section 630 of the 1956 Act. It is, therefore, discretionary and not mandatory upon the Court to pass an order under section 630(2) of the 1956 Act.

'Meeting'/ of the 2013 Act

Sharp *v.* **Dawes [1876-77] 2 QBD 26 (CA)**

Unless it is shown that it has a different meaning in the context in which it is used, the word 'meeting' *prima facie* means a coming together of more than one person. [*See* section 166(1) of the 1956 Act.]

'Member'/ of the 2013 Act

Bayswater Trading Co. Ltd., In re [1970] 40 Comp. Cas. 1196 (Ch.D)

The word any 'member' in section 353(6) of the English Act, 1948/section 560(6) of the 1956 Act [corresponding to of the 2013 Act] must be construed as to extend to the personal representative of the deceased member, although not on the register of shareholders.

'Misfeasance'/ of the 2013 Act

Etic Ltd., In re [1880] 14 Ch. D. 660/Kingston Cotton Mill Co.,In re [1896] 1 Ch. 331

'Misfeasance' means misfeasance in the nature of a breach of trust, that is to say, it refers to something by which the company's property has been wasted.

Bholanath Kundu *v.* **Official Liquidator, Bholanath Kundu & Co. (P.) Ltd. [1987] 61 Comp. Cas. 10 (Cal.)**

The word 'misfeasance' as occurring in section 543(1)(*b*) of the 1956 Act [corresponding to of the 2013 Act] does not cover every misconduct by a director. There must be a breach of trust. Unless a director has done something wrong by mis-applying or retaining in his own hands any money of the company or the director has done something by which the company properties have been wasted resulting in actual loss to the company, there cannot be any misfeasance.

'Modification'/ of the 2013 Act

S.K. Gupta *v.* **K.P. Jain [1979] 49 Comp. Cas. 342 (SC)**

In the context of section 392(1)(*b*) of the 1956 Act [corresponding to of the 2013 Act], 'modification' would mean addition to the scheme of compromise or arrangement or omission therefrom solely for the purpose of making it workable.

'Money owing' or 'money due' generally defined

Indian Co-operative Navigation & Trading Co. Ltd. *v.* **Padamsey Premji [1934] 4 Comp. Cas. 110 (Bom.)**

The terms 'money owing' or 'money due' in their primary sense denote an existing debt, whether or not the right to recover the same is barred under the Limitation Act, though no doubt either expression may bear the secondary meaning of 'recoverable in law' if the context so requires.

'Mortgage, Pledge and Hypothecation' asgenerally defined

Syndicate Bank *v.* **Official Liquidator, Prashant Engg. Co. (P.) Ltd. [1986] 59 Comp. Cas. 301 (Delhi)**

Unlike a mortgage, a pledge, or hypothecation does not have the effect of transferring any 'interest' in the property in favour of the pledgee or the hypothecatee. The pledge and hypothecation, however, create a special property in the goods in favour of the pledgee or the hypothecatee. In the case of a pledge, the special property is to keep possession of the pledged goods and to dispose them of for the realisation of the debt for which it is held as security. In the case of hypothecation, possession remains with the hypothecator but the hypothecatee has the right to take possession of the hypothecated property and to sell it for the realisation of the debt secured by hypothecation.

'Necessary'/ of the 2013 Act

Great Eastern Electric Co., In re [1942] 12 Comp. Cas. 96 (Ch. D)

The word 'necessary' as occurring in section 457(2)(*i*) of the 1956 Act [corresponding to of the 2013 Act] means that it must not be merely beneficial, but something more, though the necessity must be determined by the Court having regard to all the circumstances of the case.

'Notices'/ of the 2013 Act

Company News & Notes, July 1, 1963 issue

The word 'notices' has neither been defined in the Act nor in the General Clauses Act. Accordingly, in the context of section 147(1) of the 1956 Act [corresponding to of the 2013 Act], the word 'notices' should be liberally construed so as to include not only notices given under the Act, but also notices inviting tenders, employment notice, notice for loss of shares or debenture certificates, notice for change of name by the company or closure of register of members, etc.

'Office or place ofprofit'/, *Expln.*, of the 2013 Act

CIT *v.* **Principal Officer C/o Arkay Wires (P.) Ltd. [2005] 58 SCL 97 (All.)**

The words 'office or place of profit' occurring in section 314 of the 1956 Act [corresponding to of the 2013 Act] do include selling and buying agents receiving commission and/or salary.

'Officer or employee'/ of the 2013 Act

Smt. Abhilash Vinod Kumar Jain *v.* **Cox & King's (India) Ltd. [1995] 4 SCL 167 (SC)/84 Comp. Cas. 28**

Term 'officer or employee' of a company in section 630(1) of the 1956 Act [corresponding to of the 2013 Act] would by a deeming fiction include legal heirs and representatives of employee or officer concerned continuing in occupation of property of company after death of employee or officer.

Balder Krishna Sahi *v.* **Shipping Corpn. of India Ltd. [1988] 63 Comp. Cas. 1 (SC)**

There is, no warrant to give a restrictive meaning to the term officer or employee appearing in sub-section (1) of section 630 of the 1956 Act. It is quite evident that clauses (*a*) and (*b*) are separated by the word 'or' and, therefore, are clearly disjunctive.

The term 'officer or employee' of a company applies not only to existing officers or employees but also to past officers or employees if such officer or employee either (*a*) wrongfully obtains possession of any property, or (*b*) having obtained such property during the course of his employment, withholds the same after the termination of his employment.

Abdul Quayaum Ansari *v.* **State of Maharashtra [1991] 70 Comp. Cas. 368 (Bom.)**

On a proper construction of section 630 of the 1956 Act the heirs and legal representatives would be included in the term 'officer or employee of a company'. An employee who is allotted a residential accommodation by the company does not occupy it alone, but occupies it along with the members of his family.

Pravinbhai Ganeshbhai Chaudhary *v.* **Neutral Glass & Allied Industries (P.) Ltd. [2001] 33 SCL 176 (Guj.)**

The term 'employee' is a wider generic term which would include workmen also. In fact, the definition of workmen in section 529(3)(*a*) of the 1956 Act [corresponding to of the 2013 Act] itself indicates that the Legislature has treated workmen as one of the categories of employees. The object of section 630 of the 1956 Act is to provide speedy remedy for enabling the company to obtain possession of its property where it is wrongfully obtained or wrongfully withheld by any officer or employee of the company. There will be no rationale in excluding workmen from the scope of section 630 of the 1956 Act.

'Officer or other employee'/ of the 2013 Act

Official Liquidator, Stocking & Sons (P.) Ltd. *v.* **Dr. S.R. Sarma [1970] 40 Comp. Cas. 72 (Mad.)**

The words 'officer or other employee' in section 468 of the 1956 Act [corresponding to of the 2013 Act] includes ex-officer or ex-employee.

'Officer who is indefault'/ of the 2013 Act

Madan Gopal Dey *v.* **State [1969] 39 Comp. Cas. 119 (Cal.)**

Any director of the company who is knowingly guilty of the default or who knowingly or wilfully authorises or permits a default would be an 'officer who is in default' as occurring in section 5 of the 1956 Act [corresponding to of the 2013 Act].

'Other funds'/ of the 2013 Act

Straw Products Ltd. *v.* **Registrar of Companies [1969] 39 Comp. Cas. 974 (Ori.)**

The expression 'other funds' as occurring in section 293(1)(*e*) of the 1956 Act [corresponding to of the 2013 Act] is wide enough to enable contributions of the kind, specified in the special resolution to be made by the company.

'Or otherwise'/ of the 2013 Act

Kalpana Polytec India Ltd. *v.* **Union of India [2001] 34 SCL 710 (Cal.)**

The words 'or otherwise' as occurring in section 22(1) of the 1956 Act [corresponding to of the 2013 Act] must be considered in the context of the word 'inadvertance'. In other words, the word 'otherwise' must be read *ejusdem generis*.

'Otherwise'/ of the 2013 Act

Harinagar Sugar Mills Co. Ltd. *v.* **M.W. Pradhan [1966] 36 Comp. Cas. 426 (SC)**

The expression 'otherwise' as occurring in section 434(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] takes in any person to whom another becomes indebted howsoever the relationship of creditor and debtor is brought about between them.

'Outside of every office'/ of the 2013 Act

Dr. H.L. Batliwalla Sons & Co. Ltd. *v.* **Emperor [1941] 11 Comp. Cas. 154 (Bom.)**

Words 'outside the office' in section 73(*a*) of the 1913 Act/147(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] do not mean outside the premises or outside the compound wherein the office is situated.

'Person'/ of the 2013 Act

United Western Bank Ltd., *In re* [2002] 38 SCL 34 (CLB - New Delhi)

Neither the term 'person' nor 'proxy' has been defined in the Act and, therefore, one has to construe this term 'person' with reference to the object with which the same has been used in section 176(1) of the 1956 Act [corresponding to of the 2013 Act]. This section authorizes a member, who is unable to attend a general meeting of a company, to appoint another through an authorization known as a proxy to attend and vote instead of the shareholder himself. Further, the section also says that the proxy shall not have any right to speak. As a rule, a proxy can demand a poll. No company, being an artificial entity can be present, vote and speak or demand a poll. Only a natural person/individual could do all the above. Therefore, the term 'person' used in the section means only a natural person/individual and the definition of the General Clauses Act cannot be applied in respect of the term 'person' as is used in .

'Person'/ of the 2013 Act

CIT *v.* **Suleman Khan and Mahaboob Khan Tobacco Exporters [2002] 39 SCL 150 (AP)**

The assumption that the word 'person' occurring in section 11(1) of the 1956 Act [corresponding to of the 2013 Act] takes in a minor also as a partner in a partnership, is based on an erroneous view of the law. The provisions of section 184(3) of the Income-tax Act which provide that the application for registration should be signed by all the persons (not being minors), clearly suggests that under the Income-tax Law, no minor can be a partner in a partnership firm as such.

'Person aggrieved'/ of the 2013 Act

Jagannath Saran *v.* **S.N. Lokras [1951] 21 Comp. Cas. 27 (Nag.)**

The expression 'person aggrieved' occurring in section 183(5) of the 1913 Act/section 460(6) of the 1956 Act [corresponding to of the 2013 Act] means a person who has suffered a legal grievance, one against whom a decision has been pronounced which has wrongfully deprived him of something or wrongfully refused him something which he has a right to demand or wrongfully affected his title to something.

'Promoter'/ of the 2013 Act

Phosphate Sewage Co. *v.* **Hartmount [1876] 5 Ch. D. 394/Official Receiver & Liquidator of Jubilee Cotton Mills Ltd.** *v.* **Lewis [1924] AC 958 (HL)**

Promoter is a person who as principal procures or aids in procuring the incorporation of a company.

'Property'/, *Explanation (iv)*, of the2013 Act

Telesound India Ltd., In re [1983] 53 Comp. Cas. 926 (Delhi)

The expression 'property' in section 394(4)(*a*) of the 1956 Act [corresponding to *Explanation (iv)* to of the 2013 Act] would be wide enough to include rights under a contract including a contract of tenancy.

Nokes *v.* **Doncaster Amalgamated Collieries Ltd. [1941] 11 Comp. Cas. 83 (HL)**

The word 'property' in section 154 of the English Companies Act, 1929, whether considered alone or in conjunction with the words 'rights and powers of every description', means property with which the original company has the right to deal without having to obtain the consent of some third party.

'Property'/ of the 2013 Act

Beguram *v.* **Jaipur Udhyog Ltd. [1987] 61 Comp. Cas. 744 (Raj.)**

The word 'property' used in section 630(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] includes within its purview both movable as well as immovable property and there are no words, express or implied, in this section which can restrict the application of the word 'property' to only movable property. The words 'deliver up' very well apply to the delivering up of the possession of immovable property. These words are on the other hand, indicative of the fact that immovable properties are also covered in the scope of section 630 of the 1956 Act.

Harkishin Lakhimal Gidwani *v.* **Achyut Kashinath Wagh [1982] 52 Comp. Cas. 1 (Bom.)**

The user of both the terms 'any such property' and 'wrongfully obtained' would strongly indicate that both are independent of each other and not mutually inclusive or overlapping. The term 'any such property' in section 630(2) of the 1956 Act [corresponding to of the 2013 Act] governs all the three categories and is not restricted to only one, *viz.*, 'wrongfully obtained'.

Baldev Krishna Sahi *v.* **Shipping Corpn. of India Ltd. [1988] 63 Comp. Cas. 1 (SC)**

There is no warrant for the construction placed by the High Court of Calcutta in *Amritlal Churr's* case [1987] 61 Comp. Cas. 211 on the words 'any such property' in clause (*b*) to section 630(1) of the 1956 Act [corresponding to of the 2013 Act] as applicable to 'such property' of a company, possession of which is wrongfully obtained by an officer or employee of the company, *i.e.*, refers to the whole of clause (*b*). According to the plain construction, the words 'any such property' in clause (*b*) relate to any property of a company as mentioned in clause (*a*).

'Provide'/ of the 2013 Act

Needle Industries (India) Ltd. *v.* **Needle Industries Newey (India) Holding Ltd. [1981] 51 Comp. Cas. 743 (SC)**

The word 'provide' occurring in section 81(1)(*c*) of the 1956 Act [corresponding to of the 2013 Act] must be understood to mean 'provide expressly or by necessary implication'.

'Provision' as generally defined

Brooke Bond India Ltd. *v.* **D.M. Gandhi [1984] 56 Comp. Cas. 9 (Bom.)**

The meaning given to the expression 'provision' in the Companies Act is much narrower than that usually is attributed to it in framing accounts. For the purposes of the Companies Act, the word 'provision' must not be used, as it is commonly used in practice, to describe amounts set aside to provide for prospective or even potential losses or liabilities; it must only be employed to indicate known depreciation or diminution in the value of assets and known liabilities, the amount of which, however, cannot be estimated with reasonable accuracy.

'Provisions of this Act'/ of the 2013 Act

Cricket Club of India Ltd. *v.* **Madhav L. Apte [1975] 45 Comp. Cas. 574 (Bom.)**

It is impossible to read the expression 'provisions of this Act' in section 9 of the 1956 Act [corresponding to of the 2013 Act] as indicative merely of the express provisions and exclude the meaning which have to be read in the provisions of the Act by the rule of necessary implication. Any meaning which has to be read in any section of the Act by the rule or principle of necessary implication is as much a provision of the Act as something expressly provided.

'Public', as generallydefined

Nash *v.* **Lynde [1929] AC 158 (HL)**

'The public', is of course a general word. No particular numbersare prescribed. Anything from two to infinity may serve: perhaps even one, if he is intended to be the first of a series of subscribers, but makes further proceedings needless by himself subscribing the whole. The point is that the offer is such as to be open to any one who brings his money and applies in due form, whether the prospectus was addressed to him on behalf of the company or not.

'Public interest'/ & of the 2013 Act

N.R. Murty *v.* **Industrial Development Corpn. of Orissa Ltd. [1977] 47 Comp. Cas. 389 (Ori.)**

In the case of a company intended to operate in a modern welfare State, the concept of 'public interest' takes the company outside the conventional sphere of being a concern in which the shareholders alone are interested. It emphasises the idea of the company functioning for the public good or general welfare of the community, at any rate, not in a manner detrimental to the public good. [*See* sections 397 and 398 of the 1956 Act]

'Recognised stock exchange'/ of the 2013 Act

Union of India *v.* **Allied International Products Ltd. [1971] 41Comp. Cas. 127 (SC)**

The expression 'a recognised stock exchange' as occurring in section 73(1) of the 1956 Act [corresponding to of the 2013 Act] means 'any recognised stock exchange'. Applications can be made to different Stock Exchanges for permission to deal in official quotations of the shares of the company.

'Reconstruction' v.'Amalgamation'/ of the 2013 Act

Inland Steam Navigation Workers' Union *v.* **Rivers Steam Navigation Co. Ltd. [1968] 38 Comp. Cas. 99 (Cal.)**

There is no particular meaning in the word 'reconstruction' or in the word 'amalgamation'. It has to be found out from the scheme read as a whole whether it is a case of reconstruction or whether it is a case of amalgamation. [*See* section 394 of the 1956 Act]

'Rectification'/ of the 2013 Act

Cuddalore Construction Co. Ltd., In re [1967] 37 Comp. Cas. 440 (Mad.)

The expression 'rectification' as occurring in section 155 of the 1956 Act/Section 111 of the 1956 Act [corresponding to of the 2013 Act] of a company's register is a purposeful expression. It has a special signification of its own. The word implies that there is a prior error, mistake or defect which is apparent on the face of the record of the register, which, after rectification, is made good and corrected by removing such a mistake or error.

Pulbrook *v.* **Richmond Consolidated Mining Co. [1878] LR 9 Ch. D. 610**

The effect of rectification is exactly the same as if the name struck off had never been put in. That is the meaning of 'rectification'.

'Relating to windingup of a company'/ of the 2013 Act

Bharat Petroleum Corpn. Ltd. *v.* **National Organic Chemical Industries Ltd. [2004] 51 SCL 593/120 Comp. Cas. 333 (Bom.)**

The words 'relating to the winding-up of a company', used in section 557(1) of the 1956 Act [corresponding to of the 2013 Act] are broad enough to comprehend within their purview, the stage of admission and of final hearing of a company petition for winding-up. Therefore, as a matter of statutory interpretation, the right of the creditors to appear and be heard in all matters relating to the winding-up of a company is recognized by law. The right to appear and be heard comprehends the stage of admission as well.

'Renew'/ of the 2013 Act

Sujani Textiles (P.) Ltd. *v.* **Assistant Registrar of Companies [1980] 50 Comp. Cas. 276 (Mad.)**

The word 'renew' also means 'acquire again'. (*See* section 58A of the 1956 Act)

Jagjivan Hiralal Doshi *v.* **Registrar of Companies [1989] 65 Comp. Cas. 553 (Bom.)**

When a company is unable to repay the deposits and, therefore, renews them, what it does is to accept the old deposits for a longer period. The word 'renew' means 'to acquire again'. Hence, renewal of fixed deposits amounts to receiving fresh deposits within the meaning of section 58A of the 1956 Act.

'Revenues'/ of the 2013 Act

STO *v.* **Official Liquidator [1968] 38 Comp. Cas. 430 (All.)**

The word 'revenues' used in section 530(1)(*a*) of the 1956 Act[corresponding to of the 2013 Act] means reve-nues which have become due and payable and revenues within the twelve months next before the date of winding up, and not revenues which are recoverable as arrears of land revenue.

Petlad Nagarpalika *v.* **Rajratna Naranbhai Mills Co. Ltd. [1974] 44 Comp. Cas. 517 (Guj.)**

Expression 'revenues' must be understood in the sense of compulsory exaction or in contradistinction to the income coming in the coffers of the Central or State Government or local authority from its commercial or industrial activities.

'Sale held'/ of the 2013 Act	**B. Suresh** *v.* **A.P. Mahesh Co-op. Urban Bank Ltd. [2001] 34 SCL 939/[2002] 108 Comp. Cas. 283 (AP)** The expression 'sale held' occurring in section 537(1)(*b*) of the 1956 Act [corresponding to of the 2013 Act] takes within its sweep whether it is voluntary sale by the company or a sale brought by a third party for whatever reason, to be void if made without the leave of the Company Court during the pendency of the winding up proceedings.
'Services'/ of the 2013 Act	**Suessen Textile Bearings Ltd.** *v.* **Union of India [1984] 55 Comp. Cas. 492 (Delhi)** The meaning of the word 'service' would have to be limited to manual, clerical, technical and supervisory/administrative service only. In any case, any act done by a director, though helpful to the company but involving his financial liability would not amount to service rendered within the meaning of section 309 of the 1956 Act [corresponding to of the 2013 Act].
'Services rendered to the company'/ of the 2013 Act	**Rajeev Shenoy K.R., Trustee of Premier Cable Provident Fund** *v.* **Official Liquidator [2009] 152 Comp. Cas. 592 (Ker.)** The employment of the words 'services rendered to the company' in section 529(3)(*b*)(*i*) of the 1956 Act [corresponding to of the 2013 Act] is only to enlarge the scope of that provision to ensure that nothing escapes from that which is the entitlement of a workman. It can never be understood as a restriction to be read as one legislatively imposed, whereby every claim of wages, salary, etc., would have to be tested on a touchstone as to whether any service has been actually and physically rendered to the company by the workman in question. Any workman in employment could be legitimately forced to the situation of cessation from employment, only by the recognized methods.
'Shall'/ of the 2013 Act	**Smt. Bhagwati Devi Bubna** *v.* **Dhanraj Mills (P.) Ltd. [1969] 39 Comp. Cas. 1023 (Pat.)** The word 'shall' as occurring in section 446(1) of the 1956 Act [corresponding to of the 2013 Act] may be read as 'may'.
'Shall be deemed to have agreed to become members of company'/ of the 2013 Act	**U.P. Oil Mills Co. Ltd.** *v.* **Jamna Prasad [1933] 3 Comp. Cas. 256 (All.)** Words 'shall be deemed to have agreed to become members of the company' as occurring in section 30 of the 1913 Act/section 41 of the 1956 Act [corresponding to of the 2013 Act] mean that the subscribers of the memorandum of a company are to be treated as having become members of the company by the fact of the subscription; by merely subscribing to the memorandum of association a person becomes member of the company.
'Share', as generally defined	**S.N.D.P. Yogam Quilon, In re [1970] 40 Comp. Cas. 60 (Ker.)** 'Share', as defined in the Companies Act and as understood in company law, means share in the capital of a company. It is a tangible property. **Borland's Trustees** *v.* **Steel Bros. & Co. [1901] 1 Ch.D 279/S.N.D.P. Yogam Quilon, In re [1970] 40 Comp. Cas. 60 (Ker.)** A share is not a sum of money but is the interest of a shareholder in the company measured by a sum of money for the purpose of the liability in the first place, and of interest in the second, but also consisting of a series of mutual covenants entered by all the shareholders *inter se*. It is an interest measured by a sum of money and made up of various rights contained in the contract, including the right to a sum of money of a more or less amount.
'Share' and 'capital', as generally defined	**S.N.D.P. Yogam Quilon, In re [1970] 40 Comp. Cas. 60 (Ker.)** The words 'capital' and 'share capital' are synonymous. It may mean the nominal or the authorised capital, the issued capital or the paid-up capital; and the meaning depends in the context in which that term is used. It also follows from that a company having share capital is a company registered with a nominal or authorised capital, which is divided into shares of a fixed amount.
'Solvent'/ of the 2013 Act	**Patrick & Lyon Ltd., In re [1933] 3 Comp. Cas. 449 (Ch. D)** A company is not solvent within the meaning of this section, unless it can pay its debts as they become due. The contention that 'solvent' as occurring in section 534 of the 1956 Act [corres-ponding to of the 2013 Act] means 'commercially solvent', and that if, upon balance sheet figures, a company's assets exceed its liabilities the company is solvent, is not correct.
'Subject to provisions of this Act'/ of the 2013 Act	**S. Pazhamalai** *v.* **Aruna Sugars Ltd. [1984] 55 Comp. Cas. 500 (Mad.)** The expression 'subject to the provisions of this Act' occurring in section 257(1) of the 1956 Act [corresponding to of the 2013 Act] will only qualify the person who is not a retiring director.
'Substantial powers of management'/ of the 2013 Act	**Wasava Tyres** *v.* **Printers (Mysore) Ltd. [2007] 139 Comp. Cas. 446 (Kar.)** The words 'substantial powers of management' as occurring in section 2(*26*) of the 1956 Act [corresponding to of the 2013 Act] specifically excludes certain acts from its purview. Therefore, except the excluded acts the managing director has power and privilege of conducting the business of the company in accordance with the memorandum and articles of association of the company. The institution of the suit on behalf of the company by the Managing Director is deemed to be within the meaning of 'substantial powers of management' since such a power is necessary and incidental for managing the day-to-day affairs and business of the company.
'Such other matters asmay be prescribed'/ of the 2013 Act	**Gulzari Lal Bhargava** *v.* **Official Receiver-cum-Official Liquidator, Ammonia Supplies Corpn. (P.) Ltd. [1972] 42 Comp. Cas. 401 (Delhi)** The words 'such other matters as may be prescribed' as occurring in section 461(1) of the 1956 Act [corresponding to of the 2013 Act] cannot be said to relate to the account books since it has to be read as *ejusdem generis*.
'Sufficient'/ of the 2013 Act	**Benarsi Das Saraf** *v.* **Dalmia Dadri Cement Ltd. [1958] 28 Comp. Cas. 435 (Punj.)** The word 'sufficient' as occurring in section 155/111 of the 1956 Act [corresponding to of the 2013 Act] means 'adequate' 'enough', 'as much as may be necessary to answer the purpose intended'.
'Sufficient cause'/ of the 2013 Act	**Karamsad Investments Ltd.** *v.* **Nile Limited [2001] 34 SCL 269/[2002] 108 Comp. Cas. 58 (AP)** Expression 'sufficient cause' occurring in proviso to sub-section (2) of section 111A of the 1956 Act [corresponding to of the 2013 Act] takes within its sweep not only those contingencies contemplated under sub-section (3) of section 111A but the company to refuse, also circumstances and reasons other than those contemplated under sub-section (3) which might require to register transfer of shares and such a refusal would be refusal for 'sufficient cause'.

'Suit has beeninstituted'/ of the 2013 Act

Osier Electric Lamp Mfg. Co. Ltd., In re [1967] 37 Comp. Cas. 306 (Cal.)

The words 'suit has been instituted', 'claim or question has arisen', in sub-section (2) of section 446 of the 1956 Act [corresponding to of the 2013 Act] refer to suit or application or claim or question pending in a Court other than the winding up Court.

Osier Electric Lamp Mfg. Co. Ltd., In re [1967] 37 Comp. Cas. 306 (Cal.)

The words 'is instituted', 'arises' or 'is made' in sub-section (2) of section 446 of the 1956 Act suggest that such a suit or claim or application was made after the date of winding up of the company.

'Suit or other legal proceeding'// of the 2013 Act

Life Insurance Corpn. of India *v.* **Asia Udyog (P.) Ltd. [1984] 55 Comp. Cas. 187 (Delhi)(FB)**

The meaning of the word 'legal proceeding' under section 446 of the 1956 Act [corresponding to of the 2013 Act] will naturally take colour from the object which is sought to be served by section 446.

Manekchowk & Ahmedabad Mfg. Co. Ltd., In re [1983] 53 Comp. Cas. 515 (Guj.)

The term 'legal proceedings' is of the widest amplitude. In *S.V. Kondaspal, Official Liquidator & Liquidator of Colaba Land & Mills Co. Ltd. (in liquidation)* v. *V.M. Deshpande, ITO* [1972] 42 Comp. Cas. 168, the Supreme Court considered the exact import of the expression 'other legal proceeding' in sub-sections (1) and (2) of section 446 of the 1956 Act [corresponding to & of the 2013 Act]. The said expression takes within its sweep those proceedings only which can appropriately be dealt with by the winding up Court.

Tika Ram & Sons (P.) Ltd. *v.* **CIT [1964] 34 Comp. Cas. 151 (All.)**

The words 'other legal proceedings' must be such proceedings over which the High Court in its ordinary jurisdiction can exercise some original or appellate jurisdiction and control.

Harbans Lal Sharma *v.* **Chemical Vessels Fabricators (P.) Ltd. [1989] 65 Comp. Cas. 506 (Punj. & Har.)**

The words 'no suit or legal proceedings. . . against the company' in section 446(1) of the 1956 Act [corresponding to of the 2013 Act] will mean proceedings in which the assets or the effects of the company are involved.

Televista Electronics (P.) Ltd. *v.* **Mass Communications & Marketing (P.) Ltd. [1980] 50 Comp. Cas. 1 (Delhi)**

The words 'suit or proceeding' used in section 446(1) of the 1956 Act [corresponding to of the 2013 Act] are general and include an interpleader suit.

Ion Exchange Finance Ltd. *v.* **Firth India Steel Co. Ltd. (In Liquidation) [2001] 30 SCL 437/103 Comp. Cas. 666 (Bom.)**

The expression 'legal proceeding' or 'other legal proceeding' for the purpose of section 442 and section 446 of the 1956 Act must be read *ejusdem generis* with the expression 'suit' and can mean only civil proceedings, and not criminal proceedings. The expression 'suit or other legal proceeding' in section 446(1) of the 1956 Act [corresponding to of the 2013 Act] does not include criminal complaints filed under section 138 of the Negotiable Instruments Act, 1881.

V. Susgandha Lal *v.* **Boby Varghese, Director, St. Mary's Finance Ltd. [2000] 27 SCL 51/107 Comp. Cas. 451 (Ker.)**

The term 'proceeding' can only mean proceeding similar to a suit and in the light of the provisions in the Act and the Code of Criminal Procedure, 1973, the term 'proceeding' mentioned in section 446(2) of the 1956 Act [corresponding to of the 2013 Act] cannot mean criminal proceedings.

Pennar Paterson Ltd., In re [2002] 36 SCL 525 (AP)

Expression 'other legal proceedings' occurring to section 446(1) of the 1956 Act [corresponding to of the 2013 Act] does not embrace within its fold a criminal prosecution.

D.K. Kapur *v.* **Reserve Bank of India [2001] 30 SCL 96/105 Comp. Cas. 643 (Delhi)**

The expression 'other legal proceedings' must be read in *ejusdem generis* with the expression 'suit' in section 446 of the 1956 Act. If so read, it can only refer to any civil proceedings and criminal proceedings have to be excluded.

Harish C. Raskapoor *v.* **Jaferbhai Mohmedbhai Chhatpar/Divya Vasundhara Financiers (P.) Ltd., In re [1989] 65 Comp. Cas. 163 (Guj.)**

The term 'suit or other proceeding' as employed in various other sub-sections of section 446 of the 1956 Act would cover all types of proceedings against the company including even criminal proceedings.

Rakoor Industries (P.) Ltd. *v.* **R.L. Bali, ITO [2002] 36 SCL 747/39 SCL 139/108 Comp. Cas. 83 (Delhi)**

Expression 'legal proceedings' in section 446(1) of the 1956 Act [corresponding to of the 2013 Act] is wide enough to include criminal prosecution also but such proceedings must be in relation to the assets of the company.

