PART I
BASICS ABOUT COMPANIES

Chapter 1

Definition and Types of Companies

Synopsis

1. Compulsory registration under the Companies Act

Pursuant to section 11(2) of the Companies Act, 1956, (hereinafter called "the Act"), where more than twenty persons jointly desire to carry on any business (other than banking) with the object of acquisition of gain, they can go about to pursue that objective only if they form a company and get it registered under the provisions of the Act.

Where the proposal is to undertake the business of banking, it can be carried on without registration as a company if the number of persons joining together for the business is not more than ten. If there are more than ten persons who together intend to do banking business, they cannot do so unless they form a company and register it under the Act.

The important criteria for mandatory registration as a company arises only when an association of more than twenty/ten persons intend to carry on some business with the object of acquisition of gain or intention to earn profit. When an association was formed with the object of acquiring land and division thereof amongst the members, such an association was held outside the ambit of the statutory provision. [*Wigfield* v *Potter* (1881) 45 LT 612. **See also** *Tan Waing* v *Bo Hein* (1933) 3 Comp Cas 42 (Rang)].

2. What is a company?

Company is a voluntary association of persons formed for the purpose of doing business having a distinct name and limited liability. It is a juristic person having a separate legal entity distinct from the members who constitute it, capable of rights and duties of its own and endowed with the potential of perpetual succession. The Companies Act, 1956, states that a 'company' includes company formed and registered under the Act or an existing company *i.e.* a company formed or registered under any of the previous company laws.

However, company is not a citizen so as to claim fundamental rights granted to citizens.

2.1 Company is a 'juristic person' and it can file a suit as an 'indigent person'

An expression 'person' includes not merely a natural person but also other juridical persons. A company being a juristic person would be represented before a Court of law or any other place by a person competent to represent it. It is enough that the person competent to represent a company presents the application on behalf of the company. Minors, lunatics or person under any disability are also entitled to file a suit either through guardian or the next friend. In such a case it is the guardian or next friend who is competent to represent the petitioner. A public limited company, which is otherwise entitled to maintain a suit as a legal person, can maintain an application under the Civil Procedure Code.

2.2 Company can be a complainant in a criminal case through its representative

The complainant must be a corporeal person capable of making his physical presence in the Court. Its corollary is that even if a complaint is made in the name of an incorporeal person like a company or corporation it is necessary that a natural person represents juristic person in the Court and it is that natural person who is looked upon, for all practical purposes, to be the complainant in the case. [*ACC Ltd.* v *Keshvanand* (1997) 28 CLA 90 (SC)].

Decree passed against a company cannot be satisfied by attachment and sale of properties belonging to other limited companies managed by same group of directors. [*Punjab National Bank* v *Breja Knipping Fasteners Ltd.* (2001) 30 SCL 456 (P&H)].

2.3 Company is a separate legal entity

Limited company is a separate legal entity distinct from its shareholder. Merely because there is only one shareholder, the entities which are otherwise distinct, one is a natural person and the other is an artificial juristic person, it cannot be contended that the said entities merge and one can act for and on behalf of other. [*Floating Services Ltd.* v *MV 'San Fransceo Dipalola'* (2004) 52 SCL 762 (Guj)].

A shareholder has no right to intervene or object in suit pending against company in respect of some of its assets independently of company. [*Purna Investment Ltd.* v *Bank of India Ltd.* (1984) 55 Comp Cas 737 (Cal)].

2.4 Transfer of property by promoter

When a promoter transfers to company on incorporation property, which ensures for its benefit, no conveyance is necessary. [*Vali Pattabhirama Rao* v *Sri Ramanuja Ginning & Rice Factory* (*P*) *Ltd.* (1986) 60 Comp Cas 568 (AP)].

2.5 Company is liable for a criminal offence

A company can be held liable for criminal intention. [*Director of Public Prosecutions* v *Kent. & Sussex Contractors Ltd.* (1944) 14 Comp Cas 133 (DC)] A company can be held liable for an offence of conspiracy to defraud. [*R.* v *I.C.R. Haulage Ltd*. (1945) 15 Comp Cas 47 (CA)].

If act was criminal act of an officer, to make company liable it must be proved as a matter of fact that officer was acting within limits of his authority on behalf of company. [*Esso Standard Inc.* v *Udharam Bhagwandas Japanwalla* (1975) 45 Comp Cas 16 (Bom)].

2.6 Company can be a trustee

A company can act as a trustee if permitted by its objects clause. [*Akhil Deshastha Rigvedi Brahman Madhyawarti Mandal* v *Joint Charity Commissioner* (1973) 43 Comp Cas 361 (Bom)].

2.7 Company cannot be a receiver

Body corporate is not qualified for appointment as receiver of property of a company formed and registered under Companies Act. [*Budgett* v *Improved Patent Forced Draught Finance Syndicate Ltd.* (1901) WN 23/S.*A.P. Fernado* v *Rainbow Sea Foods* (*P*) *Ltd*. (1991) 70 Comp Cas 181 (AP)].

3. Advantages of a company over other forms of business organisation

(*i*) A company is a legal entity, distinct and independent of those persons who from time to time are its members.

(*ii*) The liability of the company's members can be limited to the extent they have agreed to contribute towards the capital of the company with reference to the number of shares and/or the amount of guarantee respectively undertaken by them.

(*iii*) As the company is having an independent personality of its own, its members are not personally liable for any act or omission on the part of the company, unless the law expressly provides otherwise.

(*iv*) The company being a juristic person, distinct from the members constituting it, can acquire, own, enjoy and alienate property in its own name. As such the property would be that of the company and no member can make any claim upon it so long as the company is a going concern.

(*v*) The company being a legal entity can sue and also be sued in its own name.

(*vi*) The continuity of the company and its functioning is not effected by the death, disability or retirement of any of its members. The company continues to exist, irrespective of change in its membership. It is commonly referred to as "perpetual succession".

(*vii*) Transfer of member's interest in the company can be readily attained without in any way adversely affecting its property, business, or existence.

(*viii*) Transferability of the company's shares provides an element of liquidity to the investors in respect of their investment in the shares of the company and thus facilitates increased investment in the company's funds without, in any way, adversely affecting its economic stability.

(*ix*) The members of the company equitably share the profit by way of dividend and the company's assets in the event of its winding up in proportion of its capital respectively contributed by them.

(*x*) Shares of small denomination afford an opportunity to the small investors to invest according to their capacity.

(*xi*) Increased investment in the company's funds is further ensured by permitting large number of persons to subscribe to the company's shares. Incorporation of a company affords better opportunity for strengthening capital resources, growth and development of the enterprise.

(*xii*) The corporate form of business organisation affords opportunity for professionalisation of its management and entrusting the administration of its affairs to persons of professional competence and standing.

(*xiii*) Arrangements between the company and its members are comparatively similar to those of other forms of organisation. For example, a company may make a valid and effective contract with one of its member. It is also possible for a person to be in control of a company and at the same time, to be in its employment as an employee, subject to the provisions of the Act.

(*xiv*) Incorporation of company provides better borrowing facilities as the company can raise large amount, on comparatively easier terms, by issue of debentures, especially those secured by a floating charge or by accepting deposits from the public. Even banking and financial institutions prefer to render financial assistance to incorporated companies.

(*xv*) In certain cases, an incorporated company comparatively stands in a better position from the point of view of taxation on its income.

(*xvi*) Once the company is brought into existence on its incorporation, it can only be dissolved with the provisions of the law.

4. Disadvantages of a company form of organisation

(*i*) Unlimited liability: It is pertinent to note that while the members' liability is limited, the company itself is fully liable for its debts and thus has unlimited liability.

(*ii*) Personal liability of directors and members arises in following cases:

(*a*) when the number of members of a private company is reduced below two and in case of a public company reduced below seven and the company continues to carry on business for more than 6 months, every person who is a member of the company and is cognizant of the fact, shall be severally liable for the debts contracted during that time;

(*b*) when in any act or contract, the name of the company has been mis-described, those who have actually done the act or made the contract, shall be personally liable for it;

(*c*) when in the course of winding up of a company, any business of the company has been carried out to defraud the creditors, persons who are knowingly parties to such conduct shall be personally liable for the debts of the company;

(*d*) holding and subsidiary companies are generally viewed as independent entities. However, this independence is reduced to a certain extent when such companies are required to present accounts and financial position of the group as a whole to its creditors, shareholders and public. Besides, this independence is lost when the subsidiary is deemed as a branch of the holding company.

(*iii*) Formalities and expenses: Many formalities like obtaining Directors Identification Number, Degistal Signature and expenses are involved in the incorporation and day-to-day management and compliance of the company, such as holding meetings of the Board of directors and general meetings, preparation of accounts and auditing, passing of resolutions, preparation of statutory register and records, filing of on-line documents with the Registrar, etc.

(*iv*) Divorce of control from ownership: The control of the affairs of the company vests with the Board of Directors, which is obviously different from the shareholders. This disadvantage is mitigated to some extent in case of a private company.

(*v*) Detailed winding up procedure: As compared to a partnership firm, winding up of a company is very complicated, time-consuming and also a costly process.

(*vi*) Company is not a citizen.

5. Characteristics of a company

A company registered under the Companies Act has the following features: —

(*i*) separate legal entity;

(*ii*) incorporated body;

(*iii*) artificial legal person;

(*iv*) perpetual succession;

(*v*) limited liability;

(*vi*) common seal;

(*vii*) right to own property;

(*viii*) right to sue;

(*ix*) right to enter into contracts;

(*x*) flexibility of investment;

(*xi*) separation of control from the ownership.