Jose Antony Kakkad *v.* **Official Liquidator, High Court of Kerala [2000] 27 SCL 251/100 Comp. Cas. 811 (Ker.)**

The words 'legal proceedings' in section 446 of the 1956 Act are wide enough to take in criminal proceedings and such criminal proceedings must be in relation to the assets of the company.

Anil Hada *v.* **Indian Acrylics Ltd. [2000] 99 Comp. Cas. 10 (Punj. & Har.)**

The words 'legal proceedings' appearing in section 446 of the 1956 Act should be interpreted in the manner that criminal proceedings must be in relation to the assets of the company but proceedings under section 138 of the Negotiable Instruments Act are not in relation to the assets of the company.

Official Liquidator *v.* **Andhra Pradesh State Financial Corpn. [2001] 33 SCL 271/105 Comp. Cas. 778 (AP)**

Normally, the expression 'other legal proceedings' is wide enough to include the execution proceedings. But, in view of the specific provision under section 537 of the 1956 Act [corresponding to of the 2013 Act], such a construction must be ruled out for the reason that the specific always excludes the general and section 537 of the 1956 Act contains a specific prescription with regard to the execution proceedings.

Official Liquidators, the Calicut Bank *v.* **Nekkat [1944] 14 Comp. Cas. 7 (Mad.)**

The word 'proceeding' in section 171 of the 1913 Act/section 446 of the 1956 Act [corresponding to of the 2013 Act] includes execution under a judgment in an action.

'The affairs of com-pany'/ of the 2013 Act

Jiyajeerao Cotton Mills Ltd. *v.* **Company Law Board [1969] 39 Comp. Cas. 856 (MP)**

The expression 'the affairs of the company' as occurring in section 237(*a*) of the 1956 Act [corresponding to of the 2013 Act] is wide enough to include contravention of any law for the time being in force.

'The affairs of the company'/ of the 2013 Act

Shankar Sundaram *v.* **Amalgamations Ltd. [2002] 38 SCL 777 (Mad.)**

In certain circumstances the affairs of holding company would include the affairs of the subsidiary company and, therefore, it cannot be stated that the expression 'affairs of the company' in sections 397 and 398 of the 1956 Act [corresponding to of the 2013 Act] does not include the affairs of subsidiary company. In each case it has to be investigated and decided whether the expression, 'affairs of the company' would include the affairs of the subsidiary company as well.

Chander Krishan Gupta *v.* **Pannalal Girdhari Lal (P.) Ltd. [1984] 55 Comp. Cas. 702 (Delhi)**

The expression 'the affairs of the company are being conducted in a manner prejudicial to the interest of the company' in sections 397 and 398 of the 1956 Act [corresponding to of the 2013 Act] will take within its ambit the non-conduct of the affairs of the company and which non-conduct results in prejudice being caused to the company.

Central Government *v.* **Kopran Ltd. [2004] 56 SCL 428 (CLB-New Delhi)**

The words used in section 397/398 of the 1956 Act are 'the affairs of the company are being conducted. . .' The expression is in the present tense and not in future or past. The Company Law Board cannot interfere on the 'basis that a company in future would be acting in a manner prejudicial to public interest'.

'The fact of anyperson having becomea member'/ of the 2013 Act

Kamalabai (Smt.) *v.* **Vithal Prasad Co. (P.) Ltd. [1993] 77 Comp. Cas. 231 (Kar.)**

In clause (*b*) of section 155(1)/111(4) of the 1956 Act [corresponding to of the 2013 Act] the words 'the fact of any person having become a member' have been construed to mean 'having become entitled to be a member' or having got the right of membership. The power of the Company Court under section 155 of the 1956 Act is very wide. It makes it clear that not only any member of the company, but also a 'person aggrieved' may apply to the Court for rectification of the register of members.

Nazamunnessa Begum *v.* **Vidya Sagar Cotton Mills Ltd. [1963] 33 Comp. Cas. 36 (Cal.)**

The expression 'any person having become a member' in section 155(1)(*b*) of the 1956 Act means a person 'having become entitled to be a member' or 'having got the right of membership'. Alternatively, the word 'become' means 'come to be'.

'Then due'/ of the 2013 Act

Lakshmi Sugar Mills Co. (P.) Ltd. *v.* **National Industrial Corpn. Ltd. [1968] 38 Comp. Cas. 384 (Punj.)**

The expression 'then due' as occurring in section 434(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] in that provision has reference in point of time to the time of service of the notice referred to therein.

'To institute a suit' occurring in of the 2013 Act

Eastern Coal Co. Ltd. *v.* **Sunil Kumar Roy [1969] 39 Comp. Cas. 126 (Cal.)**

As a matter of words, 'to institute a suit' as occurring in section 457(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] can never mean 'to continue a suit'. To institute a suit is to lay the foundation of the suit, to commence the suit. Once the foundation is so laid the suit gets going. The plaintiff, who has instituted the suit and has the carriage of the suit, goes on with the suit that is to say, continues the suit. It, therefore, appears to be plain that 'to institute a suit' and 'to continue the suit' cannot be regarded as synonymous expressions.

'Transfer'/ of the 2013 Act

Lyle & Scott Ltd. *v.* **Scott's Trustees [1960] 30 Comp. Cas. 30 (HL)**

Transferring a share involves a series of steps, first an agreement to sell, then the execution of a deed of transfer and finally the registration of the transfer. The word 'transfer' can mean the whole of those steps. Moreover, the ordinary meaning of 'transfer' is simply to hand over or part with something, and a shareholder who agrees to sell is parting with something. The context must determine in what sense the word is used.

'Transfer' and 'Trans-mission'/ of the 2013 Act

Hemendra Prasad Barooah *v.* **Bahadur Tea Co. (P.) Ltd. [1991] 70 Comp. Cas. 792 (Gauhati)**

The expressions 'transfer' and 'transmission' have been employed in section 108 of the 1956 Act [corresponding to of the 2013 Act]. The word 'transfer' is an act of the parties or of the law, by which title to property is conveyed from one person to another. *Inter vivos* transfer is a transfer from one living person to another. It is a transfer of property during the lifetime of the owner and it is to be distinguished from testamentary transfer of succession where the property passes on death. Under section 211 of the Indian Succession Act, the executor of a deceased person is the legal representative for all purposes, and all the property of the deceased person vests in him as such. On a reading of sections 108,109, 110 and 111 of the 1956 Act together the word 'transmission' has been used in section 111 of the 1956 Act in contradistinction to the word 'transfer'. 'Transmission' is referable to devolution of title by operation of law. It may be by succession or by testamentary transfer. As regards 'transfer', it has been used to mean *inter vivos* transfer.

'Unable to pay its dues'and 'is unable to pay its debts'/ of the 2013 Act

Reliance Infocomm Ltd. *v.* **Sheetal Refineries (P.) Ltd. [2008] 142 Comp. Cas. 170 (AP)**

The words 'unable to pay its dues' in section 433(*e*) of the 1956 Act [corresponding to of the 2013 Act] should be taken in the commercial sense, in that, it is unable to meet its current demands, *i.e.*, it is plainly and commercially insolvent - that is to say, its assets are such and its existing liabilities are such as to make it reasonably certain - as to make the court feel satisfied - that the existing and provable assets would be insufficient to meet the existing liabilities. The language of the section 'is unable to pay its debts' means that the company is commercially insolvent. In other words, the company has no wherewithal to meet its commercial liabilities. The machinery for winding up will not be allowed to be utilised merely as a means for realising the debts due from a company.

'Undertaking'/ of the 2013 Act

Yallamma Cotton, Woollen & Silk Mills Co. Ltd., In re [1970] 40 Comp. Cas. 466 (Mys.)

The word 'undertaking' as occurring in section 293(1)(*a*) of the 1956 Act [corresponding to of the 2013 Act] is not in its real meaning anything which may be described as a tangible piece of property like land, machinery or the equipment; it is in actual effect an activity of man which in commercial or business parlance means an activity engaged in with a view to earn profit. Property, movable or immovable, used in the course of or for the purpose of such business can more accurately be described as the tools of business or undertaking, *i.e.*, things or articles which are necessarily to be used to keep the undertaking going or to assist the carrying on of the activities leading to the earning of profits.

International Cotton Corpn. (P.) Ltd. *v.* **Bank of Maharashtra [1970] 40 Comp. Cas. 1154 (Mys.)**

The word 'undertaking' has been defined as 'any business or any work or project which one engages in or attempts as an enterprise analogous to business or trade'. The business or undertaking of the company must be distinguished from the properties belonging to the company.

'Unless the Court otherwise order'/ of the 2013 Act

Prudential Capital Markets Ltd. (In Liquidation), In re [2007] 140 Comp. Cas. 754/[2008] 84 SCL 239 (Cal.)

The expression 'unless the Court otherwise orders' as occurring in section 536(2) of the 1956 Act [corresponding to of the 2013 Act] applies both before and after the disposition of any property or effects of the company covered by the period. The test is the same. If the Court were to consider *ex post facto*, the prudence and necessity of a disposition, it has to place itself in the position that it would have been in, if prior leave was sought for the transaction.

Bank of Tokyo - Mitsubishi Ltd. *v.* **Essar Steel Ltd. [2000] 27 SCL 411 (Guj.)**

The expression 'unless the Court otherwise orders' as occurring in sub-section (2) of section 536 of the 1956 Act casts a duty on the judge to examine as to whether the dealing in question was being entered into in good faith and with honest intention.

'Valid'/ of the 2013 Act

Cricket Club of India Ltd. *v.* **Madhav L. Apte [1975] 45 Comp. Cas. 574 (Bom.)**

The word or the adjective 'valid' in section 169(6) of the 1956 Act [corresponding to of the 2013 Act] has no reference to the object of the requisition but rather to the requirements in that section itself. If these requirements indicated in the earlier part of the section are satisfied, then the requisition deposited with the company must be regarded as a valid requisition on which the directors of a company must act.

'Void and voidable' as generally defined

East India Co. *v.* **Official Liquidator [1970] 40 Comp. Cas. 297 (Guj.)**

There are two points of distinction between void and voidable acts. Firstly, an act which is void is of no force and effect; *ab initio* it never had any binding force. On the other hand, an act which is voidable is valid and remains valid until the Court takes some action to avoid it; it is voidable at the discretion of the Court so that the Court is not bound to quash it. Secondly, the distinction between void and voidable acts depends on the method by which it is challenged. A voidable act can be invalidated only in certain kinds of proceedings: these proceedings are specially formulated for the purpose of directly challenging such acts. Appellate proceedings constitute the classic instance of such a method of review. In such proceedings the disputed decision may be set aside or modified without affecting its essential validity prior to the appeal. Following American nomenclature, these proceedings may be termed 'direct proceedings'. On the other hand, when an act is not merely voidable but void, it is a nullity and can be disregarded and impeached in any proceedings, before any Court or Tribunal and whenever it is relied upon. In other words, it is subject to 'collateral attack'.

'Voting in person'/ present and voting of the 2013 Act

Hind Lever Chemicals Ltd., In re [2005] 58 SCL 211 (Punj. & Har.)

Section 391(2) of the 1956 Act [corresponding to of the 2013 Act] has been enacted so as to ensure that a compromise or arrangement should receive substantial support from the creditors/shareholders. For that purpose a two-fold requirement has been prescribed. Firstly, it must be approved by a majority in number of the members present and voting and in addition, such majority should also represent three-fourths value of the creditors/shareholders who are present and voting. That ensures that the persons representing nominal value of shares or credits, though may be in majority, yet may not take a decision which adversely affects the rights of the persons who have substantial shareholding or credit, but are in minority in numbers. Conver-sely, it also protects the rights of the small creditors/shareholders against persons holding large shareholdings or representing substantial credit. The words and phrases employed in that provision clearly show that the requirement of three-fourths majority relates to the value of shares/credit represented by the shareholders or members who are present and voting and not of the total value of shares/credits of the company. That is the only interpretation that can be ascribed to the words 'present and voting' in section 391(2) of the 1956 Act.

Swift Formulations (P.) Ltd., *In re* [2004] 53 SCL 433 (Punj. & Har.) (FB)

For the purposes of section 391(2) of the 1956 Act, the requirement of majority of three-fourth has to be seen in relation to the value of shares/credit represented by the persons who are 'present and voting' in the meeting, either in person or by proxy. This provision cannot be interpreted to mean that the three-fourth majority has to be of the total value of the creditors/shareholders of the company. It has been correctly pointed out that taking later view would render the words 'present and voting' redundant, which would be contrary to the well settled rules of construction. If the intention was to have three-fourth majority of the total value, the provisions would have been worded accordingly. The language of section 391(2) of the 1956 Act is totally unambiguous and a plain reading of this provision clearly shows that the majority in number by which a compromise or arrangement is approved should represent three-fourth in value of the creditors/shareholders who are 'present and voting' and not of the 'total' value of the shareholders or creditors of the company.

Bassemer Steel & Ordnance Co., In re [1875-76] 1 Ch.D 251

'Three-fourths in value of the creditors' as occurring in section 391(2) of the 1956 Act [corresponding to of the 2013 Act] means three-fourths of the value of debts of those present at voting, and not the value of entire debt.

'With intent to defraud creditors' as generallydefined

William C. Leitch Bros. Ltd., In re [1933] 3 Comp. Cas. 97 (Ch.D)

The meaning of the phrase carrying on business 'with intent to defraud creditors' is that, if a company continues to carry on business and to incur debts at a time when there is to the knowledge of the directors no reasonable prospect of the creditors even receiving payment of those debts, it is, in general, a proper inference that the company is carrying on business with intent to defraud.

'Withholding'/ of the 2013 Act

Lalita Jalan *v.* **Bombay Gas Co. Ltd. [2003] 44 SCL 130/114 Comp. Cas. 515 (SC)**

The main ingredient of section 630(1)(*b*) of the 1956 Act [corres-ponding to of the 2013 Act] is wrongful withholding of the property of the company or knowingly applying it for purposes other than those expressed or directed in the articles and authorised by the Act. The dictionary meaning of the word 'withholding' is to hold back; to keep back; to restrain or decline to grant. The holding back or keeping back is not an isolated act but is a continuous process by which the property is not returned or restored to the company which is deprived of its possession. If the officer or employee of the company does any such act by which the property given to him is wrongfully withheld and is not restored back to the company, it will clearly amount to an offence within the meaning of section 630 of the 1956 Act. The object of enacting the section is that the property of the company is preserved and is not used for purposes other than those expressed or directed in the Articles of Association of the company or as authorised by the provisions of the Act.

'Wrongfully'/ of the 2013 Act

B.R. Herman & Mohatta India Ltd. *v.* **Ashok Rai [1984] 55 Comp. Cas. 61 (Delhi)**

The expression 'wrongfully' used in clause (*a*) of section 630(1) of the 1956 Act [corresponding to of the 2013 Act] would mean that a person continues to remain in possession or hold the property otherwise than in due course of law.

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

APPENDIX III

CIRCULARS & NOTIFICATIONS ISSUED UNDER THE COMPANIES ACT, 2013

Section 1 of the Companies Act, 2013 - Short title, extent and commencement - Enforcement of certain provisions of Companies Act, 2013

NOTIFICATION ONE

In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 12th day of September, 2013 as the date on which the following provisions of the said Act shall come into force, namely :

Sl. No.	*Section*
1.	Section 2 clause (1); clauses (3) to (6) (both inclusive); clauses (8) to (12) (both inclusive); clauses (14) to (22) (both inclusive); clauses (24) to (28) (both inclusive); clause (29) [except sub-clause (*iv*)]; clause (30); clauses (32) to (40) (both inclusive); clauses (43) to (46) (both inclusive); clauses (49) to (61) (both inclusive); clauses (63) to (66) (both inclusive); clause (67) [except sub-clause (*ix*)]; clauses (68) to (82) (both inclusive); clause (84); clause (86); clause (87) [except the proviso and *Explanation* (*d*)]; clauses (88) and (89); clauses (90) to (95) (both inclusive);
2.	Section 19;
3.	Section 21;
4.	Section 22;
5.	Section 23 [except clause (*b*) of sub-section (1) and sub-section (2)];
6.	Section 24;
7.	Section 25 [except sub-section (3)];
8.	Sections 29 to 32 (both inclusive);
9.	Section 33 [except sub-section (3)];
10.	Section 34;
11.	Section 35 [except clause (*e*) of sub-section (1)];
12.	Sections 36 to 38 (both inclusive);
13.	Section 39 [except sub-section (4)];
14.	Section 40 [except sub-section (6)];
15.	Sections 44 and 45;
16.	Sections 49 to 51 (both inclusive);
17.	Sections 57 to 60 (both inclusive);
18.	Section 65;
19.	Section 69;
20.	Section 70 [except sub-section (2)];
21.	Section 86;
22.	Section 91;

23.	Section 100 [except sub-section (6)];
24.	Section 102;
25.	Section 103;
26.	Section 104;
27.	Section 105 [except the third and fourth proviso of sub-section (1) and sub-section (7)];
28.	Section 106;
29.	Section 107;
30.	Section 111;
31.	Section 112;
32.	Section 113 [except clause (*b*) of sub-section (1)];
33.	Section 114;
34.	Section 116;
35.	Section 127;
36.	Section 133;
37.	Section 161 [except sub-section (2)];
38.	Sections 162 and 163;
39.	Section 176;
40.	Sections 180 to 183 (both inclusive);
41.	Section 185;
42.	Section 192;
43.	Section 194;
44.	Section 195;
45.	Section 202;
46.	Section 379;
47.	Sections 382 and 383;
48.	Section 386 [except clause (*a*)];
49.	Section 394;
50.	Section 405;
51.	Sections 407 to 414 (both inclusive);
52.	Section 439;
53.	Sections 443 to 453 (both inclusive);
54.	Sections 456 to 463 (both inclusive);
55.	Sections 467 to 470 (both inclusive).

Notification No. SO 2754(E), dated 12-9-2013.

NOTIFICATION TWO

In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 1st day of April, 2014 as the date on which the provisions of section 135 and Schedule VII of the said Act shall come into force. *Notification No. F. No. 1/15/2013-CL-V, dated 27-2-2014.*

NOTIFICATION THREE

In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 1st day of April, 2014 as the date on which the following provisions of the said Act shall come into force, namely:

Sl. No.	*Sections*
1	Section 2
2	clause (2);
3	clause (7);
4	clause (13);

5	clause (31);
6	clause (41);
7	clause (42);
8	clause (47) and clause (48);
9	clause (62);
10	clause (83);
11	clause (85);
12	*Explanation* (d) of clause (87);
13	Sections 3 to 6 (both inclusive);
14	Section 7 [except sub-section (7)];
15	Section 8 [except sub-section (9)];
16	Sections 9 to 13 (both inclusive);
17	Section 14 [except second proviso to sub-section (1) and sub-section (2)];
18	Sections 15 to 18 (both inclusive);
19	Section 20;
20	clause (b) of sub-section (1) and sub-section (2) of section 23;
21	sub-section (3) of section 25;
22	Sections 26 to 28 (both inclusive);
23	Sub-section (3) of section 33;
24	Clause (e) of sub-section (1) of section 35;
25	Sub-section (4) of section 39;
26	Sub-section (6) of section 40;
27	Sections 41 and 42 (both inclusive);
28	Section 43;
29	Sections 46 and 47 (both inclusive);
30	Sections 52 to 54 (both inclusive);
31	Section 55 except sub-section (3);
32	Section 56;
33	Section 61 [except proviso to clause (b) of sub-section (1)];
34	Section 62 [except sub-sections (4) to (6)];
35	Sections 63 and 64 (both inclusive);
36	Sections 67 and 68 (both inclusive);
37	Sub-section (2) of section 70;
38	Section 71 [except sub-sections (9) to (11)];
39	Section 72;
40	Section 73;
41	Sub-section (1) of section 74;
42	Section 76;
43	Sections 77 to 85 (both inclusive);
44	Sections 87 to 90 (both inclusive);
45	Sections 92 to 96 (both inclusive);
46	Sub-section (6) of section 100;
47	Section 101;
48	Third and Fourth proviso to sub-section (1) and sub-section (7) of section 105;
49	Sections 108 to 110 (both inclusive);
50	Clause (b) of sub-section (1) of section 113;

51 Section 115;

52 Sections 117 and 118 (both inclusive);

53 Section 119 [except sub-section (4)];

54 Sections 120 to 122 (both inclusive);

55 Section 123;

56 Section 126;

57 Sections 128 and 129 (both inclusive);

58 Section 134;

59 Sections 136 to 139 (both inclusive);

60 Section 140 [except second proviso to sub-section (4) and sub-section (5)];

61 Sections 141 to 160 (both inclusive);

62 Sub-section (2) of section 161;

63 Sections 164 to 168 (both inclusive);

64 Section 169 except sub-section (4);

65 Sections 170 to 172 (both inclusive);

66 Sections 173 to 175 (both inclusive);

67 Sections 177 to 179 (both inclusive);

68 Section 184;

69 Sections 186 to 191 (both inclusive);

70 Section 193;

71 Sections 196 to 201 (both inclusive);

72 Sections 203 to 205 (both inclusive);

73 Sections 206 to 209 (both inclusive);

74 Section 210;

75 Section 211;

76 Section 212, [except references of sub-section (10) of section 66, sub-section (5) of section 140, section 213, sub-section (1) of section 251 and sub-section (3) of section 339 made in sub-section (6) and also sub-sections (8) to (10)];

77 Sections 214 and 215;

78 Section 216 [except sub-section (2)];

79 Section 217;

80 Sections 219 and 220 (both inclusive);

81 Section 223;

82 Section 224 [except sub-sections (2) and (5)];

83 Section 225;

84 Sections 228 and 229 (both inclusive);

85 Sections 366 to 369 (both inclusive);

86 Section 370 (except the proviso);

87 Section 371;

88 Section 374;

89 Sections 380 and 381 (both inclusive);

90 Sections 384 and 385 (both inclusive);

91 Clause (a) of section 386;

92 Sections 387 to 390 (both inclusive);

93 Sub-section (1) of section 391;

94 Sections 392 and 393 (both inclusive);

95 Section 395;

96 Sections 396 to 398 (both inclusive);

97 Section 399 [except reference of word Tribunal in sub-section (2)];

98 Sections 400 to 404 (both inclusive);

99 Section 406;

100 Section 442;

101 Sections 454 and 455 (both inclusive);

102 Section 464;

103 Schedule -I;

104 Schedule - II;

105 Schedule - III;

106 Schedule - IV;

107 Schedule - V;

108 Schedule - VI.

Notification S.O. 902(E) [F. No. 1/15/2013-CL.V], dated 26-3-2014.

NOTIFICATION FOUR

In exercise of the powers conferred by sub-section (3) of section 1 of the Companies Act, 2013 (18 of 2013), the Central Government hereby appoints the 6th day of June, 2014 as the date on which the provisions of sub-sections (2) and (3) of section 74 of the said Act shall come into force.

Notification No. SO 1459(E) [F.No.1/8/2013-CL-V], dated 6-6-2014.

CLARIFICATION ONE

The Companies Act, 2013 received the assent of the President on 29th August, 2013 and was notified in the Gazette of India on 30th August, 2013. Towards the proper implementation of the Companies Act, 2013, first tranche of Draft Rules on 16 Chapters have been placed on the website of the Ministry on 9-9-2013 for inviting comments and objections/suggestions from the general public/stakeholders. Of the 16 Chapters, only 13 Chapters require specifying of Forms referred to in those Chapters. The draft Forms shall be placed on the website shortly.

2. Ministry of Corporate Affairs has also notified 98 sections for implementation of the provisions of the Companies Act, 2013 (the "said Act") on 12-9-2013. Certain difficulties have been expressed by the stakeholders in the implementation of following provisions of the said Act. With a view to facilitate proper administration of the said Act, it is clarified that -

(*i*) Sub-section (68) of section 2 : Registrar of Companies may register those Memorandum and Articles of Association received till 11-9-2013 as per the definition clause of the 'private company' under the Companies Act, 1956 without referring to the definition of 'private company' under the "said Act".

(*ii*) Section 102 : All companies which have issued notices of general meeting on or after 12-9-2013, the statement to be annexed to the notice shall comply with additional requirements as prescribed in section 102 of the "said Act".

(*iii*) Section 133 : Till the Standards of Accounting or any addendum thereto are prescribed by Central Government in consultation and recommendation of the National Financial Reporting Authority, the existing Accounting Standards notified under the Companies Act, 1956 shall continue to apply.

(*iv*) Section 180 : In respect of requirements of special resolution under section 180 of the "said Act" as against ordinary resolution required by the Companies Act, 1956, if notice for any such general meeting was issued prior to 12-9-2013, then such resolution may be passed in accordance with the requirement of the Companies Act, 1956.

3. This issues with the approval of competent authority *General Circular No. 15/2013 [F. No. 01/12/2013-CL-V], dated 13-9-2013.*

CLARIFICATION TWO

This Ministry had issued a notification on 12-9-2013 bringing into force to 98 sections or part thereof of the Companies Act, 2013. The said notification is available on the Ministry's website. This Ministry has been receiving requests for clarification as to whether the provisions of the Companies Act, 1956 corresponding to such 98 sections would continue to apply or not.

It is hereby clarified that with effect from 12-9-2013, the relevant provisions of the Companies Act, 1956, which correspond to provisions of 98 sections of the Companies Act, 2013 brought into force on 12-9-2013, cease to have effect from that date.

This issues with the approval of competent authority *Circular No. 16/2013, dated 18-9-2013.*

CLARIFICATION THREE

This Ministry has received number of representations consequent upon notifying section 185 of the Companies Act, 2013 dealing with loans to directors which is corresponding to section 295 of the Companies Act, 1956.

Section 186 of the Companies Act, 2013 is yet to be notified.

It is clarified that section 372A of the Companies Act, 1956 dealing with inter-corporate loans continue to remain in force till section 186 of the Companies Act, 2013 is notified *This issues with the approval of competent authority - Circular No. 18/2013 [No. 17/202/2013-CL-V], dated 19-11-2013.*

CLARIFICATION FOUR

A number of provisions of the Companies Act, 2013 including those relating to maintenance of books of account, preparation, adoption & filing of financial statements (and documents required to be attached thereto), Auditors reports and the Board of Directors report (Board's report) have been brought into force with effect from 1st April, 2014. Provisions of Schedule II (Useful lives to compute depreciation) and Schedule III (Format of financial statements) have also been brought into force from that date. The relevant Rules pertaining to these provisions have also been notified, placed on the website of the Ministry and have come into force from the same date.

The Ministry has received requests for clarification with regard to the relevant financial year with effect from which such provisions of the new Act relating to maintenance of books of account, preparation, adoption and filing of financial statements (and attachments thereto), auditors report and Board's report will be applicable.

Although the position in this behalf is quite clear, to make things absolutely clear it is hereby notified that the financial statements (and documents required to be attached thereto), auditors report and Board's report in respect of financial years that commenced earlier than 1st April, 2014 shall be governed by the relevant provisions/Schedules/rules of the Companies Act, 1956 and that in respect of financial years commencing on or after 1st April, 2014, the provisions of the new Act shall apply. *General Circular No. 8/2014 [No. 1/19/2013-CL-V], dated 4-4-2014.*

Section 2(76) of the Companies Act, 2013 - Related Party -Companies (First) (Removal of Difficulties) Order, 2014

WHEREAS the Companies Act, 2013 (18 of 2013) (hereinafter referred to as the said Act) received the assent of the President on 29th August, 2013 and section 1 thereof came into force on the same date;

AND WHEREAS clause (*76*) of section 2 of the Act define the term 'related party' has commenced on 12th September, 2013.

AND WHEREAS in sub-clause (*v*) of clause (*76*) provides for that a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid up share capital shall be related party.

AND WHEREAS difficulties have arisen regarding compliance with the provision.

NOW, THEREFORE, in exercise of the powers conferred by sub-section (1) of section 470 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following Order to remove the abovesaid difficulties, namely :

Short title and commencement

1. (1) This Order may be called the Companies 1st (Removal of Difficulties) Order, 2014.

(2) It shall come into force on the date of its publication in the Official Gazette.

2. It is hereby clarified that a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid up share capital shall be related party - *Circular No. [F.No. 1/15/2013-CL-V].*

Section 2(87) of the Companies Act, 2013 - Subsidiary Company - Holding of Shares or Exercising Power in a Fiduciary Capacity

This Ministry has received a number of representations consequent upon notifying section 2(*87*) of the Companies Act, 2013 which defines "subsidiary company" or "subsidiary". The stakeholders have requested this Ministry to clarify whether shares held or power exercisable by a company in a 'fiduciary capacity' will be excluded while determining if a particular company is a subsidiary of another company. The stakeholders have further pointed out that in terms of section 4(3) of the Companies Act, 1956, such shares or powers were excluded from the purview of holding-subsidiary relationship.

2. The matter has been examined in the Ministry and it is hereby clarified that the shares held by a company or power exercisable by it in another company in a 'fiduciary capacity' shall not be counted for the purpose of determining the holding-subsidiary relationship in terms of the provision of section 2(*87*) of the Companies Act, 2013.

3. This issues with the approval of competent authority. *General Circular No. 20/2013 [No. 1/12/2013-CL-V], dated 27-12-2013.*

Section 3 of the Companies Act, 2013 - Company - Formation of - Whether HUF/Its Karta can become Partner/Designated Partner (DP) in LLP

It has come to the notice of the Ministry that some Hindu Undivided Families (HUFs)/Kartas of such families are applying to become partner/Designated partner (DP) in LLPs and a question has arisen whether a 'HUF' or a karta can be allowed to do so. The matter has been examined in consultation with Ministry of Law.

2. As per section 5 of LLP Act, 2008 only an individual or body corporate may be a partner in a Limited Liability Partnership. A HUF cannot be treated as a body corporate for the purposes of LLP Act, 2008. Therefore, a HUF or its karta cannot become designated partner in LLP.

3. This issues with the approval of Secretary, MCA. *General Circular No. 13/2013 [F.No. 1/13/2012-CL-V], dated 29-7-2013.*

Section 4 of the Companies Act, 2013 - Memorandum - Name of company - Use of word 'National' in the names of Companies or Limited Liability Partnerships (LLPs)

It has come to the knowledge of this Ministry that Companies/Limited Liability Partnerships are being registered with the word 'National' in their names. It is being intimated that no company should be allowed to be registered with the word 'National' as part of its title unless it is a government company and the Central/State Government(s) has a stake in it. This should be stringently enforced by all Registrar of Companies (ROCs) while registering companies. Similarly, the word 'Bank' may be allowed in the name of an entity only when such entity produces a 'No Objection Certificate' from the RBI in this regard. By the same analogy the word "Stock Exchange" or "Exchange" should be allowed in name of a company only where 'No Objection Certificate' from SEBI in this regard is produced by the Promoters. *Circular No. 2/2014 [F.No. 2/2/2014-CL-V], dated 11-2-2014.*

Section 8 of the Companies Act, 2013 - Charitable Companies - Electoral Trust - Exemption From Operation of Section 182

In exercise of the powers conferred by sub-section (6) of section 25 of the Companies Act, 1956 (1 of 1956) (hereinafter referred to as the said Act), the Central Government hereby directs that the companies incorporated with the name containing the expression "electoral trust" and approved in accordance with the procedure laid down in the Electoral Trusts Scheme, 2013, notified *vide* number S.O. 309(E), dated 31st January, 2013, and to which licence is granted under section 25 of the said Act, shall be exempt from the provisions of clause (*b*) of sub-section (1) and sub-section (2) of section 293A of the said Act which has since been replaced by sub-section (1) of section 182 of the Companies Act, 2013 (18 of 2013) and notified *vide* number S.O. 2754(E) dated 12th September, 2013. *Notification No. SO 3396(E) [F.No. 17/27/2013-CL-V], dated 7-11-2013.*

Section 24 of the Companies Act, 2013 - SEBI, powers of, to regulate Issue and Transfer of Securities, etc. - Companies (Removal of Difficulties) Order, 2013

WHEREAS the Companies Act, 2013 (18 of 2013) (hereinafter referred to as the said Act) received the assent of the President on 29th August, 2013 and section 1 thereof came into force on the same date;

AND WHEREAS the provisions contained in section 24, section 58 and section 59 of the said Act have come into force on the 12th day of September, 2013;

AND WHEREAS section 24 provides for exercise of certain powers regarding prospectus, return of allotment, redemption of preference shares and other matters specifically provided in the said Act by the Central Government, Tribunal or the Registrar;

AND WHEREAS section 58 and section 59 of the said Act provide for certain powers of the Tribunal which deal with hearing of an appeal against the refusal of registration or rectification of name of members in the register of members of a company respectively;

AND WHEREAS the Constitution of the Tribunal after following the procedure specified under Chapter XXVII of the said Act is likely to take sometime;

AND WHEREAS the provisions of section 55A, section 111 and section 111A of the Companies Act, 1956 (1 of 1956) which correspond to section 24, section 58 and section 59 of the said Act confer abovesaid powers on the Company Law Board constituted under the Companies Act, 1956;

AND WHEREAS difficulties have arisen regarding compliance with the provisions of section 24, section 58 and section 59 of the said Act in so far as they relate to exercise of certain powers by the Tribunal during the period it is duly constituted under the said Act;

NOW, THEREFORE, in exercise of the powers conferred by sub-section (1) of section 470 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following Order to remove the abovesaid difficulties, namely:

Short title and commencement.

1. (1) This Order may be called the Companies (Removal of Difficulties) Order, 2013.

(2) It shall come into force on the date of its publication in the Official Gazette.

Continuance of matters, proceedings or cases before the Company Law Board until their transfer to the Tribunal under section 434.

2. It is hereby clarified that until a date is notified by the Central Government under sub-section (1) of section 434 of the Companies Act, 2013 (18 of 2013) for transfer of all matters, proceedings or cases to the Tribunal constituted under Chapter XXVII of the said Act, the Board of Company Law Administration shall exercise the powers of the Tribunal under sections 24, 58 and section 59 in pursuance of the second proviso to sub-section (1) of section 465 of the said Act. *Order No. SO 2821(E) [F.No. 1/15/2013-CL-V], dated 20-9-2013.*

Section 92 of the Companies Act, 2013 - Annual Return - Companies (Second) (Removal of Difficulties) Order, 2014

Whereas the Companies Act, 2013 (18 of 2013) (hereinafter referred to as the said Act) received the assent of the President on 29th August, 2013 and section 1 thereof came into force on the same date;

And whereas certain sections of the Act were brought into force with effect from 12th September, 2013 and certain other sections have been brought into force with effect from 1st April, 2014;

And whereas section 92 of the Act, which provides for preparation, certification and filing etc. of annual return by companies, has come into force on the 1st day of April, 2014;

And whereas sub-section (2) of section 92 of the Act provides for certification of annual returns of listed companies and companies having prescribed paid-up capital and turnover;

And whereas difficulties have arisen regarding compliance with the provision of the said sub-section (2) of section 92 with regard to certification of annual returns for companies having prescribed paid-up capital or prescribed turnover;

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 470 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following Order to remove the abovesaid difficulties, namely :

Short title and commencement.

1. (1) This Order may be called the Companies 2nd (Removal of Difficulties) Order, 2014.

(2) It shall come into force on the date of its publication in the Official Gazette.

Certification of Annual Return of certain companies.

2. It is hereby clarified that the annual return, filed by a listed company or, by a company having such paid-up capital or turnover as may be prescribed in the rules under sub-section (2) of section 92, shall be certified by a company secretary in practice in the prescribed form, stating that the annual return discloses the facts correctly and adequately and that the company has complied with all the provisions of this Act. - *Circular No. [F. No. 1/15/2013-CL-V]*

Section 180 of the Companies Act, 2013 - Directors - Restrictions on powers of - Effect of resolution passed under section 293 of the 1956 Act prior to 12-9-2013 with reference to borrowings

This Ministry has received many representations regarding various difficulties arising out of implementation of section 180 of the Companies Act, 2013 with reference to borrowings and/or creation of security, based on the basis of ordinary resolution. The matter has been examined in the Ministry and it is hereby clarified that the resolution passed under section 293 of the Companies Act, 1956 prior to 12-9-2013 with reference to borrowings (subject to the limits prescribed) and/or creation of security on assets of the company will be regarded as sufficient compliance of the requirements of section 180 of the Companies Act, 2013 for a period of one year from the date of notification of section 180 of the Act. *General Cir-cular No. 4/2014, dated 25-3-2014.*

Section 182 of the Companies Act, 2013 - Political Contributions, Prohibitions and Restrictions Regarding - Electoral Trust, Contributions to

Ministry has received representations seeking clarification on disclosures to be made under section 182 of the Companies Act, 2013. The same have been examined. With the coming into force of the scheme relating to 'Electoral Trust Companies' in terms of section 2(*22AA*) of the Income-tax Act, 1961 read with Ministry of Finance Notification No. S.O. 309(E), dated 31-1-2013 it will be expedient to explain the requirements of disclosure on part of a company of any amount or amounts contributed by it to any political parties under section 182(3) of the Companies Act, 2013.

It is hereby clarified as under :

(*i*) Companies contributing any amount or amounts to an 'Electoral Trust Company' for contributing to a political party or parties are not required to make disclosures required under section 182(3) of Companies Act, 2013. It will suffice if the accounts of the company disclose the amount released to an Electoral Trust Company.

(*ii*) Companies contributing any amount or amounts directly to a political party or parties will be required to make the disclosures laid down in section 182(3) of the Companies Act, 2013.

(*iii*) Electoral Trust Companies will be required to disclose all amounts received by them from other companies/sources in their books of account and also disclose the amount or amounts contributed by them to a political party or parties as required by section 182(3) of Companies Act, 2013.

This issues with the approval of competent authority. *Circular No. 19/2013 [No. 17/27/2013-CL-V], dated 10-12-2013.*

Section 185 of the Companies Act, 2013 - Directors, Loans to - Section 372A of the 1956 Act vis-a-vis Section 185 of the 2013 Act

This Ministry has received number of representations on the applicability of section 185 of the Companies Act, 2013 with reference to loans made, guarantee given or security provided under section 372A of the Companies Act, 1956. The issue has been examined with reference to applicability of section 372A of the Companies Act, 1956 *vis-a-vis* section 185 of the Companies Act, 2013. Section 372A of the Companies Act, 1956, specifically exempts any loans made, any guarantee given or security provided or any investment made by a holding company to its wholly owned subsidiary. Whereas, section 185 of the Companies Act, 2013 prohibits guarantee given or any security provided by a holding company in respect of any loan taken by its subsidiary company except in the ordinary course of business.

2. In order to maintain harmony with regard to applicability of section 372A of the Companies Act, 1956 till the same is repealed and section 185 of the Companies Act, 2013 is notified, it is hereby clarified that any guarantee given or security provided by a holding company in respect of loans made by a bank or financial institution to its subsidiary company, exemption as provided in clause (*d*) of sub-section (8) of section 372A of the Companies Act, 1956 shall be applicable till section 186 of the Companies Act, 2013 is notified. This clarification will, however, be applicable to cases where loans so obtained are exclusively utilized by the subsidiary for its principal business activities. *General Circular No. 3/2014 [No.1/12/2013-CL.V], dated 14-2-2014.*

Section 230 of the Companies Act, 2013 - Compromise or arrangements - Report under section 394A of the 1956 Act - Taking Accounts of Comments/Inputs from Income-tax Department and other Sectoral Regulators While Filing Reports by RDs

Section 394A of the Companies Act, 1956 requires service of a notice on the Central Government wherever casesinvolving arrangement/compromise (under section 391) or reconstruction/amalgamation (under section 394) come up before the Court of competent jurisdiction. As the powers of the Central Government have been delegated to the Regional Directors (RDs) who also file representations on behalf of the Government wherever necessary.

2. It is to be noted that the said provisions is in addition to the requirement of the report to be received respectively from the Registrar of Companies and the Official Liquidator under the first and second provisos to section 394(1). A joint reading of sections 394 and 394A makes it clear that the duties to be performed by the Registrar and Official Liquidator under section 394 and of the Regional Director concerned acting on behalf of the Central Government under section 394A are quite different.

3. An instance has recently come to light wherein a Regional Director did not project the objections of the Income Tax Department in a case under section 394. The matter has been examined and it is decided that while responding to notices on behalf of the Central Government under section 394A, the Regional Director concerned shall invite specific comments from Income Tax Department within 15 days of receipt of notice before filing his response to the Court. If no response from the Income Tax Department is forthcoming, it may be presumed that the Income Tax Department has no objection to the action proposed under section 391 or 394 as the case may be. The Regional Directors must also see if in a particular case feedback from any other sectoral Regulator is to be obtained and if it appears necessary for him to obtain such feedback, it will also be dealt with in a like manner.

4. It is also emphasized that it is not for the Regional Director to decide correctness or otherwise of the objections/views of the Income tax Department or other Regulators. While ordinarily such views should be projected by the Regional Director in his representation, if there are compelling reasons for doubting the correctness of such views, the Regional Director must make a reference to this Ministry for taking up the matter with the Ministry concerned before filing the representation under section 394A.

5. This Circular is effective from the date of issue. *General Circular No. 1/2014 [F.No. 2/1/2014], dated 15-1-2014.*

Section 434 of the Companies Act, 2013 - Company Law Board - Transfer of certain pending proceedings - Company Law Board, Constitution of

The Companies Act, 2013 received the assent of the President of India on 29-8-2013 and was notified in the Gazette of India on 30-8-2013. Towards its implementation, 98 sections of the Companies Act, 2013 have come into force w.e.f. 12-9-2013. Sections 58 & 59 of the Companies Act, 2013, which came into force w.e.f. 12-9-2013, are the corresponding sections to sections 111 & 111A of the Companies Act, 1956. After implementations of the sections 58 & 59 of the Companies Act, 2013, sections 111 & 111A of the Companies Act, 1956 ceased to have effect from 12-9-2013.

2. In this respect, Ministry of Corporate Affairs, in exercise of the powers conferred by sub-section (1) of section 470 of the Companies Act, 2013, has issued an order dated 20-9-2013, clarifying that until a date is notified by the Central Government under sub-section (1) of section 434 of the Companies Act, 2013 (18 of 2013) for transfer of all matters, proceedings or cases to the Tribunal constituted under Chapter XXVII of the said Act, the Board of Company Law Administration shall exercise the powers of the Tribunal under sections 24, 58 and section 59 in pursuance of the second proviso to sub-section (1) of section 465 of the said Act.

3. Therefore, in exercise of the powers conferred by sub-section (4B) of section 10E of the Companies Act, 1956 (1 of 1956) read with Regulation 4 of the Company Law Board Regulations, 1991 and in supersession of all earlier orders, the Board hereby constitutes the following Benches for the purpose of exercising and discharging the Board's powers and functions in the manner specified below:

(*a*) Matters filed before the Principal Bench before 31st March, 2008 and pending in the following Benches shall be dealt with by any one of the following:

NEW DELHI BENCH

1. Justice Shri Dilip Raosaheb Deshmukh, Chairman.
2. Shri B. S. V. Prakash Kumar, Member (Judicial).
3. Shri Dhan Raj, Member (Technical).

KOLKATA BENCH

1. Justice Shri Dilip Raosaheb Deshmukh, Chairman.
2. Shri Amalesh Bandopadhyay, Member (Technical).

MUMBAI BENCH

1. Justice Shri Dilip Raosaheb Deshmukh, Chairman.
2. Shri A. K. Tripathi, Member (Judicial).

CHENNAI BENCH

1. Justice Shri Dilip Raosaheb Deshmukh, Chairman.
2. Shri Kanthi Narahari, Member (Judicial).

(*b*) Matters pending before the Additional Principal Bench as on 31st March, 2008 shall be dealt with by the Chennai Bench consisting of any one of the following:

(*a*) Justice Shri Dilip Raosaheb Deshmukh, Chairman.

(*b*) Shri Kanthi Narahari, Member (Judicial).

(*c*) The Constitution of the Benches shall be as under:

PRINCIPAL BENCH

(1) All matters relating to sections 250, 269 and 388B of the Companies Act, 1956 shall be dealt in the **Principal Bench at New Delhi** by Justice Shri Dilip Raosaheb Deshmukh, Chairman.

NEW DELHI BENCH

(2) Matters relating to sections 111 and/or 111A (received and registered in CLB up to 11-9-2013), sections 235, 237B, 247, 284, 304, 307, 614 and all matters arising under Chapter VI (Prevention of Oppression and Mismanagement) of the Companies Act, 1956 and sections 24, 58 and 59 (petitions received and registered in CLB on or after 12-9-2013) of the Companies Act, 2013 falling within the State of Delhi, Haryana, Rajasthan, Uttarakhand, Jammu & Kashmir, Uttar Pradesh, Punjab, Himachal Pradesh and Union Territory of Chandigarh shall be dealt by the New Delhi Bench consisting of any one of the following:

(*a*) Justice Shri Dilip Raosaheb Deshmukh, Chairman.
(*b*) Shri B. S.V. Prakash Kumar, Member (Judicial).
(*c*) Shri Dhan Raj, Member (Technical).

(3) All Matters relating to sections 43, 49, 58A, 58AA, 79, 80A, 113,117B, 117C, 118,144,163,167,186,196, 219, 225, 614 and 621A of the Companies Act, 1956 and section 45QA of the R.B.I. Act, 1934 falling within the jurisdiction of the New Delhi Bench shall be dealt by the New Delhi Bench consisting of any one of the following:

(*a*) Justice Shri Dilip Raosaheb Deshmukh, Chairman.
(*b*) Shri Dhan Raj, Member (Technical).

KOLKATA BENCH

(4) Matters falling under sections 43, 49, 58A, 58AA, 79, 80A, 111 and/or 111A (petitions received and registered in CLB up to 11-9-2013), 113, 117,117C, 118,144,163,167,186,196, 219, 225, 235, 237B, 247, 284, 304, 307, 614, 621A and all matters arising under Chapter VI (Prevention of Oppression and Mismanagement) of the Companies Act, 1956, section 45QA of the R.B.I. Act, 1934 and sections 24, 58 and 59 (petitions received and registered in CLB on or after 12-9-2013) of the Companies Act, 2013 falling within the jurisdiction of the Kolkata Bench shall be dealt by the Kolkata Bench consisting of any one of the following:

(*a*) Justice Shri Dilip Raosaheb Deshmukh, Chairman.
(*b*) Shri Amalesh Bandopadhyay, Member (Technical).

MUMBAI BENCH

(5) Matters falling under sections 43, 49, 58A, 58AA, 79, 80A, 111 and/or 111A (petitions received and registered in CLB up to 11-9-2013), 113, 117, 117C, 118, 144, 163, 167, 186, 196, 219, 225, 235, 237B, 247, 284, 304, 307, 614, 621A and all matters arising under Chapter VI (Prevention of Oppression and Mismanagement) of the Companies Act, 1956, section 45QA of the R.B.I. Act, 1934 and sections 24, 58 and 59 (petitions received and registered in CLB on or after 12-9-2013) of the Companies Act, 2013 falling within the jurisdiction of the Mumbai Bench shall be dealt by the Mumbai Bench consisting of any one of the following:

(*a*) Justice Shri Dilip Raosaheb Deshmukh, Chairman.
(*b*) Shri Ashok Kumar Tripathi, Member (Judicial).

CHENNAI BENCH

(6) Matters falling under sections 43, 49, 58A, 58AA, 79, 80A, 111 and/or 111A (petitions received and registered in CLB up to 11-9-2013), 113, 117, 117C, 118, 144, 163, 167, 186, 196, 219, 225, 235, 237B, 247, 284, 304, 307, 614, 621A and all matters arising under Chapter VI (Prevention of Oppression and Mismanagement) of the Companies Act, 1956, section 45QA of the R.B.I. Act, 1934 and sections 24, 58 and 59 (petitions received and registered in CLB on or after 12-9-2013) of the Companies Act, 2013 falling within the jurisdiction of the Chennai Bench shall be dealt by the Chennai Bench consisting of any one of the following:
(*a*) Justice Shri Dilip Raosaheb Deshmukh, Chairman.
(*b*) Shri Kanthi Narahari, Member (Judicial).

4. This Order shall come into force w.e.f. 25-9-2013. *Order [File No. 10/43/2005-CLB], dated 25-9-2013.*

Miscellaneous - Nomenclature of various forms prescribed under the provisions of Companies Act, 2013 being notified

In order to facilitate easy understanding of the e-forms being rolled out under the provisions of Companies Act, 2013 and Rules made thereunder, the stakeholders are hereby informed that unlike numbering of various forms under the Companies Act, 1956, forms under the new Act are mandatorily numbered alpha-numeric. Initial of forms is to be started with alphabet of two or three letters based on the subject of the Chapter, followed by serial number of the form. This will define the nature of the forms and would be easy to recognise.

There are total 29 chapters under the Companies Act, 2013. Chapters I and XXIII have been notified but no form is prescribed under these chapters.

Following table is the summary of chapter-wise nomenclature of forms

Sl. No.	*Chapter No.*	*Particulars of chapter*	*Form No. start with*	*Remarks*
01	II	INCORPORATION OF COMPANY AND MATTERS INCIDENTAL THERETO	INC	
02	III	PROSPECTUS AND ALLOTMENT OF SECURITIES	PAS	
03	IV	SHARE CAPITAL AND DEBENTURES	SH	
04	V	ACCEPTANCE OF DEPOSIT BY COMPANIES	DPT	
05	VI	CHARGES	CHG	
06	VII	MANAGEMENT AND ADMINISTRATION	MGT	
07	VIII	DECLARATION ANY PAYMENT OF DIVIDEND	DIV	
08	IX	ACCOUNTS OF COMPANIES	AOC	
09	X	AUDIT AND AUDITORS	ADT	
10	XI	APPOINTMENT AND QUALIFICATIONS OF DIRECTORS	DIR	
11	XII	MEETINGS OF BOARD AND ITS POWERS	MBP	
12	XIII	APPOINTMENT AND REMUNERATION OF PERSONNEL	MR	
13	XXI	COMPANIES AUTHORISED TO REGISTER UNDER THIS ACT	URC	
14	XXII	COMPANIES INCORPORATED OUTSIDE INDIA	FC	
15	XXIV	REGISTRATION OFFICES AND FEES	GNL	
16	XXVI	NIDHIS	NDH	
17	XXVIII	SPECIAL COURT	MAC	
18	XXIX	MEMORANDUM OF APPEAL	ADJ	
19	XXIX	MISCELLANEOUS	MSC	

The stakeholders are further informed that a separate roll out plan of chapter-wise e-forms will be available on the website on or before 31-3-2014. For further details please visit Ministry website www.mca.gov.in.

Miscellaneous - Online payment of stamp duty and court fee stamp for issue of certified copies

The Ministry has reviewed the process of issue of certified copies of the documents filed with the Registrar of Companies. As per the existing process, in case a User applies for the certified true copy of any document, he needs to pay MCA fee online at MCA portal. The fee is computed based on the number of documents required.

2. Once the selection of documents is done and the requisite MCA fee is paid, the Stakeholder is required to approach the jurisdictional ROC along with the application and the acknowledgement of the fee paid. The application needs to be filed along with Stamp Papers of requisite value and the Court Fee stamp attached to the same. The amount of Stamp Duty as well as Court Fee varies from State to State. On receipt of the application, the respective ROC affix the certified documents on the Stamp paper and returns the same to the Stakeholder (Applicant) duly certified.

3. With a view to identify and improve the component causing delay in issue of certified copy the Ministry has enabled payment of Stamp Duty as well as Court Fee online through MCA portal. This would enable the respective ROCs to send the certified documents without awaiting for physical stamp papers and any formal application (with Court Fee Stamp) in this regard.

4. Amount of Court Fee shall be added to the MCA fee calculated by the system for getting Certified Copies. This would be based on the State in which the registered office of the company is situated. Court Fee would be added per SRN irrespective of number of documents applied for.

5. Stamp duty for obtaining certified true copy would also be paid electronically through the system as per the existing process. The Stamp Duty would be calculated based on document, number of copies requested and the State wherein the registered office of the company is situated. Separate SRN will be generated for payment of Stamp Duty.

6. After the application is completely processed; an acknowledgement for stamp duty payment shall be generated separately. The same to be appended to the certified copy of the document. The certified copy of the documents requested shall be sent to the stakeholder by the jurisdictional Registrar of Companies within 15 days by post. The Copies would be sent at the address of applicant mentioned in the challan.

7. The Registrar of company shall ensure that the corresponding amount of court fee stamp is pasted against the record of despatch of certified copy or the print out of the challan for payment of MCA fee. The court fee stamp paid by ROC will be booked as Office expenses.

8. The Circular shall be effective from 31-3-2014. - *General Circular No. 05/2014, dated 28-3-2014*

Miscellaneous - Roll out plan of various forms under the Companies Act, 2013 and continuance of forms under the provisions of Companies Act, 1956

I am directed to inform that this Ministry has notified 183 additional sections in addition to 99 sections earlier notified under the provisions of Companies Act, 2013. In this regard a Notification related to commencement of Companies Act, 2013 has been issued on 25-3-2014 which is available on the website of the Ministry.

2. In order to facilitate the completion of notified sections this Ministry has planned a staggered roll out of various forms. It has been decided to waive fees for all event based filing whose due date falls between 1-4-2014 to 30-4-2014. For the same, a separate Circular is being issued by the Policy Cell of this Ministry.

3. From 1-4-2014 to 14-4-2014 except existing e-forms mentioned in **Table "A"** no other e-forms will be available for filing. Other Front office portal services will continue. From 1-4-2014 to 13-4-2014 the period will be used for clearing pending e-forms already filed under the provisions of Companies Act, 1956.

TABLE "A"

S. No.	*Old form*	*Purpose of form*
1	66	Form for submission of compliance certificate with the Registrar
2	14 LLP	Form for intimating to Registrar of Companies of conversion of the company into Limited Liability Partnership (LLP).
3	20B	Form for filing annual return by a company having a share capital with the Registrar
4	21A	Particulars of annual return for the company not having share capital
5	23AC	Form for filing balance sheet and other documents with the Registrar
6	23ACA	Form for filing Profit and Loss account and other documents with the Registrar
7	23ACA-XBRL	Form for filing XBRL document in respect of Profit and Loss account and other documents with the Registrar
8	23AC-XBRL	Form for filing XBRL document in respect of balance sheet and other documents with the Registrar
9	23C	Form of application to the Central Government for appointment of cost auditor
10	23D	Form for Information by Cost Auditor to Central Government
11	35A	Information to be furnished in relation to any offer of a scheme or contract involving the transfer of shares or any class of shares in the transferor company to the transferee company
12	A-XBRL	Form for filing XBRL document in respect of compliance report and other documents with the Central Government
13	FTE	Application for striking off the name of company under the Fast Track Exit (FTE) Mode
14	I-XBRL	Form for filing XBRL document in respect of cost audit report and other documents with the Central Government
15	5-INV	Transfer unpaid dividend amount to IEPF
16	21	Order of the court/authority till 14-4-2014

4. In addition to above, e-forms mentioned in **Table "B"** will also be available for filing

TABLE "B"

S. No.	*Old form*	*Purpose of form*
1	Refund	Application for requesting refund of fees paid
2	Bank ACC	Application for simplifying bank account opening process as user shall not be required to submit any physical application form.
3	Investor Complaint Form	Form for filing complaint(s) against the company

5. From 14-4-2014, 39 new e-forms mentioned in **Table "C"** will be available on MCA portal for upload. Test version of these forms will be available from 28-3-2014 onwards. Final forms will be available from 14-4-2014.

TABLE "C"

S. No.	New Form No.	Purpose of Form	Old Form
1	INC-1	Application for reservation of name	1A
2	INC-2	OPC- Application for Incorporation	New form
3	INC-3	OPC- Nominee consent form	New form
4	INC-4	OPC- Change in Member/Nominee	New form
5	INC-5	OPC- Intimation of cessation	New form
6	INC-6	OPC- Application for Conversion	New form
7	INC-7	Incorporation of Co. (Other than OPC)	1
8	INC-18	Application to Regional director for conversion of section 8 co. into any other kind of co.	New form
9	INC-20	Intimation to Registrar of revocation/surrender of license issued under section 8	New form
10	INC-21	Application for commencement of business	19, 20
11	INC-22	Notice for situation or change of situation of registered office	18
12	INC-23	Application to Regional director for approval to shift the registered office from one state to another state or from jurisdiction of one registrar to another within the state	1AD, 24AAA
13	INC-24	Application for change of name	IB
14	INC-27	Conversion from Pvt. To public or *vice-versa*	IB, 62
15	INC-28	Notice of order of the Court or Tribunal or any other competent authority	21
16	PAS-3	Return of allotment	2
17	SH-7	Notice to Registrar for alteration of share capital	5
18	SH-8	Letter of offer	New form
19	SH-11	Return in respect of buy back of securities	4C
20	CHG-1	Application for registration of creation or modification of charge (other than debentures)	8
21	CHG-4	Particulars of satisfaction of charge	17
22	CHG-6	Notice of appointment or cessation of receiver or manager	15
23	CHG-9	Application for registration of creation or modification of charge in case of debentures	10
24	MGT-14	Filing of Resolutions and agreements to the Registrar under section 117	23
25	DIR-3	Application for allotment of Director Identification Number	DIN1
26	DIR-5	Intimation of change in particulars of Director to be given to the Central Government	DIN4
27	DIR-7	Notice of resignation of a director to the Registrar	New form
28	DIR-8	Particulars of appointment of directors and the key managerial personnel and the changes among them	32, 32AD
29	MR-1	Return of appointment of managing director or whole time director or manager	25C
30	MR-2	Form of application to the Central Government for approval of appointment or reappointment and remuneration or increase in remuneration or waiver for excess or over payment to managing director or whole time director or manager and commission or remuneration to directors	25A
31	URC-1	Application by a company for registration under section 366	37, 39
32	FC-1	Information to be filed by foreign company	44
33	FC-2	Return of alteration in the documents filed for registration by foreign company	49, 52
34	FC-3	List of all principal places of business in India established by foreign company	52
35	FC-4	Annual Return	PTII
36	ADJ	Memorandum of Appeal	New form
37	MSC-1	Application to ROC for obtaining the status of dormant company	New form
38	MSC-3	Return of dormant companies	New form
39	MSC-4	Application for seeking status of active company	New form

6. There are 5 general e-forms and 2 e-forms mentioned in **Table "D"** will be available for filing w.e.f. 28-4-2014 will be available for filing 24 notified forms/events which will be made available for individual e-filing at a later date, can be attached with these 7 e-forms and filed. Details of physical forms allowed to be filed along with general e-forms are attached with this Circular.

TABLE "D"

S. No.	New Form No.	Purpose of Form	Old Form

1	GNL.l	Form for filing an application with Registrar of Companies	61
2	GNL.2	Form for submission of documents with Registrar of Companies	62
3	CG.l	Form for filing application or documents with Central Government	65
4	GNL.3	Particulars of person(s) or director(s) or changed or specified for the purpose of section 2(60)	1AA
5	MGT.6	Form of return to be filed with the Registrar	22B
6	RD.l	Form for filing application to Regional Director	24A
7	RD.2	Form for filing petitions to Central Government (Regional Director)	24AAA

7. In view of above, you are requested to give wide publicity of the circular for dissemination of information.

This issued with the approval of the competent authority.