6. Major constituents of a company

The major constituents of a company are its members, who are the ultimate owners, and its directors. It is an important feature of the company form of business, that there is a gap between the ownership and control over the affairs of the company. In real sense the members are the owners of a company, but it is being managed by the directors who are elected representatives of its members, because it is absolutely necessary for it to have a human agency called as the company's Board of directors. The Board of directors comprises the directors.

7. Lifting of the Corporate Veil

The basic principle, that the company is a distinct legal entity from its members, is regarded as a curtain or a veil between the company and its members. This corporate veil' protects the members from the liability of the company. When we look at the economic reality of the situation, the 'corporate veil' is said to have been lifted in certain circumstances.

As a matter of rule, the corporate veil cannot be lifted to see the identity of the persons behind it except in a few exceptional circumstances/situations, which have developed over a period of time through judicial pronouncements. These are:—

(*i*) to determine whether, it is an enemy company;

(*ii*) if it is used for evasion or to circumvent tax obligation;

(*iii*) when it is formed to defeat or circumvent law or defraud creditors or to avoid legal obligations;

(*iv*) where the companies are in relationship of holding and subsidiary companies;

(*v*) the laws relating to foreign exchange control have been violated;

(*vi*) a shareholder has lost the privilege of limited liability;

(*vii*) where the sole responsible person is the dependent himself;

(*viii*) by implying in certain cases that the company is an agent or the trustee of its members;

(*ix*) where a particular director could be proceeded against in pursuance of the impugned show cause notice or where he is liable for the payment of all duties charged and to all penalties;

(*x*) where the corporate entity is used for a fraudulent purpose;

(*xi*) where the corporate shield was blatantly used to disobey the orders of the Court willfully.

It was held in the case of *Krishi Foundry Employees' Union* v *Krishi Engineers Ltd.* 2003 CLC 546 (AP) that lifting of corporate veil is permissible if public interest requires. If the company uses another concern(s) to facilitate evasion of its legal obligation like payment of taxes, direct or indirect, or denial of statutory benefits to workmen, the Court has to disregard its separate legal entity. The question in each case is of the company law and the corporate personality is of secondary importance. The important question is whether the method adopted for evasion of legal obligations was intended to challenge public interest.

The corporate veil may be lifted where a statute itself contemplates lifting the veil, or fraud or improper conduct is intended to be prevented, or a taxing statute or a beneficent statute is sought to be evaded or where associated companies are inextricably connected as to be, in reality, part of one concern. [*Life Insurance Corpn. of India* v *Escorts Ltd.* (1986) 59 Comp Cas 548 (SC)].

Where it is found that corporate character has been used for committing illegalities and for defrauding people, corporate veil can be lifted with a view to rendering full justice to affected parties. [*Delhi Development Authority* v *Skipper Construction Co.* (*P*) *Ltd.* (1996) 4 Comp. LJ 233 (SC)].

The corporate veil is lifted when in defence proceedings, such as for the evasion of tax, an entity relies on its corporate personality as a shield to cover its wrong doings. [*BSN* (*UK*) *Ltd.* v *Janardan Mohandas Rajan Pillai* (1996) 86 Comp Cas 371 (Bom)].

Where a transaction of sale of its immovable property by a company in favour of the wives of the directors is alleged to be sham and collusive, the court will be justified in piercing the veil of incorporation to ascertain the true nature of the transaction as to who were the real parties to the sale and whether it was genuine and bona fide or whether it was between the husbands and the wives behind the facade of the separate entity of the company. [*Subra Mukherjee* v *Bharat Coking Coal Ltd.* (2000) 101 Comp Cas 257 (SC)].

8. Classification of companies

Companies under the Companies Act, 1956 may be classified on various grounds as under:

I. On the basis of business activities undertaken:

Companies

- (1) Manufacturing Activities
- (2) Service Activities
- (3) Non-Banking Finance Activities
- (4) Non-profit making (Section-25)
- (5) Producer (Section 581A)

II. On the basis of liabilities of the members and directors:

Companies

- With Limited liability (1)
  - (*a*) Limited by shares
  - (*b*) Limited by Guarantee & having share capital
  - (*c*) Limited by Guarantee
- With unlimited liability (2)

III. On the basis of membership pattern/size:

Companies
- (1) Public
  - (*a*) Unlisted
  - (*b*) Listed
- (2) Private
  - (*a*) Independent
  - (*b*) Subsidiary of Public Co.
- (3) Government

IV. On the basis of place of registration:

Companies
- (1) Indian Company (Incorporated in India)
- (2) Foreign Company (Company incorporated outside India but having place of business in India)

V. On the basis of control over the management:

Companies
- (1) Holding Company
- (2) Subsidiary Company

9. Types of Companies

9.1 Manufacturing Companies

Companies mainly engaged in any type of manufacturing activities, although they may have other businesses, are primarily classified as manufacturing companies. These companies are required to comply with the provisions of Companies Act, 1956 alongwith *the Companies* (*Auditor's Report*) *Order, 2003* (*CARO*) *which has come into force w.e.f. 1st July, 2003* and in the matter of deposits under section 58A of the Act and the Companies (Acceptance of Deposits) Rules, 1975.