Sl. No.	*Number of the form under the old Act*	*Number of the form under the new Act*	*Purpose of filing*	*Section under which the form is required to be filed (CA'13)*	*Chapter number*	*Remarks*
1			Application for Compounding of offences	441	28	Radio button active in new Form GNL1
2			Application for Extension of period of annual general meeting by three months	96	8	Radio button active in new Form GNL1
3			Application for Extending the period of annual accounts upto eighteen months under section 210(4)	132	9	Radio button active in new Form GNL1 for earlier years
4	**61**	GNL1	Application for Declaring a defunct company	248, 252	28	Radio button active in new Form GNL1 for earlier years
5			Application for Scheme of arrangement, amalgamation	232	15	Radio button active in new Form GNL1
6			Application for Normalising a dormant company	455	29	Radio button active in new Form GNL1 for earlier years
7			Application - Others	No Section	No Section	Radio button active in new Form GNL1

सत्यमेव जयते
कोष मूलो दण्ड:
INCOME TAX DEPARTMENT

8			Statement in lieu of prospectus as per Schedule IV	Deleted	Deleted	No provision exists in new act. Hence option is disabled in new form GNL.2 (62)
9			Prospectus	26(4)	3	Radio button active in new Form GNL2
10			Return of Deposits	76	5	Radio button active in new Form GNL2
11			Form SH.9: Declaration of Solvency	68(6)	4	Radio button active in new Form GNL2
12			Filing Final Statement of Account of winding up - Form 156	As per old rules and act.	As per old rules	Radio button active in new Form GNL2 and act.
13			Liquidator's statement u/s 551read with rule 327 [Companies (Court) Rules] - Form 152	As per old rules and act.	As per Old rules and act.	Radio button active in new Form GNL.2
14			Liquidator's Affidavit u/s 551read with rule 327 [Companies (Court) Rules] - Form 153	As per old rules and act.	As per old rules and act.	Radio button active in new Form GNL.2
15	**62**	GNL2	Liquidator's Statement of Unpaid Dividend or Undistributed Assets under section 555 read with rule 335 [Companies (Court) Rules] - Form 154	As per old rules and act.	As per old rules and act.	Radio button active in new Form GNL.2
16			Declaration of Solvency embodying a statement of assets and liabilities - Rule 313 [Companies (Court) Rules] - Form 159	As per old rules and act.	As per old rules and act.	Radio button active in new Form GNL.2
17			Return of final winding up meeting (Members voluntary winding up)- Rule 331 [Companies (Court) Rules] - Form 149	As per old rules and act.	As per old rules and act.	Radio button active in new Form GNL.2
18			Return of final winding up meeting (Creditors voluntary winding up) - Rule 331 [Companies (Court) Rules] - Form 157	As per old rules and act.	As per old rules and act.	Radio button active in new Form GNL.2
19			Return of final winding up meeting (Creditors voluntary winding up) - Rule 331 [Companies (Court) Rules] - Form 158	As per old rules and act.	As per old Rules and act.	Radio button active in new Form GNL.2
20			Other documents	No Section	No Section	Radio button active in new Form GNL.2
21			Application to RD for approval for entering into contract	Deleted	Deleted	No provision exists in new act, hence option is disabled in new Form RD.l (24A)
22	24A	RD.l	Application to RD for appointment of auditor	Deleted	Deleted	No provision exists in new act, hence option is disabled in new Form RD.l (24A)
23			Application to RD for Issue of license under section 8	8(1) and 2	8(5)	New form prescribed
24			Application to RD for removal of auditor	139, 142	10	New form prescribed
25			Application to RD for rectification of name	16	2	New form prescribed
26			Application to RD - Others	No Section	No Section	New form prescribed

27			Form for filing petitions to Central Government (Regional Director) for shifting of registered office of the company from one State to another under section 17	13(4)	2	New form INC.23 prescribed, hence radio button is disabled in Form RD.2
28			Form for filing petitions to Central Government (Regional Director) under section 18	Deleted	Deleted	No provision exists in new act, hence option is disabled in new form RD.2 (24AAA)
	24AAA	RD.2				
29			Form for filing petitions to Central Government (Regional Director) under section 19	Deleted	Deleted	No provision exists in new act, hence option is disabled in new form RD.2 (24AAA)
30			Form for filing petitions to Central Government (Regional Director) for condonation of delay in filing charge forms under section 141	87	6	New form prescribed
31			Form for filing petitions to Central Government (Regional Director) under section 188	Deleted	Deleted	Rule is not prescribed, hence option is disabled in new form RD.2 (24AAA)
32			Application for extension of time for repayment of deposits	Deleted	Deleted	Rule is not prescribed, hence option is disabled in new form CG.l (65)
	65	CG.l				
33			Information and explanation on reservations and qualification contained in the cost audit report by a company pursuant to section 233B(7) of the Companies Act, 1956	Deleted	Deleted	Rule is not prescribed, hence option is disabled in new form CG.l (65)
32			Application - Others	No Section	No Section	New form prescribed

General Circular No. 6/2014, dated 28-3-2014.

APPENDIX IV

PART IXA OF COMPANIES ACT, 1956

CHAPTER I

PRODUCER COMPANIES

Definitions.

581A. In this Part, unless the context otherwise requires,

(*a*) "active Member" means a member who fulfils the quantum and period of patronage of the Producer Company as may be required by the articles;

(*b*) "Chief Executive" means an individual appointed as such under sub-section (1) of section 581W;

(*c*) "limited return" means the maximum dividend as may be specified by the articles;

(*d*) "Member" means a person or Producer institution (whether incorporated or not) admitted as a Member of a Producer Company and who retains the qualifications necessary for continuance as such;

(*e*) "inter-State co-operative society" means a multi-State co-operative society as defined in clause (*k*) of section 3 of the Multi-State Co-operative Societies Act, 1984 (51 of 1984) and includes any co-operative society registered under any other law for the time being in force, which has, subsequent to its formation, extended any of its objects to more than one State by enlisting the participation of persons or by extending any of its activities outside the State, whether directly or indirectly or through an institution of which it is a constituent;

(*f*) "mutual assistance principles" means the principles set out in sub-section (2) of section 581G;

(*g*) "officer" includes any director or Chief Executive or Secretary or any person in accordance with whose directions or instructions part or whole of the business of the Producer Company is carried on;

(*h*) "patronage" means the use of services offered by the Producer Company to its Members by participation in its business activities;

(*i*) "patronage bonus" means payments made by a Producer Company out of its surplus income to the Members in proportion to their respective patronage;

(*j*) "primary produce" means

(*i*) produce of farmers, arising from agriculture (including animal husbandry, horticulture, floriculture, pisciculture, viticulture, forestry, forest products, re-vegetation, bee raising and farming plantation products), or from any other primary activity or service which promotes the interest of the farmers or consumers; or

(*ii*) produce of persons engaged in handloom, handicraft and other cottage industries;

(*iii*) any product resulting from any of the above activities, including by-products of such products;

(*iv*) any product resulting from an ancillary activity that would assist or promote any of the aforesaid activities or anything ancillary thereto;

(*v*) any activity which is intended to increase the production of anything referred to in sub-clauses (*i*) to (*iv*) or improve the quality thereof;

(*k*) "producer" means any person engaged in any activity connected with or relatable to any primary produce;

(*l*) "Producer Company" means a body corporate having objects or activities specified in section 581B and registered as Producer Company under this Act;

(*m*) "Producer institution" means a Producer Company or any other institution having only producer or producers or Producer Company or Producer Companies as its member whether incorporated or not having any of the objects referred to in section 581B and which agrees to make use of the services of the Producer Company or Producer Companies as provided in its articles;

(*n*) "withheld price" means part of the price due and payable for goods supplied by any Member to the Producer Company; and as withheld by the Producer Company for payment on a subsequent date.

CHAPTER II

INCORPORATION OF PRODUCER COMPANIES AND OTHER MATTERS

Objects of Producer Company.

581B. (1) The objects of the Producer Company shall relate to all or any of the following matters, namely :

(*a*) production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of primary produce of the Members or import of goods or services for their benefit :

Provided that the Producer Company may carry on any of the activities specified in this clause either by itself or through other institution;

(*b*) processing including preserving, drying, distilling, brewing, vinting, canning and packaging of produce of its Members;

(*c*) manufacture, sale or supply of machinery, equipment or consumables mainly to its Members;

(*d*) providing education on the mutual assistance principles to its Members and others;

(*e*) rendering technical services, consultancy services, training, research and development and all other activities for the promotion of the interests of its Members;

(*f*) generation, transmission and distribution of power, revitalisation of land and water resources, their use, conservation and communications relatable to primary produce;

(*g*) insurance of producers or their primary produce;

(*h*) promoting techniques of mutuality and mutual assistance;

(*i*) welfare measures or facilities for the benefit of Members as may be decided by the Board;

(*j*) any other activity, ancillary or incidental to any of the activities referred to in clauses (*a*) to (*i*) or other activities which may promote the principles of mutuality and mutual assistance amongst the Members in any other manner;

(*k*) financing of procurement, processing, marketing or other activities specified in clauses (*a*) to (*j*) which include extending of credit facilities or any other financial services to its Members.

(2) Every Producer Company shall deal primarily with the produce of its active Members for carrying out any of its objects specified in this section.

Formation of Producer Company and its registration.

581C. (1) Any ten or more individuals, each of them being a producer or any two or more producer institutions, or a combination of ten or more individuals and producer institutions, desirous of forming a Producer Company having its objects specified in section 581B and otherwise complying with the requirements of this Part and the provisions of this Act in respect of registration, may form an incorporated Company as a Producer Company under this Act.

(2) If the Registrar is satisfied that all the requirements of this Act have been complied with in respect of registration and matters precedent and incidental thereto, he shall, within thirty days of the receipt of the documents required for registration, register the memorandum, the articles and other documents, if any, and issue a certificate of incorporation under this Act.

(3) A Producer Company so formed shall have the liability of its Members limited by the memorandum to the amount, if any, unpaid on the shares respectively held by them and be termed a company limited by shares.

(4) The Producer Company may reimburse to its promoters all other direct costs associated with the promotion and registration of the company including registration, legal fees, printing of a memorandum and articles and the payment thereof shall be subject to the approval at its first general meeting of the Members.

(5) On registration under sub-section (1), the Producer Company shall become a body corporate as if it is a private limited company to which the provisions contained in this Part apply, without, however, any limit to the number of Members thereof, and the Producer Company shall not, under any circumstance, whatsoever, become or be deemed to become a public limited company under this Act.

Membership and voting rights of Members of Producer Company.

581D. (1)(*a*) In a case where the membership consists solely of individual members, the voting rights shall be based on a single vote for every Member, irrespective of his shareholding or patronage of the Producer Company.

(*b*) In a case where the membership consists of Producer institutions only, the voting rights of such Producer institutions shall be determined on the basis of their participation in the business of the Producer Company in the previous year, as may be specified by articles :

Provided that during the first year of registration of a Producer Company, the voting rights shall be determined on the basis of the shareholding by such Producer institutions.

(*c*) In a case where the membership consists of individuals and Producer institutions, the voting rights shall be computed on the basis of a single vote for every Member.

(2) The articles of any Producer Company may provide for the conditions, subject to which a Member may continue to retain his membership, and the manner in which voting rights shall be exercised by the Members.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), any Producer Company may, if so authorised by its articles, restrict the voting rights to active Members, in any special or general meeting.

(4) No person, who has any business interest which is in conflict with business of the Producer Company, shall become a Member of that Company.

(5) A Member, who acquires any business interest which is in conflict with the business of the Producer Company, shall cease to be a Member of that Company and be removed as a Member in accordance with articles.

Benefits to Members.

581E. (1) Subject to provisions made in articles, every Member shall initially receive only such value for the produce or products pooled and supplied as the Board of Producer Company may determine, and the withheld price may be disbursed later in cash or in kind or by allotment of equity shares, in proportion to the produce supplied to the Producer Company during the financial year to such extent and in such manner and subject to such conditions as may be decided by the Board.

(2) Every Member shall, on the share capital contributed, receive only a limited return:

Provided that every such Member may be allotted bonus shares in accordance with the provisions contained in section 581ZJ.

(3) The surplus if any, remaining after making provision for payment of limited return and reserves referred to in section 581ZI, may be disbursed as patronage bonus, amongst the Members, in proportion to their participation in the business of the Producer Company, either in cash or by way of allotment of equity shares, or both, as may be decided by the Members at the general meeting.

Memorandum of Producer Company.

581F. The memorandum of association of every Producer Company shall state

(*a*) the name of the company with "Producer Company Limited" as the last words of the name of such Company;
(*b*) the State in which the registered office of the Producer Company is to situate;
(*c*) the main objects of the Producer Company shall be one or more of the objects specified in section 581B;
(*d*) the names and addresses of the persons who have subscribed to the memorandum;
(*e*) the amount of share capital with which the Producer Company is to be registered and division thereof into shares of a fixed amount;
(*f*) the names, addresses and occupations of the subscribers being producers, who shall act as the first directors in accordance with sub-section (2) of section 581J;
(*g*) that the liability of its members is limited;
(*h*) opposite to the subscriber's name the number of shares each subscriber takes :
Provided that no subscriber shall take less than one share;
(*i*) in case the objects of the Producer Company are not confined to one State, the States to whose territories the objects extend.

Articles of association.

581G. (1) There shall be presented, for registration to the Registrar of the State to which the registered office of the Producer Company is, stated by the memorandum of association, to be situate

(*a*) memorandum of the Producer Company;

(*b*) its articles duly signed by the subscribers to the Memorandum.

(2) The articles shall contain the following mutual assistance principles, namely:

(*a*) the membership shall be voluntary and available, to all eligible persons who, can participate or avail of the facilities or services of the Producer Company, and are willing to accept the duties of membership;

(*b*) each Member shall, save as otherwise provided in this Part, have only a single vote irrespective of the shareholding;

(*c*) the Producer Company shall be administered by a Board consisting of persons elected or appointed as directors in the manner consistent with the provisions of this Part and the Board shall be accountable to the Members;

(*d*) save as provided in this Part, there shall be limited return on share capital;

(*e*) the surplus arising out of the operations of the Producer Company shall be distributed in an equitable manner by

(*i*) providing for the development of the business of the Producer Company;

(*ii*) providing for common facilities; and

(*iii*) distributing amongst the Members, as may be admissible in proportion to their respective participation in the business;

(*f*) provision shall be made for the education of Members, employees and others, on the principles of mutuality and techniques of mutual assistance;

(*g*) the Producer Company shall actively co-operate with other Producer Companies (and other organisations following similar principles) at local, national or international level so as to best serve the interest of their Members and the communities it purports to serve.

(3) Without prejudice to the generality of the foregoing provisions of sub-sections (1) and (2), the articles shall contain the following provisions, namely:

(*a*) the qualifications for membership, the conditions for continuance or cancellation of membership and the terms, conditions and procedure for transfer of shares;

(*b*) the manner of ascertaining the patronage and voting right based on patronage;

(*c*) subject to the provisions contained in sub-section (1) of section 581N, the manner of constitution of the Board, its powers and duties, the minimum and maximum number of directors, manner of election and appointment of directors and retirement by rotation, qualifications for being elected or continuance as such and the terms of office of the said directors, their powers and duties, conditions for election or co-option of directors, method of removal of directors and the filling up of vacancies on the Board, and the manner and the terms of appointment of the Chief Executive;

(*d*) the election of the Chairman, term of office of directors and the Chairman, manner of voting at the general or special meetings of Members, procedure for voting, by directors at meetings of the Board, powers of the Chairman and the circumstances under which the Chairman may exercise a casting vote;

(*e*) the circumstances under which, and the manner in which, the withheld price is to be determined and distributed;

(*f*) the manner of disbursement of patronage bonus in cash or by issue of equity shares, or both;

(*g*) the contribution to be shared and related matters referred to in sub-section (2) of section 581ZI;

(*h*) the matters relating to issue of bonus shares out of general reserves as set out in section 581ZJ;

(*i*) the basis and manner of allotment of equity shares of the Producer Company in lieu of the whole or part of the sale proceeds of produce or products supplied by the Members;

(*j*) the amount of reserves, sources from which funds may be raised, limitation on raising of funds, restriction on the use of such funds and the extent of debt that may be contracted and the conditions thereof;

(*k*) the credit, loans or advances which may be granted to a Member and the conditions for the grant of the same;

(*l*) the right of any Member to obtain information relating to general business of the company;

(*m*) the basis and manner of distribution and disposal of funds available after meeting liabilities in the event of dissolution or liquidation of the Producer Company;

(*n*) the authorisation for division, amalgamation, merger, creation of subsidiaries and the entering into joint ventures and other matters connected therewith;

(*o*) laying of the memorandum and articles of the Producer Company before a special general meeting to be held within ninety days of its registration;

(*p*) any other provision, which the Members may, by special resolution recommend to be included in articles.

Amendment of memorandum.

581H. (1) A Producer Company shall not alter the conditions contained in its memorandum except in the cases, by the mode and to the extent for which express provision is made in this Act.

(2) A Producer Company may, by special resolution, not inconsistent with section 581B, alter its objects specified in its memorandum.

(3) A copy of the amended memorandum, together with a copy of the special resolution duly certified by two directors, shall be filed with the Registrar within thirty days from the date of adoption of any resolution referred to in sub-section (2) :

Provided that in the case of transfer of the registered office of a Producer Company from the jurisdiction of one Registrar to another, certified copies of the special resolution certified by two directors shall be filed with both the Registrars within thirty days, and each Registrar shall record the same, and thereupon the Registrar from whose jurisdiction the office is transferred, shall forthwith forward to the other Registrar all documents relating to the Producer Company.

(4) The alteration of the provisions of memorandum relating to the change of the place of its registered office from one State to another shall not take effect unless it is confirmed by the Company Law Board on petition.

Amendment of articles.

581-I. (1) Any amendment of the articles shall be proposed by not less than two-third of the elected directors or by not less than one-third of the Members of the Producer Company, and adopted by the Members by a special resolution.

(2) A copy of the amended articles together with the copy of the special resolution, both duly certified by two directors, shall be filed with the Registrar within thirty days from the date of its adoption.

Option to inter-State co-operative societies to become Producer Companies.

581J. (1) Notwithstanding anything contained in sub-section (1) of section 581C, any inter-State co-operative society with objects not confined to one State may make an application to the Registrar for registration as Producer Company under this Part.

(2) Every application under sub-section (1) shall be accompanied by

(*a*) a copy of the special resolution, of not less than two-third of total members of inter-State co-operative society, for its incorporation as a Producer Company under this Act;

(*b*) a statement showing

(*i*) names and addresses or the occupation of the directors and Chief Executive, if any, by whatever name called, of such co-operative; and

(*ii*) list of members of such inter-State co-operative society;

(*c*) a statement indicating that the inter-State co-operative society is engaged in any one or more of the objects specified in section 581B;

(*d*) a declaration by two or more directors of the inter-State co-operative society certifying that particulars given in clauses (*a*) to (*c*) are correct.

(3) When an inter-State co-operative society is registered as a Producer Company, the words "Producer Company Limited" shall form part of its name with any word or expression to show its identity preceding it.

(4) On compliance with the requirements of sub-sections (1) to (3), the Registrar shall, within a period of thirty days of the receipt of application, certify under his hand that the inter-State co-operative society applying for registration is registered and thereby incorporated as a Producer Company under this Part.

(5) A co-operative society formed by producers, by Federation or Union of co-operative societies of producers or co-operatives of producers, registered under any law for the time being in force which has extended its objects outside the State, either directly or through a union or federation of co-operatives of which it is a constituent, as the case may be, and any Federation or Unions of such co-operatives,which has so extended any of its objects or activities outside the State, shall be eligible to make an application under sub-section (1) and to obtain registration as a Producer Company under this Part.

(6) The inter-State co-operative society shall, upon registration under sub-section (1), stand transformed into a Producer Company, and thereafter shall be governed by the provisions of this Part to the exclusion of the law by which it was earlier governed, save insofar as anything done or omitted to be done before its registration as a Producer Company, and notwithstanding anything contained in any other law for the time being in force, no person shall have any claim against the co-operative institution or the company by reason of such conversion or transformation.

(7) Upon registration as a Producer Company, the Registrar of Companies who registers the company shall forthwith intimate the Registrar with whom the erstwhile inter-State co-operative society was earlier registered for appropriate deletion of the society from its register.

Effect of incorporation of Producer Company.

581K. Every shareholder of the inter-State co-operative society immediately before the date of registration of Producer Company (hereafter referred to as the transformation date) shall be deemed to be registered on and from that date as a shareholder of the Producer Company to the extent of the face value of the shares held by such shareholder.

Vesting of undertaking in Producer Company.

581L. (1) All properties and assets, movable and immovable, of, or belonging to, the inter-State co-operative society as on the transformation date, shall vest in the Producer Company.

(2) All the rights, debts, liabilities, interests, privileges and obligations of the inter-State co-operative society as on the transformation date shall stand transferred to, and be the rights, debts, liabilities, interests, privileges and obligations of, the Producer Company.

(3) Without prejudice to the provisions contained in sub-section (2), all debts, liabilities and obligations incurred, all contracts entered into and all matters and things engaged to be done by, with or for, the society as on the transformation date for or in connection with their purposes, shall be deemed to have been incurred, entered into, or engaged to be done by, with or for, the Producer Company.

(4) All sums of money due to the inter-State co-operative society immediately before the transformation date, shall be deemed to be due to the Producer Company.

(5) Every organisation, which was being managed immediately before the transformation date by the inter-State co-operative society shall be managed by the Producer Company for such period, to such extent and in such manner as the circumstances may require.

(6) Every organisation which was getting financial, managerial or technical assistance from the inter-State co-operative society, immediately before the transformation date, may continue to be given financial, managerial or technical assistance, as the case may be, by the Producer Company, for such period, to such extent and in such manner as that company may deem fit.

(7) The amount representing the capital of the erstwhile inter-State co-operative society shall form part of the capital of the Producer Company.

(8) Any reference to the inter-State co-operative society in any law other than this Act or in any contract or other instrument, shall be deemed to be reference to the Producer Company.

(9) If, on the transformation date, there is pending any suit, arbitration, appeal or other legal proceeding of whatever nature by or against the inter-State co-operative society, the same shall not abate, be discontinued or be in any way prejudicially affected by reason of the incorporation of the Producer Company under section 581C or transformation of the inter-State co-operative society as a Producer Company under section 581J, as the case may be, but the suit,

arbitration, appeal or other proceeding, may be continued, prosecuted and enforced by or against the Producer Company in the same manner and to the same extent as it would have, or may have been continued, prosecuted and enforced by or against the inter-State co-operative society as if the provisions contained in this Part had not come into force.

Concession, etc., to be deemed to have been granted to Producer Company.

581M. With effect from the transformation date, all fiscal and other concessions, licences, benefits, privileges and exemptions granted to the inter-State co-operative society in connection with the affairs and business of the inter-State co-operative society under any law for the time being in force shall be deemed to have been granted to the Producer Company.

Provisions in respect of officers and other employees of inter-State co-operative society.

581N. (1) Notwithstanding anything contained in section 581-O, all the directors in the inter-State co-operative society before the incorporation of the Producer Company shall continue in office for a period of one year from the transformation date and in accordance with the provisions of this Act.

(2) Every officer or other employee of the inter-State co-operative society (except a director of the Board, Chairman or Managing Director) serving in its employment immediately before the transformation date shall, insofar as such officer or other employee is employed in connection with the inter-State co-operative society which has vested in the Producer Company by virtue of this Act, become, as from the transformation date, an officer or, as the case may be, other employee of the Producer Company and shall hold his office or service therein by the same tenure, at the same remuneration, upon the same terms and conditions, with the same obligations and with the same rights and privileges as to leave, leave travel concession, welfare scheme, medical benefit scheme, insurance, provident fund, other funds, retirement, voluntary retirement, gratuity and other benefits as he would have held under the erstwhile inter-State co-operative society if its undertaking had not vested in the Producer Company and shall continue to do so as an officer or, as the case may be, other employee of the Producer Company.

(3) Where an officer or other employee of the inter-State co-operative society opts under sub-section (2) not to be in employment or service of the Producer Company, such officer or other employee shall be deemed to have resigned.

(4) Notwithstanding anything contained in the Industrial Disputes Act, 1947 (14 of 1947) or in any other law for the time being in force, the transfer of the services of any officer or other employee of the inter-State co-operative society to the Producer Company shall not entitle such officer or other employee to any compensation under this Act or under any other law for the time being in force and no such claim shall be entertained by any court, tribunal or other authority.

(5) The officers and other employees who have retired before the transformation date from the service of the inter-State co-operative society and are entitled to any benefits, rights or privileges, shall be entitled to receive the same benefits, rights or privileges from the Producer Company.

(6) The trusts of the provident fund or the gratuity fund of the inter-State co-operative society and any other bodies created for the welfare of officers or employees shall continue to discharge functions in the Producer Company as was being done hitherto in the inter-State co-operative society and any tax exemption granted to the provident fund or the gratuity fund would continue to be applied to the Producer Company.

(7) Notwithstanding anything contained in this Act or in any other law for the time being in force or in the regulations of the inter-State co-operative society, no director of the Board, Chairman, Managing Director or any other person entitled to manage the whole or substantial part of the business and affairs of the inter-State co-operative society shall be entitled to any compensation against the inter-State co-operative society or the Producer Company for the loss of office or for the premature termination of any contract of management entered into by him with the inter-State co-operative society.

CHAPTER III

MANAGEMENT OF PRODUCER COMPANY

Number of directors.

581-O. Every Producer Company shall have at least five and not more than fifteen directors :

Provided that in the case of an inter-State co-operative society incorporated as a Producer Company, such Company may have more than fifteen directors for a period of one year from the date of its incorporation as a Producer Company.

Appointment of directors.

581P. (1) Save as provided in section 581N, the Members who sign the memorandum and the articles may designate therein the Board of directors (not less than five) who shall govern the affairs of the Producer Company until the directors are elected in accordance with the provisions of this section.

(2) The election of directors shall be conducted within a period of ninety days of the registration of the Producer Company :

Provided that in the case of an inter-State co-operative society which has been registered as a Producer Company under sub-section (4) of section 581J in which at least five directors (including the directors continuing in office under sub-section (1) of section 581N) hold office as such on the date of registration of such company, the provisions of this sub-section shall have effect as if for the words "ninety days", the words "three hundred and sixty-five days" had been substituted.

(3) Every person shall hold office of a director for a period not less than one year but not exceeding five years as may be specified in the articles.

(4) Every director, who retires in accordance with the articles, shall be eligible for re-appointment as a director.

(5) Save as provided in sub-section (2), the directors of the Board shall be elected or appointed by the Members in the annual general meeting.

(6) The Board may co-opt one or more expert directors or an additional director not exceeding one-fifth of the total number of directors or appoint any other person as additional director for such period as the Board may deem fit:

Provided that the expert directors shall not have the right to vote in the election of the Chairman but shall be eligible to be elected as Chairman, if so provided by its articles :

Provided further that the maximum period, for which the expert director or the additional director holds office, shall not exceed such period as may be specified in the articles.

Vacation of office by directors.

581Q. (1) The office of the director of a Producer Company shall become vacant if

(*a*) he is convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months;

(*b*) the Producer Company, in which he is a director, has made a default in repayment of any advances or loans taken from any company or institution or any other person and such default continues for ninety days;

(*c*) he has made a default in repayment of any advances or loans taken from the Producer Company in which he is a director;

(*d*) the Producer Company, in which he is a director

(*i*) has not filed the annual accounts and annual return for any continuous three financial years commencing on or after the 1st day of April, 2002; or

(*ii*) has failed to, repay its deposit or withheld price or patronage bonus or interest thereon on due date, or pay dividend and such failure continues for one year or more;

(*e*) default is made in holding election for the office of director, in the Producer Company in which he is a director, in accordance with the provisions of this Act and articles;

(*f*) the annual general meeting or extraordinary general meeting of the Producer Company, in which he is a director, is not called in accordance with the provisions of this Act except due to natural calamity or such other reason.

(2) The provisions of sub-section (1) shall, as far as may be, apply to the director of a producer institution which is a member of a Producer Company.

Powers and functions of Board.

581R. (1) Subject to the provisions of this Act and articles, the Board of directors of a Producer Company shall exercise all such powers and to do all such acts and things, as that company is authorised so to do.

(2) In particular and without prejudice to the generality of the foregoing powers, such powers may include all or any of the following matters, namely :

(*a*) determination of the dividend payable;

(*b*) determination of the quantum of withheld price and recommend patronage to be approved at general meeting;

(*c*) admission of new Members;

(*d*) pursue and formulate the organisational policy, objectives, establish specific long-term and annual objectives, and approve corporate strategies and financial plans;

(*e*) appointment of a Chief Executive and such other officers of the Producer Company, as may be specified in the articles;

(*f*) exercise superintendence, direction and control over Chief Executive and other officers appointed by it;

(*g*) cause proper books of account to be maintained; prepare annual accounts to be placed before the annual general meeting with the auditor's report and the replies on qualifications, if any, made by the auditors;

(*h*) acquisition or disposal of property of the Producer Company in its ordinary course of business;

(*i*) investment of the funds of the Producer Company in the ordinary course of its business;

(*j*) sanction any loan or advance, in connection with the business activities of the Producer Company to any Member, not being a director or his relative;

(*k*) take such other measures or do such other acts as may be required in the discharge of its functions or exercise of its powers.

(3) All the powers specified in sub-sections (1) and (2) shall be exercised by the Board, by means of resolution passed at its meeting on behalf of the Producer Company.

Explanation. For the removal of doubts, it is hereby declared that a director or a group of directors, who do not constitute the Board, shall not exercise any of the powers exercisable by it.

Matters to be transacted at general meeting.

581S. The Board of directors of a Producer Company shall exercise the following powers on behalf of that company, and it shall do so only by means of resolutions passed at the annual general meeting of its Members, namely :

(*a*) approval of budget and adoption of annual accounts of the Producer Company;

(*b*) approval of patronage bonus;

(*c*) issue of bonus shares;

(*d*) declaration of limited return and decision on the distribution of patronage;

(*e*) specify the conditions and limits of loans that may be given by the Board to any director; and

(*f*) approval of any transaction of the nature as is to be reserved in the articles for approval by the members.

Liability of directors.

581T. (1) When the directors vote for a resolution, or approve by any other means, anything done in contravention of the provisions of this Act or any other law for the time being in force or articles,they shall be jointly and severally liable to make good any loss or damage suffered by the Producer Company.

(2) Without prejudice to the provisions contained in sub-section (1), the Producer Company shall have the right to recover from its director

(*a*) where such director has made any profit as a result of the contravention specified in sub-section (1), an amount equal to the profit so made;

(*b*) where the Producer Company incurred a loss or damage as a result of the contravention specified in sub-section (1), an amount equal to that loss or damage;

(3) The liability imposed under this section shall be in addition to and not in derogation of a liability imposed on a director under this Act or any other law for the time being in force.

Committee of directors.

581U. (1) The Board may constitute such number of committees as it may deem fit for the purpose of assisting the Board in the efficient discharge of its functions:

Provided that the Board shall not delegate any of its powers or assign the powers of the Chief Executive, to any committee.

(2) A committee constituted under sub-section (1) may, with the approval of the Board, co-opt such number of persons as it deems fit as members of the committee:

Provided that the Chief Executive appointed under section 581W or a director of the Producer Company shall be a member of such committee.

(3) Every such committee shall function under the general superintendence, direction and control of the Board, for such duration, and in such manner as the Board may direct.

(4) The fee and allowances to be paid to the members of the committee shall be such as may be determined by the Board.

(5) The minutes of each meeting of the committee shall be placed before the Board at its next meeting.

Meetings of Board and quorum.

581V. (1) A meeting of the Board shall be held not less than once in every three months and at least four such meetings shall be held in every year.

(2) Notice of every meeting of the Board of directors shall be given in writing to every director for the time being in India, and at his usual address in India to every other director.

(3) The Chief Executive shall give notice as aforesaid not less than seven days prior to the date of the meeting of the Board and if he fails to do so, he shall be punishable with fine which may extend to one thousand rupees:

Provided that a meeting of the Board may be called at shorter notice and the reasons thereof shall be recorded in writing by the Board.

(4) The quorum for a meeting of the Board shall be one-third of the total strength of directors, subject to a minimum of three.

(5) Save as provided in the articles, directors including the co-opted director, may be paid such fees and allowances for attendance at the meetings of the Board, as may be decided by the Members in the general meeting.

Chief Executive and his functions.

581W. (1) Every Producer Company shall have a full time Chief Executive, by whatever name called, to be appointed by the Board from amongst persons other than Members.

(2) The Chief Executive shall be *ex officio* director of the Board and such director shall not retire by rotation.

(3) Save as otherwise provided in articles, the qualifications, experience and the terms and conditions of service of the Chief Executive shall be such as may be determined by the Board.

(4) The Chief Executive shall be entrusted with substantial powers of management as the Board may determine.

(5) Without prejudice to the generality of sub-section (4), the Chief Executive may exercise the powers and discharge the functions, namely :

(*a*) do administrative acts of a routine nature including managing the day-to-day affairs of the Producer Company;
(*b*) operate bank accounts or authorise any person, subject to the general or special approval of the Board in this behalf, to operate the bank account;
(*c*) make arrangements for safe custody of cash and other assets of the Producer Company;
(*d*) sign such documents as may be authorised by the Board, for and on behalf of the company;
(*e*) maintain proper books of account; prepare annual accounts and audit thereof; place the audited accounts before the Board and in the annual general meeting of the Members;
(*f*) furnish Members with periodic information to apprise them of the operation and functions of the Producer Company;
(*g*) make appointments to posts in accordance with the powers delegated to him by the Board;
(*h*) assist the Board in the formulation of goals, objectives, strategies, plans and policies;
(*i*) advise the Board with respect to legal and regulatory matters concerning the proposed and ongoing activities and take necessary action in respect thereof;
(*j*) exercise the powers as may be necessary in the ordinary course of business;
(*k*) discharge such other functions, and exercise such other powers, as may be delegated by the Board.

(6) The Chief Executive shall manage the affairs of the Producer Company under the general superintendence, direction and control of the Board and be accountable for the performance of the Producer Company.

Secretary of Producer Company.

581X. (1) Every Producer Company having an average annual turnover exceeding five crore rupees in each of three consecutive financial years shall have a whole-time secretary.

(2) No individual shall be appointed as whole-time secretary unless he possesses membership of the Institute of Company Secretaries of India constituted under the Company Secretaries Act, 1980 (56 of 1980).

(3) If a Producer Company fails to comply with the provisions of sub-section (1), the company and every officer of the company who is in default, shall be punishable with fine which may extend to five hundred rupees for every day during which the default continues :

Provided that in any proceedings against a person in respect of an offence under this sub-section, it shall be a defence to prove that all reasonable efforts to comply with the provisions of sub-section (1) were taken or that the financial position of the company was such that it was beyond its capacity to engage a whole-time secretary.

Quorum.

581Y. Unless the articles require a larger number, one-fourth of the total membership shall constitute the quorum at a general meeting.

Voting rights.

581Z. Save as otherwise provided in sub-sections (1) and (3) of section 581D, every Member shall have one vote and in the case of equality of votes, the Chairman or the person presiding shall have a casting vote except in the case of election of the Chairman.

CHAPTER IV

GENERAL MEETINGS

Annual general meetings.

581ZA. (1) Every Producer Company shall in each year, hold, in addition to any other meetings, a general meeting, as its annual general meeting and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of a Producer Company and that of the next :

Provided that the Registrar may, for any special reason, permit extension of the time for holding any annual general meeting (not being the first annual general meeting) by a period not exceeding three months.

(2) A Producer Company shall hold its first annual general meeting within a period of ninety days from the date of its incorporation.

(3) The Members shall adopt the articles of the Producer Company and appoint directors of its Board in the annual general meeting.

(4) The notice calling the annual general meeting shall be accompanied by the following documents, namely:

(*a*) the agenda of the annual general meeting;

(*b*) the minutes of the previous annual general meeting or the extraordinary general meeting;

(*c*) the names of candidates for election, if any, to the office of director including a statement of qualifications in respect of each candidate;

(*d*) the audited balance sheet and profit and loss accounts of the Producer Company and its subsidiary, if any, together with a report of the Board of Directors of such Company with respect to

(*i*) the state of affairs of the Producer Company;

(*ii*) the amount proposed to be carried to reserve;

(*iii*) the amount to be paid as limited return on share capital;

(*iv*) the amount proposed to be disbursed as patronage bonus;

(*v*) the material changes and commitments, if any, affecting the financial position of the Producer Company and its subsidiary, which have occurred in between the date of the annual accounts of the Producer Company to which the balance-sheet relates and the date of the report of the Board;

(*vi*) any other matter of importance relating to energy conservation, environmental protection, expenditure or earnings in foreign exchanges;

(*vii*) any other matter which is required to be, or may be, specified by the Board;

(*e*) the text of the draft resolution for appointment of auditors;

(*f*) the text of any draft resolution proposing amendment to the memorandum or articles to be considered at the general meeting, along with the recommendations of the Board.

(5) The Board of directors shall, on the requisition made in writing, duly signed and setting out the matters for the consideration, made by one-third of the Members entitled to vote in any general meeting, proceed to call an extraordinary general meeting in accordance with the provisions contained in sections 169 to 186 of this Act.

(6) Every annual general meeting shall be called, for a time during business hours, on a day that is not a public holiday and shall be held at the registered office of the Producer Company or at some other place within the city, town or village in which the registered office of the Company is situate.

(7) A general meeting of the Producer Company shall be called by giving not less than fourteen days prior notice in writing.

(8) The notice of the general meeting indicating the date, time and place of the meeting shall be sent to every Member and auditor of the Producer Company.

(9) Unless the articles of the Producer Company provide for a larger number, one-fourth of the total number of members of the Producer Company shall be the quorum for its annual general meeting.

(10) The proceedings of every annual general meeting along with the Directors' Report, the audited balance sheet and the profit and loss account shall be filed with the Registrar within sixty days of the date on which the annual general meeting is held, with an annual return along with the filing fees as applicable under the Act.

(11) In the case where a Producer Company is formed by Producer institutions, such institutions shall be represented in the general body through the Chairman or the Chief Executive thereof who shall be competent to act on its behalf :

Provided that a Producer institution shall not be represented if such institution makes a default or failure referred to in clauses (*d*) to (*f*) of sub-section (1) of section 581Q.

CHAPTER V

SHARE CAPITAL AND MEMBERS RIGHTS

Share capital.

581ZB. (1) The share capital of a Producer Company shall consist of equity shares only.

(2) The shares held by a Member in a Producer Company, shall as far as may be, be in proportion to the patronage of that company.

Special user rights.

581ZC. (1) The producers, who are active Members may, if so provided in the articles, have special rights and the Producer Company may issue appropriate instruments to them in respect of such special rights.

(2) The instruments of the Producer Company issued under sub-section (1) shall, after obtaining approval of the Board in that behalf, be transferable to any other active Member of that Producer Company.

Explanation. For the purposes of this section, the expression "special right" means any right relating to supply of additional produce by the active Member or any other right relating to his produce which may be conferred upon him by the Board.

Transferability of shares and attendant rights.

581ZD. (1) Save as otherwise provided in sub-sections (2) to (4), the shares of a Member of a Producer Company shall not be transferable.

(2) A Member of a Producer Company may, after obtaining the previous approval of the Board, transfer the whole or part of his shares along with any special rights, to an active Member at par value.

(3) Every Member shall, within three months of his becoming a Member in the Producer Company, nominate, in the manner specified in articles, a person to whom his shares in the Producer Company shall vest in the event of his death.

(4) The nominee shall, on the death of the Member, become entitled to all the rights in the shares of the Producer Company and the Board of that Company shall transfer the shares of the deceased Member to his nominee :

Provided that in a case where such nominee is not a producer, the Board shall direct the surrender of shares together with special rights, if any, to the Producer Company at par value or such other value as may be determined by the Board.

(5) Where the Board of a Producer Company is satisfied that

(*a*) any Member has ceased to be a primary producer; or

(*b*) any Member has failed to retain his qualifications to be a Member as specified in articles,

the Board shall direct the surrender of shares together with special rights, if any, to the Producer Company at par value or such other value as may be determined by the Board :

Provided that the Board shall not direct such surrender of shares unless the Member has been served with a written notice and given an opportunity of being heard.

CHAPTER VI

FINANCE, ACCOUNTS AND AUDIT

Books of account.

581ZE. (1) Every Producer Company shall keep at its registered office proper books of account with respect to

(*a*) all sums of money received and expended by the Producer Company and the matters in respect of which the receipts and expenditure take place;

(*b*) all sales and purchase of goods by the Producer Company;

(*c*) the instruments of liability executed by or on behalf of the Producer Company;

(*d*) the assets and liabilities of the Producer Company;

(*e*) in case of a Producer Company engaged in production, processing and manufacturing, the particulars relating to utilisation of materials or labour or other items of costs.

(2) The balance sheet and profit and loss accounts of the Producer Company shall be prepared, as far as may be, in accordance with the provisions contained in section 211.

Internal audit.

581ZF. Every Producer Company shall have internal audit of its accounts carried out, at such interval and in such manner as may be specified in articles, by a chartered accountant as defined in clause (*b*) of sub-section (1) of section 2 of the Institute of Chartered Accountants Act, 1949 (38 of 1949).

Duties of auditor under this Part.

581ZG. Without prejudice to the provisions contained in section 227, the auditor shall report on the following additional matters relating to the Producer Company, namely:

(*a*) the amount of debts due along with particulars of bad debts if any;

(*b*) the verification of cash balance and securities;

(*c*) the details of assets and liabilities;

(*d*) all transactions which appear to be contrary to the provisions of this Part;

(*e*) the loans given by the Producer Company to the directors;

(*f*) the donations or subscriptions given by the Producer Company;

(*g*) any other matter as may be considered necessary by the auditor.

Donations or subscription by Producer Company.

581ZH. A Producer Company may, by special resolution, make donation or subscription to any institution or individual for the purposes of

(*a*) promoting the social and economic welfare of Producer Members or producers or general public; or

(*b*) promoting the mutual assistance principles:

Provided that the aggregate amount of all such donation and subscription in any financial year shall not exceed three per cent of the net profit of the Producer Company in the financial year immediately preceding the financial year in which the donation or subscription was made :

Provided further that no Producer Company shall make directly or indirectly to any political party or for any political purpose to any person any contribution or subscription or make available any facilities including personnel or material.

General and other reserves.

581ZI. (1) Every Producer Company shall maintain a general reserve in every financial year, in addition to any reserve maintained by it as may be specified in articles.

(2) In a case where the Producer Company does not have sufficient funds in any financial year for transfer to maintain the reserves as may be specified in articles, the contribution to the reserve shall be shared amongst the Members in proportion to their patronage in the business of that company in that year.

Issue of bonus shares.

581ZJ. Any Producer Company may, upon recommendation of the Board and passing of resolution in the general meeting, issue bonus shares by capitalisation of amounts from general reserves referred to in section 581Z-I in proportion to the shares held by the Members on the date of the issue of such shares.

CHAPTER VII

LOANS TO MEMBERS AND INVESTMENTS

Loan, etc., to Members.

581ZK. The Board may, subject to the provisions made in articles, provide financial assistance to the Members of the Producer Company by way of

(*a*) credit facility, to any Member, in connection with the business of the Producer Company, for a period not exceeding six months;

(*b*) loans and advances, against security specified in articles to any Member, repayable within a period exceeding three months but not exceeding seven years from the date of disbursement of such loan or advances:

Provided that any loan or advance to any director or his relative shall be granted only after the approval by the Members in general meeting.

Investment in other companies, formation of subsidiaries, etc.

581ZL. (1) The general reserves of any Producer Company shall be invested to secure the highest returns available from approved securities, fixed deposits, units, bonds issued by the Government or co-operative or scheduled bank or in such other mode as may be prescribed1.

(2) Any Producer Company may, for promotion of its objectives acquire the shares of another Producer Company.

(3) Any Producer Company may subscribe to the share capital of, or enter into any agreement or other arrangement, whether by way of formation of its subsidiary company, joint venture or in any other manner with any body corporate, for the purpose of promoting the objects of the Producer Company by special resolution in this behalf.

(4) Any Producer Company, either by itself or together with its subsidiaries, may invest, by way of subscription, purchase or otherwise, shares in any other company, other than a Producer Company, specified under sub-section (2), or subscription of capital under sub-section (3), for an amount not exceeding thirty per cent of the aggregate of its paid up capital and free reserves:

Provided that a Producer Company may, by special resolution passed in its general meeting and with prior approval of the Central Government, invest in excess of the limits specified in this section.

(5) All investments by a Producer Company may be made if such investments are consistent with the objects of the Producer Company.

(6) The Board of a Producer Company may, with the previous approval of Members by a special resolution, dispose of any of its investments referred to in sub-sections (3) and (4).

(7) Every Producer Company shall maintain a register containing particulars of all the investments, showing the names of the companies in which shares have been acquired, number and value of shares; the date of acquisition; and the manner and price at which any of the shares have been subsequently disposed of.

(8) The register referred to in sub-section (7) shall be kept at the registered office of the Producer Company and the same shall be open to inspection by any Member who may take extracts therefrom.

CHAPTER VIII

PENALTIES

Penalty for contravention.

581ZM. (1) If any person, other than a Producer Company registered under this Part, carries on business under any name which contains the words "Producer Company Limited", he shall be punishable with fine which may extend to ten thousand rupees for every day during which such name has been used by him.

(2) If a director or an officer of a Producer Company, who wilfully fails to furnish any information relating to the affairs of the Producer Company required by a Member or a person duly authorised in this behalf, he shall be liable to imprisonment for a term which may extend to six months and with fine equivalent to five per cent of the turnover of that company during preceding financial year.

(3) If a director or officer of a Producer Company

(*a*) makes a default in handing over the custody of books of account and other documents or property in his custody to the Producer Company of which he is a director or officer; or

(*b*) fails to convene annual general meeting or other general meetings,

he shall be punishable with fine which may extend to one lakh rupees, and in the case of a continuing default or failure, with an additional fine which may extend to ten thousand rupees for every day during which such default or failure continues.

CHAPTER IX

AMALGAMATION, MERGER OR DIVISION

Amalgamation, merger or division, etc., to form new Producer Companies.

581ZN. (1) A Producer Company may, by a resolution passed at its general meeting,

(*a*) decide to transfer its assets and liabilities, in whole or in part, to any other Producer Company, which agrees to such transfer by a resolution passed at its general meeting, for any of the objects specified in section 581B;

(*b*) divide itself into two or more new Producer Companies.

(2) Any two or more Producer Companies may, by a resolution passed at any general or special meetings of its Members, decide to

(*a*) amalgamate and form a new Producer Company; or

(*b*) merge one Producer Company (hereafter referred to as "merging company") with another Producer Company (hereafter referred to as "merged company").

(3) Every resolution of a Producer Company under this section shall be passed at its general meeting by a majority of total members, with right of vote not less than two-thirds of its Members present and voting and such resolution shall contain all particulars of the transfer of assets and liabilities, or division, amalgamation, or merger, as the case may be.

(4) Before passing a resolution under this section, the Producer Company shall give notice thereof in writing together with a copy of the proposed resolution to all the Members and creditors who may give their consent.

(5) Notwithstanding anything contained in articles or in any contract to the contrary, any Member, or any creditor not consenting to the resolution shall, during the period of one month of the date of service of the notice on him, have the option,

(*a*) in the case of any such Member, to transfer his shares with the approval of the Board to any active Member thereby ceasing to continue as a Member of that company; or

(*b*) in the case of a creditor, to withdraw his deposit or loan or advance, as the case may be.

(6) Any Member or creditor, who does not exercise his option within the period specified in sub-section (5), shall be deemed to have consented to the resolution.

(7) A resolution passed by a Producer Company under this section shall not take effect until the expiry of one month or until the assent thereto of all the Members and creditors has been obtained, whichever is earlier.

(8) The resolution referred to in this section shall provide for

(*a*) the regulation of conduct of the Producer Company's affairs in the future;

(*b*) the purchase of shares or interest of any Members of the Producer Company by other Members or by the Producer Company;

(*c*) in the case of purchase of shares of one Producer Company by another Producer Company, the consequent reduction of its share capital;

(*d*) termination, setting aside or modification of any agreement, howsoever arrived between the company on the one hand and the directors, secretaries and manager on the other hand, apart from such terms and conditions as may, in the opinion of the majority of shareholders, be just and equitable in the circumstances of the case;

(*e*) termination, setting aside or modification of any agreement between the Producer Company and any person not referred to in clause (*d*):

Provided that no such agreement shall be terminated, set aside or modified except after giving due notice to the party concerned:

Provided further that no such agreement shall be modified except after obtaining the consent of the party concerned;

(*f*) the setting aside of any transfer, delivery of goods, payment, execution or other act relating to property, made or done by or against the Producer Company within three months before the date of passing of the resolution, which would if made or done against any individual, be deemed in his insolvency to be a fraudulent preference;

(*g*) the transfer to the merged company of the whole or any part of the undertaking, property or liability of the Producer Company;

(*h*) the allotment or appropriation by the merged company of any shares, debentures, policies, or other like interests in the merged company;

(*i*) the continuation by or against the merged company of any legal proceedings pending by or against any Producer Company;

(*j*) the dissolution, without winding up, of any Producer Company;

(*k*) the provision to be made for the Members or creditors who make dissent;

(*l*) the taxes if any, to be paid by the Producer Company;

(*m*) such incidental, consequential and supplemental matters as are necessary to secure that the division, amalgamation or merger shall be fully and effectively carried out.

(9) When a resolution passed by a Producer Company under this section takes effect, the resolution shall be a sufficient conveyance to vest the assets and liabilities in the transferee.

(10) The Producer Company shall make arrangements for meeting in full or otherwise satisfying all claims of the Members and the creditors who exercise the option, within the period specified in sub-section (4), not to continue as the Member or creditor, as the case may be.

(11) Where the whole of the assets and liabilities of a Producer Company are transferred to another Producer Company in accordance with the provisions of sub-section (9), or where there is merger under sub-section (2), the registration of the first mentioned Company or the merging company, as the case may be, shall stand cancelled and that Company shall be deemed to have been dissolved and shall cease to exist forthwith as a corporate body.

(12) Where two or more Producer Companies are amalgamated into a new Producer Company in accordance with the provisions of sub-section (2) and the Producer Company so formed is duly registered by the Registrar, the registration of each of the amalgamating companies shall stand cancelled forthwith on such registration and each of the Companies shall thereupon cease to exist as a corporate body.

(13) Where a Producer Company divides itself into two or more Producer Companies in accordance with the provisions of clause (*b*) of sub-section (1) and the new Producer Companies are registered in accordance with the provisions of sub-section (8), the registration of the erstwhile Producer Company shall stand cancelled forthwith and that Company shall be deemed to have been dissolved and cease to exist as a corporate body.

(14) The amalgamation, merger or division of companies under the foregoing sub-sections shall not in any manner whatsoever affect the pre-existing rights or obligations and any legal proceedings that might have been continued or commenced by or against any erstwhile company before the amalgamation, merger or division, may be continued or commenced by, or against, the concerned resulting company, or merged company, as the case may be.

(15) The Registrar shall strike off the names of every Producer Company deemed to have been dissolved under sub-sections (11) to (14).

(16) Any member or creditor or employee aggrieved by the transfer of assets, division, amalgamation or merger may, within thirty days of the passing of the resolution, prefer an appeal to the High Court.

(17) The High Court shall, after giving a reasonable opportunity to the person concerned, pass such orders thereon as it may deem fit.

(18) Where an appeal has been filed under sub-section (16), the transfer of assets, division, amalgamation or merger of the Producer Company shall be subject to the decision of the High Court.

CHAPTER X

RESOLUTION OF DISPUTES

Disputes.

581ZO. (1) Where any dispute relating to the formation, management or business of a Producer Company arises

(*a*) amongst Members, former Members or persons claiming to be Members or nominees of deceased Members; or

(*b*) between a Member, former Member or a person claiming to be a Member, or nominee of deceased Member and the Producer Company, its Board of directors, office-bearers, or liquidator, past or present; or

(*c*) between the Producer Company or its Board, and any director, office-bearer or any former director, or the nominee, heir or legal representative of any deceased director of the Producer Company,

such dispute shall be settled by conciliation or by arbitration as provided under the Arbitration and Conciliation Act, 1996 (26 of 1996) as if the parties to the dispute have consented in writing for determination of such disputes by conciliation or by arbitration and the provisions of the said Act shall apply accordingly.

Explanation. For the purposes of this section, a dispute shall include

(*a*) a claim for any debt or other amount due;

(*b*) a claim by surety against the principal debtor, where the Producer Company has recovered from the surety amount in respect of any debtor or other amount due to it from the principal debtor as a result of the default of the principal debtor whether such debt or amount due be admitted or not;

(*c*) a claim by Producer Company against a Member for failure to supply produce as required of him;

(*d*) a claim by a Member against the Producer Company for not taking goods supplied by him.

(2) If any question arises whether the dispute relates to formation, management or business of the Producer Company, the question shall be referred to the arbitrator, whose decision thereon shall be final.

CHAPTER XI

MISCELLANEOUS PROVISIONS

Strike off name of Producer Company.

581ZP. (1) Where a Producer Company fails to commence business within one year of its registration or ceases to transact business with the Members or if the Registrar is satisfied, after making such inquiry as he thinks fit, that the Producer Company is no longer carrying on any of its objects specified in section 581B, he shall make an order striking off the name of the Producer Company, which shall thereupon cease to exist forthwith:

Provided that no such order cancelling the registration as aforesaid shall be passed until a notice to show cause has been given by the Registrar to the Producer Company with a copy to all its directors on the proposed action and reasonable opportunity to represent its case has been given.

(2) Where the Registrar has reasonable cause to believe that a Producer Company is not maintaining any of the mutual assistance principles specified, he shall strike its name off the register in accordance with the provisions contained in section 560 of this Act.

(3) Any Member of a Producer Company, who is aggrieved by an order made under sub-section (1), may appeal to the Company Law Board within sixty days of the order.

(4) Where an appeal is filed under sub-section (3), the order striking off the name shall not take effect until the appeal is disposed of.

Provisions of this Part to override other laws.

581ZQ. The provisions of this Part shall have effect notwithstanding anything inconsistent therewith contained in this Act or any other law for the time being in force or any instrument having effect by virtue of any such law; but the provisions of any such Act or law or instrument insofar as the same are not varied by, or are inconsistent with, the provisions of this Part shall apply to the Producer Company.

Application of provisions relating to private companies.

581ZR. All the limitations, restrictions and provisions of this Act, other than those specified in this Part, applicable to a private company, shall, as far as may be, apply to a Producer Company, as if it is a private limited company under this Act insofar as they are not in conflict with the provisions of this Part.

CHAPTER XII

RECONVERSION OF PRODUCER COMPANY TO INTER-STATE CO-OPERATIVE SOCIETY

Reconversion of Producer Company to inter-State co-operative society.

581ZS. (1) Any Producer Company, being an erstwhile inter-State co-operative society, formed and registered under this Part, may make an application

(*a*) after passing a resolution in the general meeting by not less than two-third of its Members present and voting; or

(*b*) on request by its creditors representing three-fourth value of its total creditors,

to the High Court for its reconversion to the inter-State co-operative society.

(2) The High Court shall, on the application made under sub-section (1), direct holding meeting of its Members or such creditors, as the case may be, to be conducted in such manner as it may direct.

(3) If a majority in number representing three-fourths in value of the creditors, or Members, as the case may be, present and voting in person at the meeting conducted in pursuance of the directions of the High Court under sub-section (2), agree for reconversion, if sanctioned by the High Court, be binding on all the Members and all the creditors, as the case may be, and also on the company which is being converted :

Provided that no order sanctioning reconversion shall be made by the Court unless the Court is satisfied that the company or any other person by whom an application has been made under sub-section (1) has disclosed to the Court, by affidavit or otherwise, all material facts relating to the company, such as the latest financial position of the company, the latest auditor's report on the accounts of the company, the pendency of any investigation proceedings in relation to the company under sections 235 to 251, and the like.

(4) An order made by the Court under sub-section (3) shall have no effect until a certified copy of the order has been filed with the Registrar.

(5) A copy of every such order shall be annexed to every copy of the memorandum of the company issued after the certified copy of the order has been filed as aforesaid, or in the case of a company not having a memorandum, to every copy so issued of the instrument constituting or defining the constitution of the company.

(6) If default is made in complying with sub-section (4), the company, and every officer of the company who is in default, shall be punishable with fine which may extend to one hundred rupees, for each copy in respect of which default is made.

(7) The Court may, at any time after an application has been made to it under this section, stay the commencement or continuation of any suit or proceeding against the company on such terms as the Court thinks fit, until the application is finally disposed of.

(8) Every Producer Company which has been sanctioned reconversion by the High Court, shall make an application, under the Multi-State Co-operative Societies Act, 1984 (51 of 1984) or any other law for the time being in force for its registration as multi-State co-operative society or co-operative society, as the case may be, within six months of sanction by the High Court and file a report thereof to the High Court and the Registrar of companies and to the Registrar of the co-operative societies under which it has been registered as a multi-State co-operative society or co-operative society, as the case may be.

Power to modify Act in its application to Producer Companies.

581ZT. (1) The Central Government may, by notification in the Official Gazette, direct that any of the provisions of this Act (other than those contained in this Part) specified in the said notification

(*a*) shall not apply to the Producer Companies or any class or category thereof; or

(*b*) shall apply to the Producer Companies or any class or category thereof with such exception or adaptation as may be specified in the notification.

(2) A copy of every notification proposed to be issued under sub-section (1), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

APPENDIX V

PROVISIONS OF COMPANIES ACT, 1956 APPLICABLE TO LIMITED LIABILITY PARTNERSHIP

[*Vide* Third proviso to section 465(1) of the Companies Act, 2013]

Commencement of winding up by [Tribunal].

441. (1) Where, before the presentation of a petition for the winding up of a [limited liability partnership] by the [Tribunal], a resolution has been passed by the [limited liability partnership] for voluntary winding up, the winding up of the [limited liability partnership] shall be deemed to have commenced at the time of the passing of the resolution, and unless the [Tribunal], on proof of fraud or mistake, thinks fit to direct otherwise, all proceedings taken in the voluntary winding up shall be deemed to have been validly taken.

(2) In any other case, the winding up of a [limited liability partnership] by the [Tribunal] shall be deemed to commence at the time of the presentation of the petition for the winding up.

Powers of [Tribunal] on hearing petition.

443. [(1) On hearing a winding up petition, the Tribunal may within ninety days from the date of presentation of the petition

(*a*) dismiss it, with or without costs;
(*b*) make any interim order as it thinks fit;
(*c*) direct the action for revival or rehabilitation of the limited liability partnership in accordance with procedure laid down in sections 60 to 62 of the Limited Liability Partnership Act, 2008;
(*d*) appoint a "Liquidator" as provisional liquidator of the limited liability partnership till the making of a winding up order;
(*e*) make an order for the winding up of the limited liability partnership with or without costs; or
(*f*) any other orders or orders as may be considered fit:

Provided that the Tribunal shall not refuse to make a winding up order on the ground only that the assets of the limited liability partnership have been mortgaged for an amount equal to or in excess of those assets, or that the limited liability partnership has no assets.]

(2) Where the petition is presented on the ground that it is just and equitable that the [limited liability partnership] should be wound up, the [Tribunal] may refuse to make an order of winding up, if it is of opinion that some other remedy is available to the petitioners and that they are acting unreasonably in seeking to have the [limited liability partnership] wound up instead of pursuing that other remedy.

(3) [***]

Copy of winding up order to be filed with Registrar.

445. [(1) On the making of a winding up order, it shall be the duty of the petitioner in the winding up proceedings and of the limited liability partnership to file with the Registrar a certified copy of the order, within fifteen days from the date of the making of the order.

If default is made in complying with the foregoing provision, the petitioner, or as the case may require, the limited liability partnership, and the designated partners of the limited liability partnership shall be punishable with fine which may extend to one thousand rupees for each day during which the default continues.]

(1A) In computing the period of [fifteen] days from the date of the making of a winding up order under sub-section (1), the time requisite for obtaining a certified copy of the order shall be excluded.

(2) On the filing of a certified copy of the winding up order, the Registrar shall make a minute thereof in his books relating to the [limited liability partnership], and shall notify in the Official Gazette that such an order has been made.

(3) Such order shall be deemed to be notice of discharge to the officers and employees of the [limited liability partnership], except when the business of the [limited liability partnership] is continued.

Suits stayed on winding up order.

446. (1) When a winding up order has been made or the [liquidator] has been appointed as provisional liquidator, no suit or other legal proceeding shall be commenced, or if pending at the date of the winding up order, shall be proceeded with, against the [limited liability partnership], except by leave of the [Tribunal] and subject to such terms as the [Tribunal] may impose.