9.2 Service Companies

Companies mainly engaged in any type of service activities like consultancy, management, information technology, etc., although they may have other businesses, are termed as service companies. These companies have to comply with the provisions of Companies Act, 1956 alongwith the rules prescribed in the Companies (Auditor's Report) Order, 2003 (CARO) which has come into force w.e.f. 1st July, 2003 as may be applicable and in the matter of deposits under section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

9.3 Non-Banking Financial Companies (*NBFC*)

Companies, which are not banking companies but are engaged in the business activities, related to loan, finance, investment, leasing, hire purchase and other fund-based activities, are termed as Non-Banking Financial Companies. The basic criteria of a company to be considered as a NBFC, are:—

(*i*) deployment of funds; and

(*ii*) recognition of income.

If majority of funds are deployed in and/or major income accrues from NBFC activities, although it may have other businesses, like manufacturing or service activities, etc., such company shall be deemed and classified as NBFC and these companies are required to comply with the provisions of RBI Act, and the rules and directions thereof, in addition to the provisions of Companies Act, 1956.

There are certain criteria for NBFC Companies *viz*. Compulsory registration with the RBI for commencement/continuance of NBFC activities, minimum Net Owned Fund, requirement of compulsory rating and RBI compliance before acceptance of deposits, etc.

If the company is having business activities of housing finance, it has to comply with the provisions of National Housing Bank Act, 1987 and directions issued by the National Housing Bank and must be registered with NHB.

9.4 Non-profit making/Charitable Companies

Any association desirous of being incorporated as a company with limited liability, without the addition of word "Limited" or the words "Private Limited" as the case may be shall make an application electronically to the Central Government (powers delegated to the Regional Director) on behalf of such company/proposed company as the case may be, for grant of licence under section 25.

It is usual to form such companies whose objects may be to protect and promote the interests of traders and business groups or to promote art, science, religion, charity or such other general purpose, which is in the overall interest of the community. Section 25 of the Companies Act, 1956 deals with the powers of the Central Government to dispense with 'Limited' in the name of charitable or other companies on fulfillments of certain conditions and is entrusted with the power to grant licence to association that for the companies proposed to be formed without the word "Limited" or "Private Limited" in their names or to companies already formed to delete the said words from their names where the Central Government is satisfied that:—

(*a*) the object for which the company is proposed to be formed or already formed is to promote commerce, art, science, religion, charity or any other useful objects;

(*b*) profits, if any, earned in carrying out the object and other income are proposed to be applied only for promoting its objects; and

(*c*) the company intends to prohibit the payment of dividend to its members.

9.5 Limited Companies

In such types of companies, the liabilities of members are always limited subject to some exceptions.

9.5.1 Companies limited by shares

These types of companies are quite common in commercial, trading and industrial world. Such companies are characterised with an authorised share capital of a certain amount, which is divided into units of definite sum called shares. The authorised share capital may comprise of more than one kind of shares, *viz*. ordinary or equity shares (voting and non-voting) and preference shares. The liability of each member of such company is limited to the unpaid amount of shares and premium, if any, held by him.

9.5.2 Companies limited by guarantee and having share capital

Such a company by way of undertaking in its Memorandum of Association restricts the liabilities of its members to a certain fixed amount, for payment of the debts and liabilities of the company in the event of winding up. The members are liable only for the amount contracted before he ceased to be a member or payment of the debts and liabilities within one year after he ceased to be a member. Such companies may also have share capital whenever necessary. In that event, the members will be liable for the amount, if any, remaining unpaid on the shares subscribed by them, in addition to the above guaranteed amount.

9.5.3 Companies limited by guarantee without having share capital

Companies limited by guarantee without having share capital are exactly similar in nature to the guarantee companies as referred above except that there will be no share capital. The members will be liable, in the circumstance referred to above, to contribute an amount not exceeding the sum specified in the Memorandum of Association.

9.6 Unlimited Companies

Such types of companies are analogous to that of partnership firm in respect of the liability of a member. Every member in such a company is jointly and severally liable for all the debts and liabilities of the company.

9.7 Public limited Companies

The Company defined under section 3(1)(*iv*) of the Companies Act, 1956 is a public company which—

(*i*) is not a private company;

(*ii*) has a minimum paid-up capital of Rs. 5 lakhs or such higher capital as may be prescribed;

(*iii*) is a private company but subsidiary of a public company.

9.7.1 Private Companies deemed to be Public Companies

Certain private companies are deemed to be public companies by virtue of section 43A, *viz.*—

(*a*) when 25% or more of its paid-up share capital is held by one or more bodies corporate;

(*b*) when its average annual turnover (during the last 3 years) exceeds Rs. 25 crores;

(*c*) when it holds 25% or more of the paid-up share capital of a public Company; or

(*d*) when it accepts or renews deposits from the public after making an invitation by an advertisement.

However, as per the Companies (Amendment) Act, 2000 effective from 13th December 2000 such deemed public limited companies are required to intimate to the Registrar to revert back to their original status as a private limited company.

9.7.2 Unlisted Companies

These types of companies do not invite general public to subscribe for its shares and securities and generally the directors, friends, their relatives and associates hold all the shares and securities in such companies. Unlisted companies are not required to comply with any requirements of the stock exchange and SEBI, until and unless it proposes to offer its securities to the general public by way of public issue or otherwise.

9.7.3 Listed Companies

These types of companies are having listing of its securities with one or more recognised stock exchanges in the country, these companies are required to comply with the requirements of the Listing Agreement, Depository Rules and SEBI guidelines as may be amended from time to time.

9.8 Private limited companies

Section 3(1)(*iii*) defines a private company as one which—

(*a*) has a minimum paid-up share capital of Rs. 1 Lakh or such higher capital as may be prescribed; and

(*b*) by its Articles of Association:

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

  (*ii*) limits the number of its members to 50 which will not include:—

    A. members who are employees of the company; and

    B. members who are ex-employees of the company and were members while in such employment and who have continued to be members after ceasing to be employees;

  (*iii*) prohibits any invitation to the public to subscribe for any shares or debentures of the company; and

  (*iv*) prohibits any invitation or acceptance of deposits from persons other than its members, directors or their relatives.

This goes to say that a private company, in addition to the earlier conditions, shall have a minimum paid-up share capital of Rupees One Lakh or such higher capital as may be prescribed and its Articles shall prohibit invitation or acceptance of deposits from persons other than its members, directors or their relatives. In case of such companies, public interest is not involved.

The basic characteristics of a private company in terms of section 3(1)(*iii*) of the Act do not get altered just because it is a subsidiary of a public company in view of the fiction in terms of section 3(1)(*iv*)(*c*) of the Act that it is a public company. May be it is a public company in relation to other provisions of the Act but not with reference to its basic characteristics. In terms of that section, a company is a private company when its articles restrict the right of transfer of shares, restrict its membership to 50 (other than employees shareholders) and prohibits invitation to public to subscribe to it shares. Therefore, all the provisions in the articles to maintain the basic characteristics of a private company in terms of section 3(1)(*iii*) will continue to govern the affairs of the company even though it is a subsidiary of a public company. One of the basic characteristics of a private company in terms of that section is restriction on the right to transfer and the same will apply even if a private company is a subsidiary of a public company. [*Hillcrest Realty SDN.BHD* v *Hotel Queen Road* (*P*) *Ltd.* (2006) 72 CLA 245 (CLB)].

9.9 Holding and Subsidiary Companies

A Company shall be deemed to be subsidiary of another if the other company controls the composition of the Board of directors of the former; or the other company exercises or controls more than half of the total voting power of the former where that former company was incorporated prior to the commencement of the Companies Act, 1956 in which the holders of the preference shares issued prior to such commencement have the same voting rights as equity shares; or the other holds more than half in nominal value of the equity shares of the former; or the former company is a subsidiary of any other company which is the subsidiary of the other. [Section 4(1)] (See draft resolution in Appendix 1)

9.9.1 Composition of directors in the subsidiary company

The composition of a Board of directors of the company shall be controlled by the another company if the latter by the exercise of some power exercisable by it at its discretion without the consent or concurrence of any other person can appoint or remove the all or majority of the directors of the former company, if any of the following conditions is satisfied:

(*i*) that a person cannot be appointed as a director of a former company without the exercise in his favour of the power by the latter company;

(*ii*) that a person's appointment as a director in the former company follows necessarily from his appointment as director or manager of, or to any other office or employment, in the latter company;

(*iii*) that the directorship is held by an individual nominated by the latter company or its subsidiary.

9.9.2 An agreement to provide authority to the lenders to appoint directors in the company may be deemed to be control over the composition of the Board of directors

It is possible to obtain control in regard to composition of the Board by agreement by which one company may agree to advance funds to another company and in return be given control to appoint all or majority of the Board of directors in the borrowing company. This right would be sufficient to constitute the lending company as holding company and the borrowing company as subsidiary.

9.9.2 Ascertainment whether the company is a subsidiary of another company

To ascertain whether one company is a subsidiary of another, following points may also be noted:

(*i*) Any shares held in a company in a fiduciary capacity on behalf of some other person will not come under the shareholding held by the other.

(*ii*) Any shares held by a nominee for the other company will be included in the other company's shareholding. Further, shares held by a subsidiary or by a nominee for the subsidiary shall be treated as held or exercisable by that other company.

(*iii*) Where the ordinary business of the other or its subsidiaries includes lending of money and shares are held or power exercisable by way of security only, such shares shall not be taken to be the shareholding of the other.