(2) The [Tribunal] shall, notwithstanding anything contained in any other law for the time being in force, have jurisdiction to entertain, or dispose of

(*a*) any suit or proceeding by or against the [limited liability partnership];
(*b*) any claim made by or against the [limited liability partnership] (including claims by or against any of its branches in India);
(*c*) any application made under [section 60] by or in respect of the [limited liability partnership];
(*d*) any question of priorities or any other question whatsoever, whether of law or fact, which may relate to or arise in course of the winding up of the [limited liability partnership];

whether such suit or proceeding has been instituted, or is instituted, or such claim or question has arisen or arises or such application has been made or is made before or after the order for the winding up of the [limited liability partnership], [***].

(3) Any suit or proceeding by or against the [limited liability partnership] which is pending in any [Tribunal] other than that in which the winding up of the [limited liability partnership] is proceeding may, notwithstanding anything contained in any other law for the time being in force, be transferred to and disposed of by that [Tribunal].

(4) Nothing in sub-section (1) or sub-section (3) shall apply to any proceeding pending in appeal before the Supreme Court or a High Court.

Official Liquidators

Appointment of Official Liquidator.

448. [(1) For the purposes of winding up of a limited liability partnership by the Tribunal or for the purpose of appointment of provisional liquidator, there shall be a "liquidator" who may be either an Official Liquidator or a Liquidator appointed by an order of the Tribunal from the panel of such professionals, firms or bodies corporates consisting of such professionals as may be prescribed, which the Central Government shall constitute for that purpose in such manner as may be prescribed. In the absence of any such order the Official Liquidator shall become or act as "liquidator".]

(1A) [***]

(2) [***]

Appointment and powers of provisional liquidator.

450. [(1) At any time after the presentation of a winding up petition and before the making of a winding up order, the Tribunal may appoint the Liquidator to be liquidator provisionally.]

(2) Before appointing a provisional liquidator, the [Tribunal] shall give notice to the [limited liability partnership] and give a reasonable opportunity to it to make its representations, if any, unless, for special reasons to be recorded in writing, the [Tribunal] thinks fit to dispense with such notice.

(3) Where a provisional liquidator is appointed by the [Tribunal], the [Tribunal] may limit and restrict his powers by the order appointing him or by a subsequent order; but otherwise he shall have the same powers as a liquidator.

[(4) The liquidator shall cease to hold office as provisional liquidator, and shall become the liquidator, of the limited liability partnership, on a winding up order being made.]

General provisions as to liquidators.

451. (1) The liquidator shall conduct the proceedings in winding up the [limited liability partnership] and perform such duties in reference thereto as the [Tribunal] may impose.

(2) Where the Official Liquidator becomes or acts as liquidator, there shall be paid to the Central Government out of the assets of the [limited liability partnership] such fees as may be prescribed.

(3) The acts of a liquidator shall be valid, notwithstanding any defect that may afterwards be discovered in his appointment or qualification :

Provided that nothing in this sub-section shall be deemed to give validity to acts done by a liquidator after his appointment has been shown to be invalid.

Receiver not to be appointed of assets with liquidator.

453. A receiver shall not be appointed of assets in the hands of a liquidator except by, or with the leave of, the [Tribunal].

Statement of affairs to be made to Official Liquidator.

454. [(1)(*i*) Every limited liability partnership shall file with the Tribunal a statement of its affairs in such form as may be prescribed along with the petition for winding up;

(*ii*) Where a limited liability partnership opposes a petition for its winding up, it shall file with the Tribunal a statement of its affairs in such form as may be prescribed within such time as may be specified by the Tribunal;

(*iii*) Where the Tribunal has made a winding up order or appointed the Liquidator as provisional liquidator, unless the Tribunal in its discretion otherwise orders, there shall be made out and submitted to the Liquidator a statement as to the affairs of the limited liability partnership in such form and containing such particulars as may be prescribed;

(*iv*) The designated partners and other officers of the limited liability partnership in respect of which a petition for winding up is made, shall ensure that the accounts of the limited liability partnership are completed and audited in accordance with Limited Liability Partnership Rules, 2009 up to the date of the order and submitted to the Tribunal at the cost of the limited liability partnership within 60 days of the date of the winding up order or within such period as may be allowed by the Tribunal.]

(2) [***]

[(3) The statement under clause (*iii*) of sub-section (1) shall be submitted within twenty-one days from relevant date or within such extended time not exceeding two months (including the period of twenty one days) from the date as the Liquidator or the provisional liquidator or the Tribunal may, for special reasons appoint.]

(4) [***]

(5) If any person, without reasonable excuse, makes default in complying with any of the requirements of this section, he shall be punishable with imprisonment for a term which may extend to two years, or with fine which may extend to one thousand rupees for every day during which the default continues, or with both.

(5A) The Court [having jurisdiction under this Act], may take cognizance of an offence under sub-section (5) upon receiving a complaint of facts constituting such an offence and trying the offence itself in accordance with the procedure laid down in the Code of Criminal Procedure, 1898 (5 of 1898), for the trial of summons cases by magistrates.

(6) Any person stating himself in writing to be a creditor or [partner] of the [limited liability partnership] shall be entitled, by himself or by his agent, at all reasonable times, on payment of the prescribed fee, to inspect the statement submitted in pursuance of this section, and to a copy thereof or extract therefrom.

(7) Any person untruthfully so stating himself to be a creditor or [partner] shall be guilty of an offence under section 182 of the Indian Penal Code (45 of 1860); and shall, on the application of the [liquidator], be punishable accordingly.

(8) In this section, the expression "the relevant date" means, in a case where a provisional liquidator is appointed, the date of his appointment, and in a case where no such appointment is made, the date of the winding up order.

Report by [liquidator].

455. [(1) Where the Tribunal has made a winding up order, the liquidator shall, within sixty days from the winding up order, submit to the Tribunal, a report containing such particulars as may be prescribed.]

(2) The [liquidator] may also, if he thinks fit, make a further report, or further reports, stating the manner in which the [limited liability partnership] was promoted or formed and whether in his opinion any fraud has been committed by any person in its promotion or formation, or by any officer of the [limited liability partnership] in relation to the [limited liability partnership] since the formation thereof, and any other matters which, in his opinion, it is desirable to bring to the notice of the [Tribunal].

(3) If the [liquidator] states in any such further report that in his opinion a fraud has been committed as aforesaid, the [Tribunal] shall have the further powers provided in section 478.

Custody of [limited liability partnership's] property.

456. (1) Where a winding up order has been made or where a provisional liquidator has been appointed, the liquidator or the provisional liquidator, as the case may be, shall take into his custody or under his control, all the property, effects and actionable claims to which the [limited liability partnership] is or appears to be entitled.

(1A) For the purpose of enabling the liquidator or the provisional liquidator, as the case may be, to take into his custody or under his control, any property, effects or actionable claims to which the [limited liability partnership] is or appears to be entitled, the liquidator or the provisional liquidator, as the case may be, may by writing request the Chief Presidency Magistrate or the District Magistrate within whose jurisdiction such property, effects or actionable claims or any books of account or other documents of the [limited liability partnership] may be found, to take possession thereof, and the Chief Presidency Magistrate or the District Magistrate may thereupon after such notice as he may think fit to give to any party, take possession of such property, effects, actionable claims, books of account or other documents and deliver possession thereof to the liquidator or the provisional liquidator.

(1B) For the purpose of securing compliance with the provisions of sub-section (1A), the Chief Presidency Magistrate or the District Magistrate may take or cause to be taken such steps and use or cause to be used such force as may in his opinion be necessary.

(2) All the property and effects of the [limited liability partnership] shall be deemed to be in the custody of the [Tribunal] as from the date of the order for the winding up of the [limited liability partnership].

Powers of liquidator.

457. (1) The liquidator in a winding up by the [Tribunal] shall have power, with the sanction of the [Tribunal],

(*a*) to institute or defend any suit, prosecution, or other legal proceeding, civil or criminal, in the name and on behalf of the [limited liability partnership];

(*b*) to carry on the business of the [limited liability partnership] so far as may be necessary for the beneficial winding up of the [limited liability partnership];

(*c*) to sell the immovable and movable property and actionable claims of the [limited liability partnership] by public auction or private contract, with power to transfer the whole thereof to any person or body corporate, or to sell the same in parcels;

[(*ca*) to sell whole of the undertaking of the limited liability partnership as a going concern;]

(*d*) to raise on the security of the assets of the [limited liability partnership] any money requisite;

(*e*) to do all such other things as may be necessary for winding up the affairs of the [limited liability partnership] and distributing its assets.

(2) The liquidator in a winding up by the [Tribunal] shall have power

(*i*) to do all acts and to execute, in the name and on behalf of the [limited liability partnership], all deeds, receipts, and other documents, and for that purpose to use, when necessary, the [limited liability partnership's seal];

(*ia*) to inspect the records and returns of the [limited liability partnership] on the files of the Registrar without payment of any fee;

(*ii*) to prove, rank and claim in the insolvency of any [partner], for any balance against his estate, and to receive dividends in the insolvency, in respect of that balance, as a separate debt due from the insolvent, and rateably with the other separate creditors;

(*iii*) to draw, accept, make and endorse any bill of exchange, hundi or promissory note in the name and on behalf of the [limited liability partnership], with the same effect with respect to the liability of the [limited liability partnership] as if the bill, hundi, or note had been drawn, accepted, made or endorsed by or on behalf of the [limited liability partnership] in the course of its business;

(*iv*) to take out, in his official name, letters of administration to any deceased [partner], and to do in his official name any other act necessary for obtaining payment of any money due from a [partner] or his estate which cannot be conveniently done in the name of the [limited liability partnership], and in all such cases, the money due shall, for the purpose of enabling the liquidator to take out the letters of administration or recover the money, be deemed to be due to the liquidator himself :

Provided that nothing herein empowered shall be deemed to affect the rights, duties and privileges of any Administrator-General;

(*v*) to appoint an agent to do any business which the liquidator is unable to do himself.

(3) The exercise by the liquidator in a winding up by the [Tribunal] of the powers conferred by this section shall be subject to the control of the [Tribunal]; and any creditor or [partner] may apply to the [Tribunal] with respect to the exercise or proposed exercise of any of the powers conferred by this section.

Discretion of liquidator.

458. The [Tribunal] may, by order, provide that the liquidator may exercise any of the powers referred to in sub-section (1) of section 457 without the sanction or intervention of the [Tribunal] :

Provided always that the exercise by the liquidator of such powers shall be subject to the control of the [Tribunal].

Exclusion of certain time in computing periods of limitation.

458A. Notwithstanding anything in the Indian Limitation Act, 1908 (9 of 1908) or in any other law for the time being in force, in computing the period of limitation prescribed for any suit or application in the name and on behalf of a [limited liability partnership] which is being wound up by the [Tribunal], the period from the date of commencement of the winding up of the [limited liability partnership] to the date on which the winding up order is made (both inclusive) and a period of one year immediately following the date of the winding up order shall be excluded.

Exercise and control of liquidator's powers.

460. (1) Subject to the provisions of [Limited Liability Partnership Act], the liquidator shall, in the administration of the assets of the [limited liability partnership] and the distribution thereof among its creditors, have regard to any directions which may be given by resolution of the creditors or [partners] at any [meeting] or by the committee of inspection.

(2) Any directions given by the creditors or [partners] at any [meeting] shall, in case of conflict, be deemed to override any directions given by the committee of inspection.

(3) The liquidator

(*a*) may summon [meetings] of the creditors or [partners], whenever he thinks fit, for the purpose of ascertaining their wishes;

(*b*) shall summon such meetings at such times, as the creditors or [partners], as the case may be, may, by resolution, direct, or whenever requested in writing to do so by not less than one-tenth in value of the creditors or [partners], as the case may be.

(4) The liquidator may apply to the [Tribunal] in the manner prescribed, if any, for directions in relation to any particular matter arising in the winding up.

(5) Subject to the provisions of [Limited Liability Partnership Act], the liquidator shall use his own discretion in the administration of the assets of the [limited liability partnership] and in the distribution thereof among the creditors.

(6) Any person aggrieved by any act or decision of the liquidator may apply to the [Tribunal]; and the [Tribunal] may confirm, reverse or modify the act or decision complained of, and make such further order as it thinks just in the circumstances.

Control of Central Government over liquidators.

463. (1) The Central Government shall take cognizance of the conduct of liquidators of [limited liability partnerships] which are being wound up by the [Tribunal], and, if a liquidator does not faithfully perform his duties and duly observe all the requirements imposed on him by [Limited Liability Partnership Act], [***], the rules thereunder, or otherwise, with respect to the performance of his duties, or if any complaint is made to the Central Government by any creditor or [partner] in regard thereto, the Central Government shall inquire into the matter, and take such action thereon as it may think expedient :

[***]

(2) The Central Government may at any time require any liquidator of a [limited liability partnership] which is being wound up by the [Tribunal] to answer any inquiry in relation to any winding up in which he is engaged, and may, if the Central Government thinks fit, apply to the [Tribunal] to examine him or any other person on oath concerning the winding up.

(3) The Central Government may also direct a local investigation to be made of the books and vouchers of the liquidators.

Committee of inspection

Appointment and composition of committee of inspection.

464. [(1) The Tribunal may, at the time of making an order for the winding up of a limited liability partnership or at any time thereafter, direct that there shall be appointed a committee of inspection to act with the liquidator.]

(2) [***]

(3) [***]

Constitution and proceedings of committee of inspection.

465. [(1)(*i*) A committee of inspection appointed in pursuance of section 464 shall consist of such number of members not exceeding twelve, as the Tribunal may order, being creditors and partners of the limited liability partnership or persons holding general or special powers of attorney from creditors or partners, in such proportions as may be agreed on by the meeting of creditors and partners or in case of difference of opinion between the meetings, as may be determined by the Tribunal.

(*ii*) The procedure to be adopted by the committee shall be as may be prescribed.]

(2) to (5) [***]

(6) A [partner] of the committee may resign by notice in writing signed by him and delivered to the liquidator.

(7) If a [partner] of the committee is adjudged an insolvent, or compounds or arranges with his creditors, or is absent from five consecutive meetings of the committee without the leave of those [partners] who, together with himself, represent the creditors or [partners], as the case may be, his office shall become vacant.

(8) A [partner] of the committee may be removed at a meeting of creditors if he represents creditors, or at a meeting of [partners] if he represents [partners], by a [resolution] of which seven days' notice has been given, stating the object of the meeting.

(9) On a vacancy occurring in the committee, the liquidator shall forthwith summon a meeting of creditors or of [partners], as the case may require, to fill the vacancy; and the meeting may, by resolution, reappoint the same, or appoint another, creditor or [partner] to fill the vacancy:

Provided that if the liquidator, having regard to the position in the winding up, is of the opinion that it is unnecessary for the vacancy to be filled, he may apply to the [Tribunal] and the [Tribunal] may make an order that the vacancy shall not be filled, or shall not be filled except in such circumstances as may be specified in the order.

(10) The continuing [partners] of the committee, if not less than two, may act notwithstanding any vacancy in the committee.

General powers of [Tribunal] in case of winding up by [Tribunal]

Power of [Tribunal] to stay winding up.

466. (1) The [Tribunal] may at any time after making a winding up order, on the application either of the [liquidator] or of any creditor or [partner], and on proof to the satisfaction of the [Tribunal] that all proceedings in relation to the winding up ought to be stayed, make an order staying the proceedings, either altogether or for a limited time, on such terms and conditions as the [Tribunal] thinks fit.

(2) On any application under this section, the [Tribunal] may, before making an order, require the [liquidator] to furnish to the [Tribunal] a report with respect to any facts or matters which are in his opinion relevant to the application.

(3) A copy of every order made under this section shall forthwith be forwarded by the [limited liability partnership], or otherwise as may be prescribed, to the Registrar, who shall make a minute of the order in his books relating to the [limited liability partnership].

Settlement of list of [partner] and application of assets.

467. (1) As soon as may be after making a winding up order, the [Tribunal] shall settle a list of [partner], [in such manner as may be prescribed] and shall cause the assets of the [limited liability partnership] to be collected and applied in discharge of its liabilities :

[***]

(2) [***]

Delivery of property to liquidator.

468. The [Tribunal] may, at any time after making a winding up order, require any [partner] for the time being on the list of [partners], and any trustee, receiver, banker, agent, officer or other employee of the [limited liability partnership], to pay, deliver, surrender or transfer forthwith, or within such time as the [Tribunal] directs, to the liquidator, any money, property or books and papers in his custody or under his control to which the [limited liability partnership] is *prima facie* entitled.

Payment into bank of moneys due to [limited liability partnership].

471. (1) The [Tribunal] may order any [partner], purchaser or other person from whom any money is due to the [limited liability partnership] to pay the money into the public account of India in the Reserve Bank of India instead of to the liquidator.

(2) Any such order may be enforced in the same manner as if the [Tribunal] had directed payment to the liquidator.

Power to exclude creditors not proving in time.

474. The [Tribunal] may fix a time or times within which creditors are to prove their debts or claims, or to be excluded from the benefit of any distribution made before those debts or claims are proved.

Power to order costs.

476. The [Tribunal] may, in the event of the assets being insufficient to satisfy the liabilities, make an order for the payment out of the assets, of the costs, charges and expenses incurred in the winding up, in such order of priority *inter se* as the [Tribunal] thinks just.

Power to summon persons suspected of having property of [limited liability partnership], etc.

477. (1) The [Tribunal] may, at any time after the appointment of a provisional liquidator or the making of a winding up order, summon before it any officer of the [limited liability partnership] or person known or suspected to have in his possession any property or books or papers, of the [limited liability partnership], or known or suspected to be indebted to the [limited liability partnership], or any person whom the [Tribunal] deems capable of giving information concerning the promotion, formation, trade, dealings, property, books or papers, or affairs of the [limited liability partnership].

(2) The [Tribunal] may examine any officer or person so summoned on oath concerning the matters aforesaid, either by word of mouth or on written interrogatories; and may, in the former case, reduce his answers to writing and require him to sign them.

(3) The [Tribunal] may require any officer or person so summoned to produce any books and papers in his custody or power relating to the [limited liability partnership]; but, where he claims any lien on books or papers produced by him, the production shall be without prejudice to that lien, and the [Tribunal] shall have jurisdiction in the winding up to determine all questions relating to that lien.

(4) If any officer or person so summoned, after being paid or tendered a reasonable sum for his expenses, fails to appear before the [Tribunal] at the time appointed, not having a lawful impediment (made known to the [Tribunal] at the time of its sitting and allowed by it), the [Tribunal] may cause him to be apprehended and brought before the [Tribunal] for examination.

(5) If, on his examination, any officer or person so summoned admits that he is indebted to the [limited liability partnership], the [Tribunal] may order him to pay to the provisional liquidator or, as the case may be, the liquidator at such time and in such manner as to the [Tribunal] may seem just, the amount in which he is indebted, or any part thereof, either in full discharge of the whole amount or not, as the [Tribunal] thinks fit, with or without costs of the examination.

(6) If, on his examination, any such officer or person admits that he has in his possession any property belonging to the [limited liability partnership], the [Tribunal] may order him to deliver to the provisional liquidator or, as the case may be, the liquidator, that property or any part thereof, at such time, in such manner and on such terms as to the [Tribunal] may seem just.

(7) Orders made under sub-sections (5) and (6) shall be executed in the same manner as decrees for the payment of money or for the delivery of property under the Code of Civil Procedure, 1908 (5 of 1908), respectively.

(8) Any person making any payment or delivery in pursuance of an order made under sub-section (5) or sub-section (6) shall by such payment or delivery be, unless otherwise directed by such order, discharged from all liability whatsoever in respect of such debt or property.

Power to order public examination of [partners], [designated partners], etc.

478. (1) When an order has been made for winding up a [limited liability partnership] by the [Tribunal], and the [liquidator] has made a report to the [Tribunal] under [Limited Liability Partnership Act], stating that in his opinion a fraud has been committed by any person in the promotion or formation of the [limited liability partnership], or by any officer of the [limited liability partnership] in relation to the [limited liability partnership] since its formation, the [Tribunal] may, after considering the report, direct that that person or officer shall attend before the [Tribunal] on a day appointed by it for that purpose, and be publicly examined as to the promotion or formation or the conduct of the business of the [limited liability partnership], or as to his conduct and dealings as an officer thereof.

(2) The [liquidator] shall take part in the examination, and for that purpose may, if specially authorized by the [Tribunal] in that behalf, employ such legal assistance as may be sanctioned by the [Tribunal].

[(3) Any creditor or partner may also take part in the examination either personally or by any chartered accountants or company secretaries or cost accountants or legal practitioners entitled to appear before the Tribunal.]

(4) The [Tribunal] may put such questions to the person examined as it thinks fit.

(5) The person examined shall be examined on oath, and shall answer all such questions as the [Tribunal] may put, or allow to be put, to him.

(6) A person ordered to be examined under this section

(*a*) shall, before his examination, be furnished at his own cost with a copy of the [liquidator's report]; and

(*b*) [***]

(7)(*a*) If any such person applies to the [Tribunal] to be exculpated from any charges made or suggested against him, it shall be the duty of the [liquidator] to appear on the hearing of the application and call the attention of the [Tribunal] to any matters which appear to the [liquidator] to be relevant.

(*b*) If the [Tribunal], after hearing any evidence given or witnesses called by the [liquidator], grants the application, the [Tribunal] may allow the applicant such costs as it may think fit.

(8) Notes of the examination shall be taken down in writing, and shall be read over to or by, and signed by, the person examined; and may thereafter be used in evidence against him, and shall be open to the inspection of any creditor or [partner] at all reasonable times.

(9) The [Tribunal] may, if it thinks fit, adjourn the examination from time to time.

[(10) An examination under this section may, if the Tribunal so directs, be held before any authority or person authorized by the Tribunal].

(11) The powers of the [Tribunal] under this section as to the conduct of the examination, but not as to costs, may be exercised by the [authority or person] before whom the examination is held in pursuance of sub-section (10).

Power to arrest absconding [partner].

479. At any time either before or after making a winding up order, the [Tribunal] may, on proof of probable cause for believing that a [partner] is about to quit India or otherwise to abscond, or is about to remove or conceal any of his property, for the purpose of evading payment of calls or of avoiding examination respecting the affairs of the [limited liability partnership], cause

(*a*) the [partner] to be arrested and safely kept until such time as the [Tribunal] may order; and

(*b*) his books and papers and movable property to be seized and safely kept until such time as the [Tribunal] may order.

Dissolution of [limited liability partnership].

481. (1) When the affairs of a [limited liability partnership] have been completely wound up or when the [Tribunal] is of the opinion that the liquidator cannot proceed with the winding up of a [limited liability partnership] for want of funds and assets or for any other reason whatsoever and it is just and reasonable in the circumstances of the case that an order of dissolution of the [limited liability partnership] should be made, the [Tribunal] shall make an order that the [limited liability partnership] be dissolved from the date of the order, and the [limited liability partnership] shall be dissolved accordingly.

(2) A copy of the order shall, within thirty days from the date thereof, be forwarded by the liquidator to the Registrar who shall make in his books a minute of the dissolution of the [limited liability partnership].

(3) If the liquidator makes default in forwarding a copy as aforesaid, he shall be punishable with fine which may extend to five hundred rupees for every day during which the default continues.

Enforcement of and appeal from orders

Order made in any Court to be enforced by other Courts.

482. Any order made by a Court for, or in the course of, winding up a [limited liability partnership] shall be enforceable at any place in India, other than that over which such Court has jurisdiction, by the Court which would have had jurisdiction in respect of the [limited liability partnership] if its registered office had been situate at such other place, and in the same manner in all respects as if the order had been made by that Court.

Appeals from orders.

483. Appeals from any order made, or decision given in the matter of the winding up of a [limited liability partnership] by the Court shall lie to the same Court to which, in the same manner in which, and subject to the same conditions under which, appeals lie from any order or decision of the Court in cases within its ordinary jurisdiction.

Circumstances in which [limited liability partnership] may be wound up voluntarily.

484. [(1) Any limited liability partnership may be wound up voluntarily if the limited liability partnership passes a resolution to wind up the limited liability partnership with approval of at least three-fourths of total number of its partners:

Provided that if the limited liability partnership has creditors, whether secured or unsecured, then such winding up shall not take place unless approval of such creditors takes place in such manner as may be prescribed.]

(2) [***]

Commencement of voluntary winding up.

486. A voluntary winding up shall be deemed to commence at the time when the resolution for voluntary winding up is passed.

Consequences of voluntary winding up

Effect of voluntary winding up on status of [limited liability partnership].

487. In the case of a voluntary winding up, the [limited liability partnership] shall, from the commencement of the winding up, cease to carry on its business, except so far as may be required for the beneficial winding up of such business :

Provided that [status of the limited liability partnership and its powers] shall continue until it is dissolved.

Declaration of solvency

Declaration of solvency in case of proposal to wind up voluntarily.

488. [(1) Where it is proposed to wind up a limited liability partnership voluntarily, the majority of its designated partners (being not less than two) shall make a declaration in such form and manner and within such time as may be prescribed to the effect that the limited liability partnership has no debt or that it will be able to pay its debts in full within such period not exceeding one year from the commencement of the winding up as may be specified in the declaration.]

(2) [***]

(3) Any [designated partner] of a [limited liability partnership] making a declaration under this section without having reasonable grounds for the opinion that the [limited liability partnership] will be able to pay its debts in full within the period specified in the declaration, shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to fifty thousand rupees, or with both.

(4) If the [limited liability partnership] is wound up in pursuance of a resolution passed within the period [prescribed in sub-section (1)] after the making of the declaration, but its debts are not paid or provided for in full within the period specified in the declaration, it shall be presumed, until the contrary is shown, that the [designated partner] did not have reasonable grounds for his opinion.

(5) [***].

Power of liquidator to accept shares, etc., as consideration for sale of property of [limited liability partnership].

494. [(1) Where a limited liability partnership (the transferor limited liability partnership) is proposed to be, or is in the course of being, wound up voluntarily and the whole or any part of its business or property is proposed to be transferred or sold to any limited liability partnership (the transferee limited liability partnership), the LLP Liquidator of the transferor limited liability partnership may, with the sanction of a resolution of the transferor limited liability partnership passed by at least three-fourths of total number of partners conferring on LLP liquidator either a general authority or an authority in respect of any particular arrangement,

(*a*) receive, by way of compensation wholly or in part for the transfer or sale, cash, securities, policies, or other like interests in the transferee limited liability partnership, for distribution among the partners of the transferor limited liability partnership; or

(*b*) enter into any other arrangement whereby the partners of the transferor limited liability partnership may, in lieu of receiving cash, securities, policies or other like interest or in addition thereto, participate in the profits of, or receive any other benefit from, the transferee limited liability partnership:
Provided that no such arrangement shall be entered into without the consent of the secured creditors, if any.]

[(2) Any transfer, sale or other arrangement in pursuance of this section shall be binding on all the partners of the transferor limited liability partnership.]

[(3) Any partner of the transferor limited liability partnership who did not vote in favour of the resolution and expressed his dissent therefrom in writing addressed to the LLP Liquidator and left at the registered office of the limited liability partnership within seven days after the passing of the resolution, may require the LLP Liquidator to purchase his interest at a price to be determined by agreement or the registered valuer.]

[(4) If the LLP Liquidator decides to purchase such partner's interest, the purchase money, raised by him in such manner as may be determined by a resolution passed by three-fourths of total number of partners, shall be paid before the limited liability partnership is dissolved.]

(5) & (6) [***]

Final meeting and dissolution.

497. [(1) As soon as the affairs of a limited liability partnership are fully wound up, the LLP Liquidator shall prepare final winding up accounts, explanations and a report on the conduct of affairs of the limited liability partnership during winding up in such form and manner as may be prescribed, showing how the property and assets of the limited liability partnership have been disposed of and its debt fully discharged or discharged to the satisfaction of the creditors and thereafter seek approval of the partners or the creditors of the limited liability partnership, as the case may be, on the said report and the final winding up accounts and explanation in the meeting of partners or creditors:

Provided that no such meeting of creditors is required if there were no creditors before commencement of voluntary winding up or creditors are paid their dues in such manner as may be prescribed.]

(2) [***]

[(3) Within two weeks after the meeting of partners and of creditors, if required, the LLP liquidator shall

(*a*) send to the Registrar a copy of the final winding up accounts, explanation and report; and

(*b*) file an application with the Tribunal along with a copy of the final winding up accounts, explanations and report, for passing an order of dissolution of the limited liability partnership.

If the copy is not so sent or application not so made, the LLP Liquidator shall be punishable with fine which may extend to five hundred rupees for every day during which the default continues.]

(4) & (5) [***]

[(6) If the Tribunal is satisfied, after considering the application, final winding up accounts, explanations and report of the LLP Liquidator, that the process of winding up has been duly followed, the Tribunal may pass an order, within sixty days of the receipt of such application, accounts, explanations and report, that the limited liability partnership shall stand dissolved.]

(6A), (6B) & (7) [***]

Distribution of property of [limited liability partnership].

511. Subject to the provisions of [Limited Liability Partnership Act] as to preferential payments, the assets of a [limited liability partnership] shall, on its winding up, be applied in satisfaction of its liabilities *pari passu* and, subject to such application, shall, unless the [limited liability partnership agreement] otherwise provide, be distributed among the [partners] according to their rights and interests in the [limited liability partnership].

Application of section 454 to voluntary winding up.

511A. The provisions of section 454 shall, so far as may be, apply to every voluntary winding up as they apply to the winding up by the [Tribunal] except that references to

(*a*) the [Tribunal] shall be omitted;

(*b*) the [***] Liquidator or the provisional liquidator shall be construed as references to the liquidator; and

(*c*) the "relevant date" shall be construed as references to the date of commencement of the winding up.

Powers and duties of liquidator in voluntary winding up.

512. [(1) The LLP Liquidator may, with the sanction of a resolution by three-fourths of total number of partners of the limited liability partnership, and prior approval of the Tribunal in the case of a voluntary winding up,

(*i*) pay any class of creditors in full;

(*ii*) make any compromise or arrangement with creditors or persons claiming to be creditors, or having or alleging themselves to have any claim, present or future, certain or contingent, against the limited liability partnership, or whereby the limited liability partnership may be rendered liable; or

(*iii*) compromise any money due from partners including outstanding, unrealized or unrecovered contribution, debt, and liability capable of resulting in a debt, and any claim, present or future, certain or contingent, ascertained or sounding only in damages, subsisting or alleged to subsist between the limited liability partnership and a partner or alleged partner or other debtor or person apprehending liability to the limited liability partnership, and all questions in any way relating to or affecting the assets or liabilities or the winding up of the limited liability partnership, on such terms as may be agreed, and take any security for the discharge of any such debt, liability or claim, and give a complete discharge in respect thereof.]

[(2) Any creditor or partner may apply in the manner prescribed to the Tribunal with respect to any exercise or proposed exercise of powers by the LLP Liquidator under this sub-section, and the Tribunal shall after giving a reasonable opportunity to such applicant and the LLP Liquidator, pass such orders as it may think fit.]

(3) The [LLP liquidator] shall pay the debts of the [limited liability partnership] and shall adjust the rights of the [partners] among themselves.

(4) When several [LLP liquidators] are appointed, any power given by [Limited Liability Partnership Act] may be exercised by such one or more of them as may be determined at the time of their appointment, or, in default of such determination, by any number of them not being less than two.

Corrupt inducement affecting appointment as liquidator.

514. Any person who gives, or agrees or offers to give, to any [partner] or creditor of a [limited liability partnership] any gratification whatever with a view to

(*a*) securing his own appointment or nomination as the [limited liability partnership's LLP liquidator] ; or

(*b*) securing or preventing the appointment or nomination of some person other than himself, as the [limited liability partnership's LLP liquidator];

shall be punishable with fine which may extend to ten thousand rupees.

Power of [Tribunal] to appoint and remove liquidator in voluntary winding up.

515. [(1) If from any cause whatever, there is no LLP liquidator acting, the Tribunal may appoint any person from the panel as a LLP liquidator on such fees as may be determined by it.]

[(2) The Tribunal may, on cause shown remove a LLP liquidator and appoint any other person from the panel, as a LLP liquidator in place of the removed LLP liquidator.]

[(3) The Tribunal may also appoint or remove a LLP liquidator on the application made by the Registrar in this behalf.]

(4) [***]

Arrangement when binding on [limited liability partnership] and creditors.

517. (1) Any arrangement entered into between a [limited liability partnership] about to be, or in the course of being, wound up and its creditors shall, subject to the right of appeal under this section, be binding on the [limited liability partnership] and on the creditors if it is sanctioned by a [resolution passed by three-fourth of total number of partners] of the [limited liability partnership] and acceded to by three-fourths in number and value of the creditors.

(2) Any creditor or [partner] may, within three weeks from the completion of the arrangement, appeal to the [Tribunal] against it and the [Tribunal] may thereupon, as it thinks just, amend, vary, confirm or set aside the arrangement.

Power to apply to [Tribunal] to have questions determined or powers exercised.

518. (1) The [LLP liquidator] or any [partner] or creditor may apply to the [Tribunal]

(*a*) to determine any question arising in the winding up of a [limited liability partnership]; or

(*b*) to exercise, as respects [enforcing realization of outstanding contribution], the staying of proceedings or any other matter, all or any of the powers which the [Tribunal] might exercise if the [limited liability partnership] were being wound up by the [Tribunal].

(2) The [LLP liquidator] or any creditor or [partner] may apply to the [Tribunal] [***] for an order setting aside any attachment, distress or execution put into force against the estate or effects of the [limited liability partnership] after the commencement of the winding up.

(3) [***]

(4) The [Tribunal], if satisfied on an application under sub-section (1) or (2) that the determination of the question or the required exercise of power or the order applied for will be just and beneficial, may accede wholly or partially to the application on such terms and conditions as it thinks fit, or may make such other order on the application as it thinks just.

(5) A copy of an order staying the proceedings in the winding up, made by virtue of this section, shall forthwith be forwarded by the [limited liability partnership], or otherwise as may be prescribed, to the Registrar,who shall make a minute of the order in his books relating to the [limited liability partnership].

Application of liquidator to [Tribunal] for public examination of [partners], [designated partners], etc.

519. (1) The [LLP liquidator] may make a report to the [Tribunal] stating that in his opinion a fraud has been committed by any person in the promotion or formation of the [limited liability partnership] or by any officer of the [limited liability partnership] in relation to the [limited liability partnership] since its formation; and the [Tribunal] may, after considering the report, direct that that person or officer shall attend before the [Tribunal] on a day appointed by it for that purpose, and be publicly examined as to the promotion or formation or the conduct of the business of the [limited liability partnership], or as to his conduct and dealings as officer thereof.

[(2) The provisions of section 478 as applicable to winding up of limited liability partnerships by Tribunal shall apply in relation to any examination directed under sub-section (1).]

Debts of all descriptions to be admitted to proof.

528. In every winding up (subject, in the case of [insolvent limited liability partnerships], to the application in accordance with the provisions of this Act of the law of insolvency), all debts payable on a contingency, and all claims against the [limited liability partnership], present or future, certain or contingent, ascertained or sounding only in damages, shall be admissible to proof against the [limited liability partnership], a just estimate being made, so far as possible, of the value of such debts or claims as may be subject to any contingency, or may sound only in damages, or for some other reason may not bear a certain value.

Application of insolvency rules in winding up of insolvent [limited liability partnerships].

529. (1) In the winding up of an insolvent [limited liability partnership], the same rules shall prevail and be observed with regard to

(*a*) debts provable;

(*b*) the valuation of annuities and future and contingent liabilities; and

(*c*) the respective rights of secured and unsecured creditors;

as are in force for the time being under the law of insolvency with respect to the estates of persons adjudged insolvent :

Provided that the security of every secured creditor shall be deemed to be subject to a *pari passu* charge in favour of the workmen to the extent of the workmen's portion therein, and, where a secured creditor, instead of relinquishing his security and proving his debt, opts to realise his security,

(*a*) the [liquidator or LLP liquidator] shall be entitled to represent the workmen and enforce such charge;

(*b*) any amount realised by the [liquidator or LLP liquidator] by way of enforcement of such charge shall be applied rateably for the discharge of workmen's dues; and

(*c*) so much of the debt due to such secured creditor as could not be realised by him by virtue of the foregoing provisions of this proviso or the amount of the workmen's portion in his security, whichever is less, shall rank *pari passu* with the workmen's dues for the purposes of section 529A.

(2) All persons who in any such case would be entitled to prove for and receive dividends out of the assets of the [limited liability partnership], may come in under the winding up, and make such claims against the [limited liability partnership] as they respectively are entitled to make by virtue of this section :

Provided that if a secured creditor instead of relinquishing his security and proving for his debt proceeds to realise his security, he shall be liable to pay his portion of the expenses incurred by the [liquidator or LLP liquidator] (including a provisional [liquidator or LLP liquidator], if any) for the preservation of the security before its realization by the secured creditor.

Explanation : For the purposes of this proviso, the portion of expenses incurred by the [liquidator or LLP liquidator] for the preservation of a security which the secured creditor shall be liable to pay shall be the whole of the expenses less an amount which bears to such expenses the same proportion as the workmen's portion in relation to the security bears to the value of the security.

(3) For the purposes of this section, section 529A and section 530,

(*a*) "workmen", in relation to a [limited liability partnership], means the employees of the [limited liability partnership], being workmen within the meaning of the Industrial Disputes Act, 1947 (14 of 1947);

(*b*) "workmen's dues", in relation to a [limited liability partnership], means the aggregate of the following sums due from the [limited liability partnership] to its workmen, namely :

(*i*) all wages or salary including wages payable for time or piece work and salary earned wholly or in part by way of commission of any workman, in respect of services rendered to the [limited liability partnership] and any compensation payable to any workman under any of the provisions of the Industrial Disputes Act, 1947 (14 of 1947);

(*ii*) all accrued holiday remuneration becoming payable to any workman, or in the case of his death to any other person in his right, on the termination of his employment before, or by the effect of, the winding up order or resolution;

(*iii*) unless the [limited liability partnership] is being wound up voluntarily merely for the purposes of reconstruction or of amalgamation with another [limited liability partnership], or unless the [limited liability partnership] has, at the commencement of the winding up, under such a contract with insurers as is mentioned in section 14 of the Workmen's Compensation Act, 1923 (8 of 1923), rights capable of being transferred to and vested in the workman, all amounts due in respect of any compensation or liability for compensation under the said Act in respect of the death or disablement of any workman of the [limited liability partnership];

(*iv*) all sums due to any workman from a provident fund, a pension fund, a gratuity fund or any other fund for the welfare of the workmen, maintained by the [limited liability partnership];

(*c*) "workmen's portion", in relation to the security of any secured creditor of a [limited liability partnership], means the amount which bears to the value of the security the same proportion as the amount of the workmen's dues bears to the aggregate of

(*i*) the amount of workmen's dues; and

(*ii*) the amounts of the debts due to the secured creditors.

Illustration

The value of the security of a secured creditor of a [limited liability partnership] is Rs. 1,00,000. The total amount of the workmen's dues is Rs. 1,00,000. The amount of the debts due from the [limited liability partnership] to its secured creditors is Rs. 3,00,000. The aggregate of the amount of workmen's dues and of the amounts of debts due to secured creditors is Rs. 4,00,000. The workmen's portion of the security is, therefore, one-fourth of the value of the security, that is Rs. 25,000.

Overriding preferential payments.

529A. (1) Notwithstanding anything contained in any other provision of [Limited Liability Partnership Act] or any other law for the time being in force, in the winding up of a [limited liability partnership]

(*a*) workmen's dues; and

(*b*) debts due to secured creditors to the extent such debts rank under clause (*c*) of the proviso to sub-section (1) of section 529 *pari passu* with such dues,

shall be paid in priority to all other debts.

(2) The debts payable under clause (*a*) and clause (*b*) of sub-section (1) shall be paid in full, unless the assets are insufficient to meet them, in which case they shall abate in equal proportions.

Preferential payments.

530. (1) In a winding up, subject to the provisions of section 529A, there shall be paid in priority to all other debts

(*a*) all revenues, taxes, cesses and rates due from the [limited liability partnership] to the Central or a State Government or to a local authority at the relevant date as defined in clause (*c*) of sub-section (8), and having become due and payable within the twelve months next before that date;

(*b*) all wages or salary (including wages payable for time or piece work and salary earned wholly or in part by way of commission) of any employee, in respect of services rendered to the [limited liability partnership] and due for a period not exceeding four months within the twelve months next before the relevant date, subject to the limit specified in sub-section (2);

(*c*) all accrued holiday remuneration becoming payable to any employee, or in the case of his death to any other person in his right, on the termination of his employment before, or by the effect of, the winding up order or resolution;

(*d*) unless the [limited liability partnership] is being wound up voluntarily merely for the purposes of reconstruction or of amalgamation with another [limited liability partnership], all amounts due, in respect of contributions payable during the twelve months next before the relevant date, by the [limited liability partnership] as the employer of any persons, under the Employees' State Insurance Act, 1948 (34 of 1948), or any other law for the time being in force;

(*e*) unless the [limited liability partnership] is being wound up voluntarily merely for the purposes of reconstruction or of amalgamation with another [limited liability partnership], or unless the [limited liability partnership] has, at the commencement of the winding up, under such a contract with insurers as is mentioned in section 14 of the Workmen's Compensation Act, 1923 (8 of 1923), rights capable of being transferred to and vested in the workman, all amounts due in respect of any compensation or liability for compensation under the said Act in respect of the death or disablement of any employee of the [limited liability partnership];

(*f*) all sums due to any employee from a provident fund, a pension fund, a gratuity fund or any other fund for the welfare of the employees, maintained by the [limited liability partnership]; and

(*g*) the expenses of any investigation held in pursuance of [section 43], in so far as they are payable by the [limited liability partnership].

(2) The sum to which priority is to be given under clause (*b*) of sub-section (1), shall not, in the case of any one claimant, exceed such sum as may be notified by the Central Government in the Official Gazette.

(3) Where any compensation under the Workmen's Compensation Act, 1923 (8 of 1923) is a weekly payment, the amount due in respect thereof shall, for the purposes of clause (*e*) of sub-section (1), be taken to be the amount of the lump sum for which the weekly payment could, if redeemable, be redeemed if the employer made an application for that purpose under the said Act.

(4) Where any payment has been made to any employee of a [limited liability partnership],

(*i*) on account of wages or salary; or

(*ii*) to him, or in the case of his death, to any other person in his right, on account of accrued holiday remuneration,

out of money advanced by some person for that purpose, the person by whom the money was advanced shall, in a winding up, have a right of priority in respect of the money so advanced and paid, up to the amount by which the sum in respect of which the employee or other person in his right, would have been entitled to priority in the winding up has been diminished by reason of the payment having been made.

(5) The foregoing debts shall

(*a*) rank equally among themselves and be paid in full, unless the assets are insufficient to meet them, in which case they shall abate in equal proportions; and

(*b*) so far as the assets of the [limited liability partnership] available for payment of general creditors are insufficient to meet them, have priority over the claims of holders of debentures under any floating charge created by the [limited liability partnership], and be paid accordingly out of any property comprised in or subject to that charge.

(6) Subject to the retention of such sums as may be necessary for the costs and expenses of the winding up, the foregoing debts shall be discharged forthwith so far as the assets are sufficient to meet them, and in the case of the debts to which priority is given by clause (*d*) of sub-section (1), formal proof thereof shall not be required except in so far as may be otherwise prescribed.

(7) In the event of a landlord or other person distraining or having distrained on any goods or effects of the [limited liability partnership] within three months next before the date of a winding up order, the debts to which priority is given by this section shall be a first charge on the goods or effects so distrained on, or the proceeds of the sale thereof :

Provided that, in respect of any money paid under any such charge, the landlord or other person shall have the same rights of priority as the person to whom the payment is made.

(8) For the purposes of this section

(*a*) any remuneration in respect of a period of holiday or of absence from work through sickness or other good cause shall be deemed to be wages in respect of services rendered to the [limited liability partnership] during that period;

(*b*) the expression "accrued holiday remuneration" includes, in relation to any person, all sums which, by virtue either of his contract of employment or of any enactment (including any order made or direction given under any enactment), are payable on account of the remuneration which would, in the ordinary course, have become payable to him in respect of a period of holiday, had his employment with the [limited liability partnership] continued until he became entitled to be allowed the holiday;

(*bb*) the expression "employee" does not include a workman; and

(*c*) the expression "the relevant date" means

(*i*) in the case of a [limited liability partnership] ordered to be wound up compulsorily, the date of the appointment (or first appointment) of a provisional liquidator, or if no such appointment was made, the date of the winding up order, unless in either case the [limited liability partnership] had commenced to be wound up voluntarily before that date; and

(*ii*) in any case where sub-clause (*i*) does not apply, the date of the passing of the resolution for the voluntary winding up of the [limited liability partnership].

(9) [***]

Effect of winding up on antecedent and other transactions

Fraudulent preference.

531. (1) Any transfer of property, movable or immovable, delivery of goods, payment, execution or other act relating to property made, taken or done by or against a [limited liability partnership] within six months before the commencement of its winding up which, had it been made, taken or done by or against an individual within three months before the presentation of an insolvency petition on which he is adjudged insolvent, would be deemed in his insolvency a fraudulent preference, shall in the event of the [limited liability partnership] being wound up, be deemed a fraudulent preference of its creditors and be invalid accordingly :

[***]

(2) For the purposes of sub-section (1), the presentation of a petition for winding up in the case of a winding up by or subject to the supervision of the [Tribunal], and the passing of a resolution for winding up in the case of a voluntary winding up, shall be deemed to correspond to the act of insolvency in the case of an individual.

Avoidance of voluntary transfer.

531A. Any transfer of property, movable or immovable, or any delivery of goods, made by a [limited liability partnership], not being a transfer or delivery made in the ordinary course of its business or in favour of a purchaser or encumbrancer in good faith and for valuable consideration, if made within a period of one year before the presentation of a petition for winding up by or subject to the supervision of the [Tribunal] or the passing of a resolution for voluntary winding up of the [limited liability partnership], shall be void against the [liquidator or LLP liquidator].

Transfers for benefit of all creditors to be void.

532. Any transfer or assignment by a [limited liability partnership] of all its property to trustees for the benefit of all its creditors shall be void.

Liabilities and rights of certain fraudulently preferred persons.

533. (1) Where, in the case of a [limited liability partnership] which is being wound up, anything made, taken or done [***] is invalid under section 531 as a fraudulent preference of a person interested in property mortgaged or charged to secure the [limited liability partnership's debt], then (without prejudice to any rights or liabilities arising apart from this provision), the person preferred shall be subject to the same liabilities, and shall have the same rights, as if he had

undertaken to be personally liable as surety for the debt, to the extent of the mortgage or charge on the property or the value of his interest, whichever is less.

(2) The value of the said person's interest shall be determined as at the date of the transaction constituting the fraudulent preference, and shall be determined as if the interest were free of all encumbrances other than those to which the mortgage or charge for the [limited liability partnership's debt] was then subject.

(3) On any application made to the [Tribunal] with respect to any payment on the ground that the payment was a fraudulent preference of a surety or guarantor, the [Tribunal] shall have jurisdiction to determine any questions with respect to the payment arising between the person to whom the payment was made and the surety or guarantor and to grant relief in respect thereof, notwithstanding that it is not necessary so to do for the purposes of the winding up, and for that purpose may give leave to bring in the surety or guarantor as a third party as in the case of a suit for the recovery of the sum paid.

This sub-section shall apply, with the necessary modifications, in relation to transactions other than the payment of money as it applies in relation to payments of money.

Effect of floating charge.

534. Where a [limited liability partnership] is being wound up, a floating charge on the undertaking or property of the [limited liability partnership] created within the twelve months immediately preceding the commencement of the winding up, shall, unless it is proved that the [limited liability partnership] immediately after the creation of the charge was solvent, be invalid, except to the amount of any cash paid to the [limited liability partnership] at the time of, or subsequently to the creation of, and in consideration for, the charge, together with interest on that amount at the rate of five per cent per annum or such other rate as may for the time being be notified by the Central Government in this behalf in the Official Gazette :

[***]

Disclaimer of onerous property in case of a [limited liability partnership] which is being wound up.

535. (1) Where any part of the property of a [limited liability partnership] which is being wound up consists of

(*a*) land of any tenure, burdened with onerous covenants;
(*b*) shares or stock in [limited liability partnerships];
(*c*) any other property which is unsaleable or is not readily saleable, by reason of its binding the possessor thereof either to the performance of any onerous act or to the payment of any sum of money; or
(*d*) unprofitable contracts;

the [liquidator or LLP liquidator] of the [limited liability partnership], notwithstanding that he has endeavoured to sell or has taken possession of the property, or exercised any act of ownership in relation thereto, or done anything in pursuance of the contract, may, with the leave of the [Tribunal] and subject to the provisions of this section, by writing signed by him, at any time within twelve months after the commencement of the winding up or such extended period as may be allowed by the [Tribunal], disclaim the property :

Provided that, where any such property has not come to the knowledge of the [liquidator or LLP liquidator] within one month after the commencement of the winding up, the power of disclaiming the property may be exercised at any time within twelve months after he has become aware thereof or such extended period as may be allowed by the [Tribunal].

(2) The disclaimer shall operate to determine, as from the date of disclaimer, the rights, interest, and liabilities of the [limited liability partnership], and the property of the [limited liability partnership], in or in respect of the property disclaimed, but shall not, except so far as is necessary for the purpose of releasing the [limited liability partnership] and the property of the [limited liability partnership] from liability, affect the rights or liabilities of any other person.

(3) The [Tribunal], before or on granting leave to disclaim, may require such notices to be given to persons interested, and impose such terms as a condition of granting leave, and make such other order in the matter as the [Tribunal] thinks just.

(4) The [liquidator or LLP liquidator] shall not be entitled to disclaim any property in any case where an application in writing has been made to him by any person interested in the property requiring him to decide whether he will or will not disclaim, and the [liquidator or LLP liquidator] has not, within a period of twenty-eight days after the receipt of the application or such extended period as may be allowed by the [Tribunal], given notice to the applicant that he intends to apply to the [Tribunal] for leave to disclaim; and in case the property is a contract, if the [liquidator or LLP liquidator], after such an application as aforesaid, does not within the said period or extended period disclaim the contract, he shall be deemed to have adopted it.

(5) The [Tribunal] may, on the application of any person who is, as against the [liquidator or LLP liquidator], entitled to the benefit or subject to the burden of a contract made with the [limited liability partnership], make an order rescinding the contract on such terms as to payment by or to either party of damages for the non-performance of the contract, or otherwise as the [Tribunal] thinks just; and any damages payable under the order to any such person may be proved by him as a debt in the winding up.

(6) The [Tribunal] may, on an application by any person who either claims any interest in any disclaimed property or is under any liability not discharged by [Limited Liability Partnership Act] in respect of any disclaimed property, and after hearing any such persons as it thinks fit, make an order for the vesting of the property in, or the delivery of the property to, any person entitled thereto or to whom it may seem just that the property should be delivered by way of compensation for such liability as aforesaid, or a trustee for him, and on such terms as the [Tribunal] thinks just; and on any such vesting order being made, the property comprised therein shall vest accordingly in the person therein named in that behalf without any conveyance or assignment for the purpose :

Provided that, where the property disclaimed is of a leasehold nature, the [Tribunal] shall not make a vesting order in favour of any person claiming under the [limited liability partnership], whether as under-lessee or as mortgagee or holder of a charge by way of demise, except upon the terms of making that person

(*a*) subject to the same liabilities and obligations as those to which the [limited liability partnership] was subject under the lease in respect of the property at the commencement of the winding up; or
(*b*) if the [Tribunal] thinks fit, subject only to the same liabilities and obligations as if the lease had been assigned to that person at that date;

and in either event (if the case so requires) as if the lease had comprised only the property comprised in the vesting order; and any mortgagee or under-lessee declining to accept a vesting order upon such terms shall be excluded from all interest in and security upon the property, and, if there is no person claiming under the [limited liability partnership] who is willing to accept an order upon such terms, the [Tribunal] shall have power to vest the estate and interest of the [limited liability partnership] in the property in any person liable, either personally or in a representative character, and either alone or jointly with the [limited liability partnership], to perform the lessee's covenants in the lease, freed and discharged from all estates, encumbrances and interests created therein by the [limited liability partnership].

(7) Any person injured by the operation of a disclaimer under this section shall be deemed to be a creditor of the [limited liability partnership] to the amount of the compensation or damages payable in respect of the injury, and may accordingly prove the amount as a debt in the winding up.

Avoidance of transfers, etc., after commencement of winding up.

536. (1) In the case of a voluntary winding up, any transfer of [contribution] in the [limited liability partnership], not being a transfer made to or with the sanction of the [LLP liquidator], and any alteration in the status of the [partners] of the [limited liability partnership], made after the commencement of the winding up, shall be void.

(2) In the case of a winding up by [the Court], any disposition of the property (including actionable claims) of the [limited liability partnership], and any transfer of [contribution] in the [limited liability partnership] or alteration in the status of its [partners], made after the commencement of the winding up, shall, unless the [Tribunal] otherwise orders, be void.

Avoidance of certain attachments, executions, etc., in winding up by [***] [Tribunal].

537. (1) Where any [limited liability partnership] is being wound up by [***] the [Tribunal]

(*a*) any attachment, distress or execution put in force, without leave of the [Tribunal], against the estate or effects of the [limited liability partnership], after the commencement of the winding up; or

(*b*) any sale held, without leave of the [Tribunal], of any of the properties or effects of the [limited liability partnership] after such commencement;

shall be void.

(2) Nothing in this section applies to any proceedings for the recovery of any tax or impost or any dues payable to the Government.

Offences by officers of [limited liability partnerships] in liquidation.

538. (1) If any person, being a past or present officer of a [limited liability partnership] which, at the time of the commission of the alleged offence, is being wound up, whether by [***] the [Tribunal] or voluntarily, or which is subsequently ordered to be wound up by the [Tribunal] or which subsequently passes a resolution for voluntary winding up,

(*a*) does not, to the best of his knowledge and belief, fully and truly discover to the [liquidator or LLP liquidator] all the property, movable and immovable, of the [limited liability partnership], and how and to whom and for what consideration and when the [limited liability partnership] disposed of any part thereof, except such part as has been disposed of in the ordinary course of the business of the [limited liability partnership];

(*b*) does not deliver up to the [liquidator or LLP liquidator], or as he directs, all such part of the movable and immovable property of the [limited liability partnership] as is in his custody or under his control, and which he is required by law to deliver up;

(*c*) does not deliver up to the [liquidator or LLP liquidator], or as he directs, all such books and papers of the [limited liability partnership] as are in his custody or under his control and which he is required by law to deliver up;

(*d*) within the twelve months next before the commencement of the winding up or at any time thereafter, conceals any part of the property of the [limited liability partnership] to the value of one hundred rupees or upwards, or conceals any debt due to or from the [limited liability partnership];

(*e*) within the twelve months next before the commencement of the winding up or at any time thereafter, fraudulently removes any part of the property of the [limited liability partnership] to the value of one hundred rupees or upwards;

(*f*) makes any material omission in any statement relating to the affairs of the [limited liability partnership];

(*g*) knowing or believing that a false debt has been proved by any person under the winding up, fails for a period of one month to inform the [liquidator or LLP liquidator] thereof;

(*h*) after the commencement of the winding up, prevents the production of any book or paper affecting or relating to the property or affairs of the [limited liability partnership];

(*i*) within the twelve months next before the commencement of the winding up or at any time thereafter, conceals, destroys, mutilates or falsifies, or is privy to the concealment, destruction, mutilation or falsification of, any book or paper affecting or relating to, the property or affairs of the [limited liability partnership];

(*j*) within the twelve months next before the commencement of the winding up or at any time thereafter makes, or is privy to the making of, any false entry in any book or paper affecting or relating to, the property or affairs of the [limited liability partnership];

(*k*) within the twelve months next before the commencement of the winding up or at any time thereafter, fraudulently parts with, alters or makes any omission in, or is privy to the fraudulent parting with, altering or making of any omission in, any book or paper affecting or relating to the property or affairs of the [limited liability partnership];

(*l*) after the commencement of the winding up or at any meeting of the creditors of the [limited liability partnership] within the twelve months next before the commencement of the winding up, attempts to account for any part of the property of the [limited liability partnership] by fictitious losses or expenses;

(*m*) within the twelve months next before the commencement of the winding up or at any time thereafter, by any false representation or other fraud, obtains on credit, for or on behalf of the [limited liability partnership], any property which the [limited liability partnership] does not subsequently pay for;

(*n*) within the twelve months next before the commencement of the winding up or at any time thereafter, under the false pretence that the [limited liability partnership] is carrying on its business, obtains on credit, for or on behalf of the [limited liability partnership], any property which the [limited liability partnership] does not subsequently pay for;

(*o*) within the twelve months next before the commencement of the winding up or at any time thereafter, pawns, pledges or disposes of any property of the [limited liability partnership] which has been obtained on credit and has not been paid for, unless such pawning, pledging or disposing is in the ordinary course of the business of the [limited liability partnership]; or

(*p*) is guilty of any false representation or other fraud for the purpose of obtaining the consent of the creditors of the [limited liability partnership] or any of them, to an agreement with reference to the affairs of the [limited liability partnership] or to the winding up;

he shall be punishable, in the case of any of the offences mentioned in clauses (*m*), (*n*) and (*o*), with imprisonment for a term which may extend to five years, or with fine, or with both, and, in the case of any other offence, with imprisonment for a term which may extend to two years, or with fine, or with both:

Provided that it shall be a good defence

(*i*) to a charge under any of the clauses (*b*), (*c*), (*d*), (*f*), (*n*) and (*o*), if the accused proves that he had no intent to defraud; and

(*ii*) to a charge under any of the clauses (*a*), (*h*), (*i*) and (*j*), if he proves that he had no intent to conceal the true state of affairs of the [limited liability partnership] or to defeat the law.

(2) Where any person pawns, pledges or disposes of any property in circumstan-ces which amount to an offence under clause (*o*) of sub-section (1), every person who takes in pawn or pledge or otherwise receives the property, knowing it to be pawned, pledged, or disposed of in such circumstances as aforesaid, shall be punishable with imprisonment for a term which may extend to three years, or with fine, or with both.

(3) For the purposes of this section, the expression "officer" shall include any person in accordance with whose directions or instructions the [designated partners] of the [limited liability partnership] have been accustomed to act.

Penalty for falsification of books.

539. If with intent to defraud or deceive any person, any officer or [partner] of a [limited liability partnership] which is being wound up

(*a*) destroys, mutilates, alters, falsifies or secrets, or is privy to the destruction, mutilation, alteration, falsification or secreting of, any books, papers or securities; or

(*b*) makes, or is privy to the making of, any false or fraudulent entry in any register, book of account or document belonging to the [limited liability partnership];

he shall be punishable with imprisonment for a term which may extend to seven years, and shall also be liable to fine.

Penalty for frauds by officers.

540. If any person, being at the time of the commission of the alleged offence an officer of a [limited liability partnership] which is subsequently ordered to be wound up by the [Tribunal] or which subsequently passes a resolution for voluntary winding up,

(*a*) has, by false pretences or by means of any other fraud, induced any person to give credit to the [limited liability partnership]; or

(*b*) with intent to defraud creditors of the [limited liability partnership], has made or caused to be made any gift or transfer of or charge on, or has caused or connived at the levying of any execution against, the property of the [limited liability partnership]; or

(*c*) with intent to defraud creditors of the [limited liability partnership], has concealed or removed any part of the property of the [limited liability partnership] since the date of any unsatisfied judgment or order for payment of money obtained against the [limited liability partnership], or within two months before that date;

he shall be punishable with imprisonment for a term which may extend to two years and shall also be liable to fine.

Liability where proper accounts not kept.

541. (1) Where a [limited liability partnership] is being wound up, if it is shown that proper books of account were not kept by the [limited liability partnership] throughout the period of two years immediately preceding the commencement of the winding up, or the period between the incorporation of the [limited liability partnership] and the commencement of the winding up, whichever is shorter, every officer of the [limited liability partnership] who is in default shall, unless he shows that he acted honestly and that in the circumstances in which the business of the [limited liability partnership] was carried on, the default was excusable, be punishable with imprisonment for a term which may extend to one year.