Where a body corporate is incorporated in a country outside the country, a subsidiary or holding company of the body corporate under the law of that country shall be deemed to be a subsidiary or holding company of the body corporate within the meaning of this Act, whether the requirements of section 4 are fulfilled or not. [Section 4(6)]

9.10 Producer Companies

By the Companies (Amendment) Act, 2002, a new Part IXA has been inserted under the Act with the main objective to provide provisions for formation of co-operative society as a company and to convert existing co-operative societies into companies as the provisions available under Part IX were available for conversion of a partnership firm into a company.

The conversion of co-operatives into producer companies is purely voluntary. The conversion option by co-operative society can be exercised only if two-thirds of the members of the concerned society vote in favour of the resolution to that effect. The producer company indicate that only certain categories of persons can participate in the ownership of such companies, the members of the producer company have necessarily to be "primary producers", that is persons engaged in an activity connected with, or relatable to, primary produce.

The Companies (Amendment) Act, 2002 provides a statutory and regulatory framework that creates the potential for producer-owned enterprises to compete with other enterprises on a competitive footing by way of various forms of companies. This will provide an opportunity to cooperative institutions to voluntarily transform themselves into new form of producer companies.

9.11 Government Companies

Section 617 of the Companies Act, 1956 defines Government Company on the basis of amount invested in the capital of the company. Such types of companies may be private limited, public limited whether listed or not.

If not less than fifty-one per cent of the paid-up share capital of the company is held by the Central Government or by a State Government or State Governments or partly by the Central or partly by one or more State Governments, then the company shall be treated as Government Company and includes any subsidiary of a Government Company. Government Companies is exempted from certain provisions of the Companies Act, 1956.

10. Classification of Companies proposed under Dr. J.J. Irani Committee Report

Dr. J.J. Irani Committee proposes the classification of companies on the following basis:

I. On the basis of size:

Companies

(1) Small Company

(2) Other Company

II. On the basis of number of members:

Companies

(1) One Person Company

(2) Private Company

(3) Public Company

III. On the basis of control over the management:

Companies

(1) Holding Company

(2) Subsidiary Company

(3) Associate Company

IV. On the basis of liabilities:

Companies

- With limited liability (1)
  - (*a*) Limited by shares
  - (*b*) Limited by guarantee & having share capital
  - (*c*) Limited by guarantee only
- With unlimited liability (2)

V. On the basis of manner of access to capital:

Companies

- (1) Listed Company
- (2) Unlisted Company

10.1 Brief elaboration of certain companies proposed under Dr. J.J. Irani Committee Report

10.1.1 Small companies

Under Committee Report, to qualify for exemptions, a small company should however, neither be a holding nor a subsidiary of any other company. However, the Committee does not feel the need for providing a special internal governance and constitutional regime to small companies. This is likely to come in the way of their future growth. It proposed that associations, charitable companies, etc. licensed u/s 25 of the existing Companies Act, should not be treated as small companies irrespective of their gross assets.

10.1.2 One Person Company (*OPC*)

The Committee recommends that the law should recognize the formation of a single person economic entity in the form of 'One Person Company'. The concept of 'One Person Company' may be introduced in the Act with following characteristics:—

(*a*) OPC may be registered as a private company with one member and may also have at least one director;

(*b*) Adequate safeguards in case of death/disability of the sole person should be provided through appointment of another individual as Nominee Director. On the demise of the original director, the nominee director will manage the affairs of the company till the date of transmission of shares to legal heirs of the demised member.

(*c*) Letters 'OPC' to be suffixed with the name of One Person Companies to distinguish it from other companies.

10.1.3 Limited Liability Partnerships (LLP)

Dr. J.J. Irani Committee has recommended setting up a separate Act for Limited Liability Partnership. Naresh Chandra Committee in Report – II has also mooted the idea of Limited Liability Partnerships (LLPs). The Ministry of Company Affairs has also submitted a Concept Paper on Limited Liability Partnership

It is considered that it would be a suitable vehicle for partnership among professionals who are already regulated such as Company Secretaries, Chartered Accountants, Cost Accountants, Lawyers, Architects, Engineers, and Doctors, etc. However, it may also be considered for small enterprises not seeking access to capital markets through listing on the stock exchange.

The Limited Liability Partnership Act of 2000 of UK, defines LLP as "a body corporate, with a legal personality independent of its members without restriction on the number of partners, and with each partner's liability limited to the contribution made and liability accepted by that partner to the LLP."

Thus, any LLP can enters into a contract in its own name in the same way as a limited company, but its members have the advantage of limited liability similar to the members of a company. In the event of a business failure or dispute, the liability would be limited to the partner responsible. There would be no recourse to attach the personal assets of the other members, except for the member, who was personally responsible for the negligence. Thus, a negligent partner cannot take shelter under the limited liability clause, while the other partners enjoy this special feature.

11. Scope of the Act

The Companies Act applies to all trading and other corporations, which are incorporated under the Act or any of the earlier Companies Act. But it does not apply to universities, co-operative societies, unincorporated trading, scientific and other societies.