(2) For the purposes of sub-section (1), it shall be deemed that proper books of account have not been kept in the case of any [limited liability partnership], if there have not been kept

(*a*) such books or accounts as are necessary to exhibit and explain the transactions and financial position of the business of the [limited liability partnership], including books containing entries made from day to day in sufficient detail of all cash received and all cash paid; and

(*b*) where the business of the [limited liability partnership] has involved dealings in goods, statements of the annual stock takings and (except in the case of goods sold by way of ordinary retail trade) of all goods sold and purchased, showing the goods and the buyers and the sellers thereof in sufficient detail to enable those goods and those buyers and sellers to be identified.

Liability for fraudulent conduct of business.

542. (1) If in the course of the winding up of a [limited liability partnership], it appears that any business of the [limited liability partnership] has been carried on, with intent to defraud creditors of the [limited liability partnership] or any other persons, or for any fraudulent purpose, the [Tribunal], on the application of [the liquidator or the LLP liquidator] or any creditor or [partner] of the [limited liability partnership], may, if it thinks it proper so to do, declare that any persons who were knowingly parties to the carrying on of the business in the manner aforesaid shall be personally responsible, without any limitation of liability, for all or any of the debts or other liabilities of the [limited liability partnership] as the [Tribunal] may direct.

On the hearing of an application under this sub-section, [the liquidator or the LLP liquidator], as the case may be, may himself give evidence or call witnesses.

(2) (*a*) Where the [Tribunal] makes any such declaration, it may give such further directions as it thinks proper for the purpose of giving effect to that declaration.

(*b*) In particular, the [Tribunal] may make provision for making the liability of any such person under the declaration a charge on any debt or obligation due from the [limited liability partnership] to him, or on any mortgage or charge or any interest in any mortgage or charge on any assets of the [limited liability partnership] held by or vested in him, or any person on his behalf, or any person claiming as assignee from or through the person liable or any person acting on his behalf.

(*c*) The [Tribunal] may, from time to time, make such further order as may be necessary for the purpose of enforcing any charge imposed under this sub-section.

(*d*) For the purpose of this sub-section, the expression "assignee" includes any person to whom or in whose favour, by the directions of the person liable, the debt, obligation, mortgage or charge was created, issued or transferred or the interest was created, but does not include an assignee for valuable consideration (not including consideration by way of marriage) given in good faith and without notice of any of the matters on the ground of which the declaration is made.

(3) Where any business of a [limited liability partnership] is carried on with such intent or for such purpose as is mentioned in sub-section (1), every person who was knowingly a party to the carrying on of the business in the manner aforesaid, shall be punishable with imprisonment for a term which may extend to two years, or with fine which may extend to fifty thousand rupees, or with both.

(4) This section shall apply, notwithstanding that the person concerned may be criminally liable in respect of the matters on the ground of which the declaration is to be made.

Power of [Tribunal] to assess damages against delinquent [designated partners], etc.

543. (1) If in the course of winding up a [limited liability partnership], it appears that any person who has taken part in the promotion or formation of the [limited liability partnership], or any past or present [designated partner], [liquidator, LLP liquidator or officer] of the [limited liability partnership]

(*a*) has misapplied, or retained, or become liable or accountable for, any money or property of the [limited liability partnership]; or

(*b*) has been guilty of any misfeasance or breach of trust in relation to the [limited liability partnership];

the [Tribunal] may, on the application of [the liquidator, or the LLP liquidator], or of any creditor or [partner], made within the time specified in that behalf in sub-section (2), examine into the conduct of the person, [designated partner] [liquidator, LLP liquidator or officer] aforesaid, and compel him to repay or restore the money or property or any part thereof respectively, with interest at such rate as the [Tribunal] thinks just, or to contribute such sum to the assets of the [limited liability partnership] by way of compensation in respect of the misapplication, retainer, misfeasance or breach of trust, as the [Tribunal] thinks just.

(2) An application under sub-section (1) shall be made within [one] year from the date of the order for winding up, or of the first appointment of the liquidator in the winding up, or of the misapplication, retainer, misfeasance or breach of trust, as the case may be, whichever is longer.

(3) This section shall apply notwithstanding that the matter is one for which the person concerned may be criminally liable.

Liability under sections 542 and 543 to extend to partners or directors in firm or [limited liability partnership].

544. Where a declaration under section 542 or an order under section 543 is or may be made in respect of [a firm, limited liability partnership or body corporate], the [Tribunal] shall also have power to make a declaration under section 542, or pass an order under section 543, as the case may be, in respect of any person who was at the relevant time a partner in that firm or [a designated partner of that limited liability partnership or a director of that body corporate].

Prosecution of delinquent officers and [partners] of [limited liability partnership].

545. (1) If it appears to the [Tribunal] in the course of a winding up by , or subject to the supervision of, the [Tribunal], that any past or present officer, or any [partner], of the [limited liability partnership] has been guilty of any offence in relation to the [limited liability partnership], the [Tribunal] may, either on the application of any person interested in the winding up or of its own motion, direct the liquidator either himself to prosecute the offender or to refer the matter to the Registrar.

(2) If it appears to the [LLP liquidator] in the course of a voluntary winding up that any past or present officer, or any [partner], of the [limited liability partnership] has been guilty of any offence in relation to the [limited liability partnership], he shall forthwith report the matter to the Registrar and shall furnish to him such information and give to him such access to and facilities for inspecting and taking copies of any books and papers, being information or books and papers in the possession or under the control of the [LLP liquidator] and relating to the matter in question, as the Registrar may require.

(3) Where any report is made under sub-section (2) to the Registrar, he may, if he thinks fit, refer the matter to the Central Government for further inquiry.

The Central Government shall thereupon investigate the matter and may, if it thinks it expedient, apply to the [Tribunal] for an order conferring on any person designated by the Central Government for the purpose, with respect to the [limited liability partnership] concerned, all such powers of investigating the affairs of the [limited liability partnership] as are provided by [Limited Liability Partnership Act] in the case of a winding up by the [Tribunal].

(4) If on any report to the Registrar under sub-section (2), it appears to him that the case is not one in which proceedings ought to be taken by him, he shall inform the [LLP liquidator] accordingly, and thereupon, subject to the previous sanction of the [Tribunal], the [LLP liquidator] may himself take proceedings against the offender.

(5) If it appears to the [Tribunal] in the course of a voluntary winding up that any past or present officer, or any [partner], of the [limited liability partnership] has been guilty as aforesaid, and that no report with respect to the matter has been made by the [LLP liquidator] to the Registrar under sub-section (2), the [Tribunal] may, on the application of any person interested in the winding up or of its own motion, direct the [LLP liquidator] to make such a report, and on a report being made accordingly, the provisions of this section shall have effect as though the report had been made in pursuance of the provisions of sub-section (2).

(6) If, where any matter is reported or referred to the Registrar under this section, he considers that the case is one in which a prosecution ought to be instituted, he shall report the matter to the Central Government; and that Government may, after taking such legal advice as it thinks fit, direct the Registrar to institute proceedings:

Provided that no report shall be made by the Registrar under this sub-section without first giving the accused person an opportunity of making a statement in writing to the Registrar and of being heard thereon.

(7) When any proceedings are instituted under this section, it shall be the duty of the [liquidator or LLP liquidator] and of every officer and agent of the [limited liability partnership] past and present (other than the defendant in the proceedings) to give all assistance in connection with the prosecution which he is reasonably able to give.

For the purposes of this sub-section, the expression "agent", in relation to a [limited liability partnership], shall be deemed to include any banker or legal adviser of the [limited liability partnership] and any person employed by the [limited liability partnership] as auditor.

(8) If any person fails or neglects to give assistance in the manner required by sub-section (7), the [Tribunal] may, on the application of the Registrar, direct that person to comply with the requirements of that sub-section.

(9) Where any such application is made with respect to a [liquidator or LLP liquidator], the [Tribunal] may, unless it appears that the failure or neglect was due to the [liquidator or LLP liquidator] not having in his hands sufficient assets of the [limited liability partnership] to enable him so to do, direct that the costs of the application shall be borne by the [liquidator or LLP liquidator] personally.

Miscellaneous provisions

Liquidator to exercise certain powers subject to sanction.

546. (1) The [liquidator or LLP liquidator, in the case of voluntary winding up] may

(*a*) with the sanction of the [Tribunal], when the [limited liability partnership] is being wound up by or subject to the supervision of the [Tribunal]; and

(*b*) with the sanction of a [resolution passed by three-fourths of total number of partners] of the [limited liability partnership], in the case of a voluntary winding up,

(*i*) pay any classes of creditors in full;

(*ii*) make any compromise or arrangement with creditors or persons claiming to be creditors, or having or alleging themselves to have any claim, present or future, certain or contingent, ascertained or sounding only in damages, against the [limited liability partnership], or whereby the [limited liability partnership] may be rendered liable; or

(*iii*) compromise any [obligation to contribute or liability against such obligation], debt, and liability capable of resulting in a debt, and any claim, present or future, certain or contingent, ascertained or sounding only in damages, subsisting or alleged to subsist between the [limited liability partnership] and a [partner] or alleged [partner] or other debtor or person apprehending liability to the [limited liability partnership], and all questions in any way relating to or affecting the assets or liabilities or the winding up of the [limited liability partnership], on such terms as may be agreed, and take any security for the discharge of [any such obligation], debt, liability or claim, and give a complete discharge in respect thereof.

(1A) Notwithstanding anything contained in sub-section (1), in the case of a winding up by the [Tribunal], [the Central Government may make rules] providing that the liquidator may, under such circumstances, if any, and subject to such conditions, restrictions and limitations, if any, as may be specified in the rules, exercise any of the powers referred to in sub-clause (*ii*) or sub-clause (*iii*) of sub-section (1) without the sanction of the [Tribunal].

(2) In the case of a voluntary winding up, the exercise by the [LLP liquidator], in the case of voluntary winding up of the powers conferred by sub-section (1) shall be subject to the control of the [Tribunal].

(3) Any creditor or [partner] may apply to the [Tribunal] with respect to any exercise or proposed exercise of any such power.

Notification that a [limited liability partnership] is in liquidation.

547. (1) Where a [limited liability partnership] is being wound up, whether by or under the supervision of the [Tribunal] or voluntarily, every invoice, order for goods or business letter issued by or on behalf of the [limited liability partnership] or a [liquidator or LLP liquidator] of the [limited liability partnership], or a receiver or manager of the property of the [limited liability partnership], being a document on or in which the name of the [limited liability partnership] appears, shall contain a statement that the [limited liability partnership] is being wound up.

(2) If default is made in complying with this section, the [limited liability partnership], and every one of the following persons who wilfully authorises or permits the default, namely, any officer of the [limited liability partnership], any [liquidator or LLP liquidator] of the [limited liability partnership] and any receiver or manager, shall be punishable with fine which may extend to five thousand rupees.

Books and papers of [limited liability partnership] to be evidence.

548. Where a [limited liability partnership] is being wound up, all books and papers of the [limited liability partnership] and of the [liquidators or LLP liquidators] shall, as between the [partners] of the [limited liability partnership], be *prima facie* evidence of the truth of all matters purporting to be therein recorded.

Inspection of books and papers by creditors and [partners].

549. (1) At any time after the making of an order for the winding up of a [limited liability partnership] by or subject to the supervision of the [Tribunal], any creditor or [partner] of the [limited liability partnership] may, if the [Central Government], by rules prescribed so permit and in accordance with and subject to such rules but not further or otherwise, inspect the books and papers of the [limited liability partnership].

(2) Nothing in sub-section (1) shall be taken as excluding or restricting any rights conferred by any law for the time being in force

(*a*) on the Central or a State Government; or

(*b*) on any authority or officer thereof; or

(*c*) on any person acting under the authority of any such Government or of any such authority or officer.

Disposal of books and papers of [limited liability partnership].

550. (1) When the affairs of a [limited liability partnership] have been completely wound up and it is about to be dissolved, its books and papers and those of the [liquidator or LLP liquidator] may be disposed of as follows, that is to say :

(*a*) in the case of a winding up by [***] the [Tribunal], in such manner as the [Tribunal] directs;

[(*b*) in the case of voluntary winding up, in such manner as the limited liability partnership approves by three-fourths of total number of partners with the prior approval of the secured creditors, if any].

(2) After the expiry of five years from the dissolution of the [limited liability partnership], no responsibility shall rest on the [limited liability partnership], the [liquidator or LLP liquidator], or any person to whom the custody of the books and papers has been committed, by reason of any book or paper not being forthcoming to any person claiming to be interested therein.

(3) The Central Government may, by rules,

(*a*) prevent for such period (not exceeding five years from the dissolution of the [limited liability partnership]) as the Central Government thinks proper, the destruction of the books and papers of a [limited liability partnership] which has been wound up and of its [liquidator or LLP liquidator]; and

(*b*) enable any creditor or [partner] of the [limited liability partnership] to make representations to the Central Government in respect of the matters specified in clause (*a*) and to appeal to the [Tribunal] from any direction which may be given by the Central Government in the matter.

(4) If any person acts in contravention of any such rules or of any direction of the Central Government thereunder, he shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to fifty thousand rupees, or with both.

Information as to pending liquidations.

551. [(1)(*i*) The LLP liquidator in the case of voluntary winding up, and the liquidator, in the case of winding up by Tribunal, shall prepare, every year, a statement of accounts as on 31st March in such form and manner containing such particulars with respect to proceedings in, and position of, the liquidation, as may be prescribed within two months from 31st March, and file after being audited:

(*a*) in case of winding up by the Tribunal, in the Tribunal; and

(*b*) in case of voluntary winding up, with the Registrar

within such time as may be prescribed:

Provided that where the LLP liquidator or liquidator has not, during the period of account, received or paid any sum of money on account of the assets of the limited liability partnership, he shall file an affidavit of no receipt or payment for the period.

(*ii*) The accounts shall be audited by a person qualified to act as auditor of the limited liability partnership and for the purpose of the audit, the LLP liquidator or liquidator shall furnish the auditor such information as the auditor may require:

Provided that no such audit is required where the transaction during the period is for Rs. 50,000 or less.

(*iii*) Where the audit of the accounts is not required under this section, the statements of accounts shall contain a declaration by the LLP liquidator or liquidator that the books and accounts are properly maintained and funds have been utilized only for the purpose of winding up of the affairs of the limited liability partnership.

Explanation: "Year" in relation to the statement means period from first day of April of the year to the 31st day of March following year.]

(2) When the statement is filed in [Tribunal] under clause (*a*) of sub-section (1), a copy shall simultaneously be filed with the Registrar and shall be kept by him along with the other records of the [limited liability partnership].

(2A) [***]

(3) Any person stating himself in writing to be a creditor or [partner] of the [limited liability partnership] shall be entitled, by himself or by his agent, at all reasonable times, on payment of the prescribed fee, to inspect the statement, and to receive a copy thereof or an extract therefrom.

(4) Any person untruthfully stating himself to be a creditor or [partner] for the above purpose shall be deemed to be guilty of an offence under section 182 of the Indian Penal Code (45 of 1860), and shall, on the application of the [liquidator or LLP liquidator], be punishable accordingly.

(5) If a [LLP liquidator or liquidator] fails to comply with any of requirements of this section, he shall be punishable with fine which may extend to five thousand rupees for every day during which the failure continues :

Provided that if the [LLP liquidator or liquidator] makes wilful default in causing the statement referred to in sub-section (1) to be audited by a person qualified to act as auditor of the [limited liability partnership], the [LLP liquidator or liquidator] shall be punishable with imprisonment for a term which may extend to six months, or with fine which may extend to ten thousand rupees, or with both.

[***] Liquidator to make payments into the public account of India.

552. Every [***] Liquidator shall, in such manner and at such times as may be prescribed, pay the moneys received by him as liquidator of any [limited liability partnership], into the public account of India [***].

Voluntary liquidator to make payments into Scheduled Bank.

553. [(1) Every LLP liquidator shall pay, in such manner as may be prescribed, the monies received by him in his capacity as such in a Scheduled Bank to the credit of a special bank account opened by him in that behalf and called -

"the Liquidation Account of..... LLP":

Provided that if the Tribunal is satisfied that for the purpose of carrying on the business of the limited liability partnership or of obtaining advances or for any other reason, it is to the advantage of the creditors or partners that the LLP liquidator should have an account with any other bank, the Tribunal may authorise the LLP liquidator to make his payments into or out of such other bank as the Tribunal may select; and thereupon those payments shall be made in the prescribed manner and at the prescribed times into or out of such other bank.

(2) If any LLP Liquidator at any time retains for more than ten days a sum exceeding fifty thousand rupees or such other amount as the Tribunal may, on the application of the LLP Liquidator, authorize him to retain, then, unless he explains the retention to the satisfaction of the Tribunal, he shall

(*a*) pay interest on the amount so retained in excess, at the rate of twelve per cent per annum and also pay such penalty as may be determined by the Tribunal;

(*b*) be liable to pay any expenses occasioned by reason of his default; and

(*c*) also be liable to have all or such part of his remuneration, as the Tribunal may consider just, disallowed, or may also be removed from his office by the Tribunal.]

Liquidator not to pay moneys into private banking account.

554. [Neither the liquidator nor LLP Liquidator of a limited liability partnership] shall pay any moneys received by him in his capacity as such into any private banking account.

Unpaid dividends and undistributed assets to be paid into the [LLP Liquidation Account].

555. [(1) If the Liquidator or LLP Liquidator has in its hands or under his control any money representing

(*a*) any money representing dividend payable to any creditor or creditors, he shall transfer, within five days of such money being due, in a separate special bank account known as the "Dividend Account of M/s. ..... LLP (in liquidation)".

(*b*) any money representing assets refundable to any partner or partners, he shall transfer, within five days of such money being due, in a separate special bank account known as the "Distributable Asset Account of M/s. ..... LLP (in liquidation)".

(2) If the amounts which have been transferred to the "Dividend Account of M/s. ..... LLP (in liquidation)" or "Distributable Asset Account of M/s. ..... LLP (in liquidation)" but have not been paid or claimed within six months from the date of transfer of such amount, the Liquidator or LLP Liquidator shall, within seven days from the date of expiry of the said period of six months, transfer the said amount into the Public Account of India in a separate account to be known as the "LLP Liquidation Account].

(3) The [LLP liquidator or liquidator] shall, when making any payment referred to in sub-sections (1) and (2), furnish to such officer as the Central Government may appoint in this behalf, a statement in the prescribed form, setting forth, in respect of all sums included in such payment, the nature of the sums, the names and last known addresses of the persons entitled to participate therein, the amount to which each is entitled and the nature of his claim thereto, and such other particulars as may be prescribed.

(4) The [LLP liquidator or liquidator] shall be entitled to a receipt from the [Scheduled Bank] for any money paid to it under sub-sections (1) and (2); and such receipt shall be an effectual discharge of the [LLP liquidator or liquidator] in respect thereof.

(5) Where the [limited liability partnership] is being wound up by the [Tribunal], the liquidator shall make the payments referred to in sub-sections (1) and (2) by transfer from the account referred to in section 552.

(6) Where the [limited liability partnership] is being wound up voluntarily [by] or subject to the supervision of the [Tribunal], the [LLP liquidator or liquidator] shall, when filing a statement in pursuance of sub-section (1) of section 551, indicate the sum of money which is payable to the [Scheduled Bank] under sub-sections (1) and (2) of this section which he has had in his hands or under his control during the six months preceding the date to which the said statement is brought down, and shall, within fourteen days of the date of filing the said statement, pay that sum into the [LLP Liquidation Account].

(7) (*a*) Any person claiming to be entitled to any money paid into the [LLP Liquidation Account] [***] may apply to the [Tribunal] for an order for payment thereof, and the [Tribunal], if satisfied that the person claiming is entitled, may make an order for the payment to that person of the sum due :

Provided that before making such an order, the [Tribunal] shall cause a notice to be served on such officer as the Central Government may appoint in this behalf, calling on the officer to show cause within one month from the date of the service of the notice why the order should not be made.

(*b*) [***]

(8) Any money paid into the [LLP liquidation Account] in pursuance of this section, which remains unclaimed thereafter for a period of [seven] years, shall be transferred to the general revenue account of the Central Government; but a claim to any money so transferred may be preferred under sub-section (7) and shall be dealt with as if such transfer had not been made, the order, if any, for payment on the claim being treated as an order for refund of revenue.

(9) Any [LLP liquidator or liquidator] retaining any money which should have been paid by him into the [LLP Liquidation Account] under this section shall

(*a*) pay interest on the amount retained at the rate of twelve per cent per annum, and also pay such penalty as may be determined by the Registrar :

Provided that the Central Government may in any proper case remit either in part or in whole the amount of interest which the [LLP liquidator or liquidator] is required to pay under this clause;

(*b*) be liable to pay any expenses occasioned by reason of his default; and

(*c*) where the winding up is by or under the supervision of the [Tribunal], also be liable to have all or such part of his remuneration as the [Tribunal] may think just to be disallowed, and to be removed from his office by the [Tribunal].

Enforcement of duty of [liquidator or LLP liquidator] to make returns, etc.

556. (1) If any [liquidator or LLP liquidator] who has made any default in filing, delivering or making any return, account or other document, or in giving any notice which he is by law required to file, deliver, make or give, fails to make good the default within fourteen days after the service on him of a notice requiring him to do so, the [Tribunal] may, on an application made to the [Tribunal] by any [partner] or creditor of the [limited liability partnership] or by the Registrar, make an order directing the [liquidator or LLP liquidator] to make good the default within such time as may be specified in the order.

(2) Any such order may provide that all costs of and incidental to the application shall be borne by the [liquidator or LLP liquidator].

(3) Nothing in this section shall be taken to prejudice the operation of any enactment imposing penalties on a [liquidator or LLP liquidator] in respect of any such default as aforesaid.

[Tribunal] or person before whom affidavit may be sworn.

558. (1) Any affidavit required to be sworn under the provisions, or for the purposes, of this Part may be sworn

(*a*) in India, before any Court [or the Tribunal], Judge or person lawfully authorised to take and receive affidavits; and

(*b*) in any other country, either before any [Tribunal], Judge or person lawfully authorised to take and receive affidavits in that country or before an Indian Consul or Vice-Consul.

Explanation : [*Omitted by the J & K (Extension of Laws) Act, 1956.*]

(2) All Courts [, Tribunals], Judges, Justices, Commissioners and persons acting judicially in India shall take judicial notice of the seal, stamp or signature, as the case may be, of any such Court [, Tribunal], Judge, person, Consul or Vice-Consul, attached, appended or subscribed to any such affidavit or to any other document to be used for the purposes of this Part.

Power of [Tribunal] to declare dissolution of [limited liability partnership] void.

559. (1) Where a [limited liability partnership] has been dissolved, whether in pursuance of this Part or of [section 62] or otherwise, the [Tribunal] may at any time within two years of the date of the dissolution, on application by the [liquidator or LLP liquidator] of the [limited liability partnership] or by any other person who appears to the [Tribunal] to be interested, make an order, upon such terms as the [Tribunal] thinks fit, declaring the dissolution to have been void; and thereupon such proceedings may be taken as might have been taken if the [limited liability partnership] had not been dissolved.

(2) It shall be the duty of the person on whose application the order was made, within thirty days after the making of the order or such further time as the [Tribunal] may allow, to file a certified copy of the order with the Registrar who shall register the same; and if such person fails so to do, he shall be punishable with fine which may extend to five hundred rupees for every day during which the default continues.

Power of Registrar to strike defunct [limited liability partnership] off register.

560. (1) to (5) [***]

(6) If a [limited liability partnership], or any [partner] or creditor thereof, feels aggrieved by the [limited liability partnership] having been struck off the register [under section 75], the [Tribunal], on an application made by the [limited liability partnership], [partner] or creditor before the expiry of [five] years from the publication in the Official Gazette of the [notice striking off the name of the limited liability partnership from the register], may, if satisfied that the [limited liability partnership] was, at the time of the striking off, carrying on business or in operation or otherwise that it is just that the [limited liability partnership] be restored to the register, order the name of the [limited liability partnership] to be restored to the register; and the [Tribunal] may, by the order, give such directions and make such provisions as seem just for placing the [limited liability partnership] and all other persons in the same position as nearly as may be as if the name of the [limited liability partnership] had not been struck off.

(7) Upon a certified copy of the order under sub-section (6) being delivered to the Registrar for registration, the [limited liability partnership] shall be deemed to have continued in existence as if its name had not been struck off.

(8) & (9) [***]

[**Power to wind up foreign companies, although dissolved.**

584. Where a limited liability partnership registered or incorporated outside India, which has been carrying on business in India,

(*a*) ceases to carry on business in India;

(*b*) is dissolved or is carrying on business only for the purpose of winding up its affairs;

(*c*) is unable to pay its debts; or

(*d*) the Tribunal is of the opinion that it is just and equitable that the foreign limited liability partnership should be wound up,

it may be wound up as a limited liability partnership registered under this Act, notwithstanding that the limited liability partnership registered or incorporated outside India has been dissolved or otherwise ceased to exist as such under or by virtue of the laws of the country under which it was registered or incorporated.]

Third proviso to section 465(1) of the Companies Act, 2013 provides as under :

"***Repeal of certain enactments and savings***

Provided also that provisions of the Companies Act, 1956 (1 of 1956) referred in the notification issued under section 67 of the Limited Liability Partnership Act, 2008 (6 of 2009) shall, until the relevant notification under such section applying relevant corresponding provisions of this Act to limited liability partnerships is issued, continue to apply as if the Companies Act, 1956 has not been repealed."

1a. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.

2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.

3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.

1. Substituted for "company" *vide* by Notification No. GSR 6(E), dated 6-1-2010.

2. Substituted for "Court" *vide* by Notification No. GSR 6(E), dated 6-1-2010.

3. Omitted for "Court" *vide* by Notification No. GSR 6(E), dated 6-1-2010.

4. Substituted for "Court" *vide* by Notification No. GSR 6(E), dated 6-1-2010.

5. Substituted for "thirty" *vide* by Notification No. GSR 6(E), dated 6-1-2010.

6. Substituted for "company" *vide* by Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "Official Liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "section 391" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. "or before or after the commencement of the Companies (Amendment) Act, 1960 (65 of 1960)" omitted for "section 391" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "section 391" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "by which the winding up order is made or the provisional liquidator is appointed" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "Official Liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Official Liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "Official Liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6a. Substituted for "company's" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Inserted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "company's seal" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2a. Substituted for "this Act" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "contributories" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "general meeting" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "general meetings" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "companies" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2a. Substituted for "this Act" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Words "or by the Indian Companies Act, 1913 (7 of 1913)" omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Proviso omitted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Omitted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.

9. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Sub-sections (2) to (5) omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
1a. Substituted for "member" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1b. Substituted for "members" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "contributories" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "ordinary resolution" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "Official Liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "contributories" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "with power to rectify the register of members in all cases where rectification is required in pursuance of this Act" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Proviso omitted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Omitted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
10. Substituted for "contributories" *vide* Notification No. GSR 6(E), dated 6-1-2010.
11. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
12. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
13. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
14. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
15. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "promoters" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1a. Substituted for "directors" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1b. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Official Liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3a. Substituted for "this Act" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Official Liquidator's report" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Omitted for "Official Liquidator's report" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Judge or officer" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Omitted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "the corporate state and corporate powers of the company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "the corporate state and corporate powers of the company" *vide* Notification No. GSR 6(E), dated 6-1-2010.

1. Omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "director" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "of five weeks" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "of five weeks" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "this Act" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "articles" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "members" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Word "Official" omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "contributories" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "liquidators" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5a. Substituted for "this Act" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "member" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "company's liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8a. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
10. Omitted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "special resolution" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "the enforcing of calls" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Words "specified in sub-section (3)" omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
10. Omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1a. Substituted for "promoters" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1b. Substituted for "directors" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "insolvent companies" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6a. Substituted for "companies" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "this Act" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "section 235 or 237" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.

1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Proviso omitted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Words "after the commencement of this Act" omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "company's debt" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Proviso omitted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3a. Substituted for "companies" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3a. Substituted for "this Act" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "shares" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "members" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "or subject to the supervision of the Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Words "or subject to the supervision of" omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
10. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "companies" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1a. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Words "or subject to the supervision of" omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "directors" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "the Official Liquidator or the liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "Court", *vide* Notification No. GSR 6(E), dated 6-1-2010.
1a. Substituted for "directors" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "director, manager" *vide* Notification No. GSR 6(E), dated 6-1-2010.

4. Substituted for "liquidator or officer" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4a. Substituted for "the official liquidator, or the liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "five" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "a firm or body corporate" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Substituted for "a director of that body corporate" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "members" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1a. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "member" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "this Act" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "special resolution" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "call or liability to call" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "any such call" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "the Supreme Court may make rules under section 643" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
10. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "liquidators" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "contributories" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Substituted for "Supreme Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
10. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
11. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
12. Words "or subject to the supervision of" omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Clauses (*b*) and (*c*) substitute for clause (*b*), *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Omitted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Word "Official" omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Words "in the Reserve Bank of India" omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.

4. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Neither Official Liquidator nor any other liquidator of a company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "Companies Liquidation Account" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1a. Substituted for "Companies Liquidation Account" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Reserve Bank of India" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
*Word 'by' is inserted by Editors.
1. Substituted for "Companies Liquidation Account" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. "(whether paid in pursuance of this section or under the provisions of any previous companies law)" omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Clause (*b*) omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Substituted for "fifteen" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Substituted for "contributory" *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Inserted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "section 394" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Substituted for "liquidator" *vide* Notification No. GSR 6(E), dated 6-1-2010.
1. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
2. Substituted for "company" *vide* Notification No. GSR 6(E), dated 6-1-2010.
3. Sub-sections (1) to (5) omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
4. Substituted for "member" *vide* Notification No. GSR 6(E), dated 6-1-2010.
5. Inserted for "member" *vide* Notification No. GSR 6(E), dated 6-1-2010.
6. Substituted for "Court" *vide* Notification No. GSR 6(E), dated 6-1-2010.
7. Substituted for "twenty" *vide* Notification No. GSR 6(E), dated 6-1-2010.
8. Substituted for "notice aforesaid" *vide* Notification No. GSR 6(E), dated 6-1-2010.
9. Sub-sections (8) and (9) omitted *vide* Notification No. GSR 6(E), dated 6-1-2010.
10. Substituted *vide* Notification No. GSR 6(E), dated 6-1-2010.