12. Supervision and regulating authorities under the Companies Act

12.1 Administration

The Companies Act is administered by the Central Government through Ministry of Company Affairs. The Central Government controls the company affairs through the offices of Registrar of Companies, Regional Directors, Official Liquidators, Public Trustees, Tribunals, Director of Inspection, Serious Fraud Office, etc. These offices discharge various functions and exercise powers delegated by the Central Government and those conferred by the Act. The new companies are registered with the Registrar of Companies. It also controls the administration of running companies by keeping itself informed of changes in management and working results by receiving and reviewing various forms and documents. The Official Liquidators deal with winding up of companies.

12.2 Registrar of Companies

The Central Government has set up several registration offices all over the country. Each registration office is headed by 'Registrar of Companies' assisted by some Additional, Joint, Deputy and Assistant Registrars.

The Registrar of Companies controls the task of incorporation of companies and registration of documents such as memorandum, articles, prospectus, annual return, etc. The Registrar of Companies is also supported by "Physical Front Offices" (PFO) and Certified Filing Centers (CFC) at different locations under the e-Filing system.

12.3 Tribunal

The Tribunal, which will be functioning under the control of the Central Government, has been made an autonomous body by the Companies (Amendment) Act, 2002. The Tribunal shall discharge judicial and quasi-judicial functions, which were hitherto exercised by the Court or the Central Government.

Appendix 1

Board resolution for formation of a subsidiary company by incorporation

RESOLVED THAT pursuant to the powers conferred by Clause ______ of the memorandum of association of the company, the consent of the Board of directors of the company be and is hereby accorded to form a wholly owned subsidiary company in the name of …………………… for carrying the activity of _________.

RESOLVED FURTHER THAT unanimous consent of the Board be and is hereby accorded of investment of rupees ____ for subscribing equity shares (with voting rights) of the proposed company.

RESOLVED FURTHER THAT Shri AB and Ms. AJ, the Directors of the company be and are hereby authorised jointly as well as severally to do all such acts, deeds and things as may be required to be done in this regard including signing of application forms and subscribing the memorandum and articles of the new company on behalf of the company.

Chapter 2

Guidelines for availability and selection of name for the company

Synopsis

A plethora of requirements are to be taken care of before selection of name for a company proposed to be incorporated or for an existing company, which proposes to change its name. The name of an existing company, which is already registered, with the proposed name will not be available for approval. The following points should be kept in mind while deciding name of a company:

1. Selecting a name

The name of the company having limited liability must be followed by the word 'Limited' in case of a public limited company and 'Private Limited' in case of a private company. However, section 25 Companies does not require any such suffixes to their name. The promoters may select any suitable name provided it is not prohibited or undesirable as per the various rules, clarifications and circulars under the Companies Act, 1956. As per provisions of section 20 of the Act, no company shall be registered by a name, which is considered undesirable by the Central Government.

2. Undesirable names in general meaning

In broader sense:

1. a company cannot be allowed to register itself with a name by which a company has already been registered and is in existence;
2. a company cannot select a name which is identical or too closely or nearly resembles the name of an existing company in the country;
3. the proposed name should not be prohibited under the Emblems and Names (Prevention of Improper Use) Act, 1950.

In order to provide necessary information and guidance to the promoters in selecting appropriate names, the Central Government has formulated detailed guidelines laying down the principles that will be taken into account for deciding availability of names. These guidelines may be seen in Appendix 1 and 2.

3. Name, which is identical or too nearly resembles with name of already registered company

If name of a company gives such misleading indication of its activities as to cause harm to public, it should not be registered. [*Executive Board of the Methodist Church in India* v *Union of India* (1985) 57 Comp Cas 443 (Bom)].

Provisions of sections 20 to 22 do not exclude right of a person adversely affected to maintain an action in passing off and adoption of a corporate name by a company is liable to be tested on same principles as are applied to an action in passing off.

Where respondent-company was carrying on its business since 1981 in name of 'Vivekananda Institute' which had acquired tremendous goodwill and popularity in market, merely because the respondents had not registered their trade name and the appellants had registered their partnership firm in the name and style of 'Vivekananda English Academy', that would not give them any right to use the said name and they could not be permitted to carry on their business by making use of the similar term with the slight modification as 'Vivekananda English Academy' in the similar nature of business. [*Vivekananda English Academy* v *Amoha Education* (*P*) *Ltd*. (2006) 66 SCL 309 (Mad)].

Before the Court grants injunction against use of a name it must be established that similarity of names is calculated to deceive public and cause confusion. [*Asiatic Government Security Life Assurance Co. Ltd.* v *New Asiatic Insurance Co. Ltd*. (1939) 9 Comp Cas 208 (Mad)].

Registrar cannot ask an authorised association to obtain no objection certificate from a company registered with a similar name, which it has, no right to use. [*Executive Board of the Methodist Church in India v Union of India* (1985) 57 Comp Cas 443 (Bom)].

4. Name of a defunct company may be made available by the Registrar

If a company is practically defunct, it is not a bar to the registration of a new company with a similar (not identical name). [*Executive Board of the Methodist Church in India* v *Union of India* (1985) 57 Comp Cas 443 (Bom)].

5. Applying to the Registrar for confirmation of availability of the proposed name

Pursuant to section 20 of the Act read with rule 4A of the Companies (Central Government's) General Rules and Forms, 1956, the promoters of a new company under a proposed name shall make an application in an e-Form 1A as notified by the Ministry of Company Affairs vide Notification No.GSR 56(E) dated 10th Feb., 2006 alongwith fee of Rs. 500 only to be filed electronically with the Registrar of Companies and get his confirmation that the proposed name is not undesirable.

All the promoters are required to obtain Directors Identification No. as well as the applicant is required to obtain Digital Signature before preparation of e-Form and should give six alternative names in the order of preference so that it will be possible for the Registrar to consider the alternate choice if the first choice is considered undesirable and so on. The promoter may take into account the guidelines for names and proceed to decide the alternative names. (Specimen of e-Form 1A is given in Appendix 3)

6. Confirmation of the availability of name by the Registrar

On receipt of the application in e-Form 1A, electronically, the Registrar shall provide a letter for his conformation or observations regarding availability of name as the case may be. [Rule 4A of the Companies (Central Government) General Rules and Forms, 1956]

On receipt of confirmation for availability of name, the promoters should submit all the required documents with the Registrar of Companies electronically to register the company with that name provided within a period of six months from the date of intimation by the MCA, otherwise the confirmation shall lapse automatically. In such a case, a fresh application to Registrar shall be made for extension of name with filing fees of Rs. 500, confirmation of availability of the same name or another alternative having a further validity of six months.

Appendix 1

Guidelines for availability of name

I. Non-Banking Financial Companies proposing to do mutual funds business

The Registrar of Companies have been directed by the Department not to allow registration of names with the words "Mutual Funds" forming part of any non-banking finance company or nidhi company unless such companies are going to be incorporated as mutual funds. The Department's Press Release, dated 14-2-2000, is quoted below:

> "Registrar of Companies directed by the Government not to allow registration of names with words 'mutual funds' forming part of some NBFCs/Nidhis under section 20 unless they are going to be incorporated as mutual funds.

Press release, dated 14-2-2000, issued by the Press Information Bureau

1. The Registrar of Companies (ROCs) have been directed by the Department of Company Affairs not to allow registration of names with 'mutual funds' forming part of some Non-Banking Financial Companies (NBFCs)/Nidhis under section 20, the Companies Act, 1956 (the Act) unless such companies are going to be incorporated actually as mutual funds. ROCs have been informed that company declared as nidhis and mutual benefit societies under section 620A of the Act is not a mutual fund. Therefore, names with words 'mutual funds' forming part thereof shall also not be allowed to companies proposed to be incorporated as 'nidhi' or 'mutual benefit societies'.
2. It has come to the Notice of the Department of Company Affairs that some NBFCs or Nidhis have been registered with words 'mutual funds' forming part of their names, although they are not actually mutual funds. This is likely to create confusion in the minds of investors.
3. In the cases where NBFCs or nidhis have already been incorporated with the words 'mutual funds' in their names, the ROCs have been asked to get their names changed under section 21 of the Act, within a reasonable time of six months, failing which report would be sent to the Department of Company Affairs for initiating action, for withdrawal of notification issued in their favour under section 620A of the Act"

II. Name Availability Guidelines for Change in Name

The Department of Company Affairs has issued a general Circular No. 6/99, dated 13-5-1999, F-5/35/98-CLV regarding changes in name availability guidelines which is quoted below for information:

"1. As ROCs are aware, this Department has issued exhaustive guidelines on avoiding undesirable names for companies as mentioned in section 20 of the Companies Act, 1956, through Circular No. 10(19)-RS/61, dated 5-5-1962. Further guidelines were also issued through Circular No. 2/90 (No. 1/1/90-CL-V-27/1/89-CL-III), dated 5-1-1990.

2. In recent times, this Department had received a few references which needed further clarification. The following guidelines/clarifications are accordingly issued.

3. Names starting with small letters/having small letters.

3.1. In the past the name-search for allowing names for companies used to be a manual search based on the list of names already in existence on a particular date and names made available by different ROCs (which used to be circulated periodically), etc. The name search is no longer manual. It has become a computerised operation in all ROC offices. In view of this, some of the old constraints (like alphabetical listing) which could be restrictive factor in the manual system do not exist under the present computerised system.

3.2 ROCs may therefore now allow names starting with small alphabets (like "Yk Technologies ... Ltd.", etc.) as such names are being increasingly used by many companies in other countries. It should, however, be ensured that the name starting with small alphabets does not have phonetic or visual resemblance to the name of a company in existence.

4. Change of name by existing companies.

4.1 In recent times it appears that quite a few companies whose principal object was not computer software and which had actually been involved in financing activities have changed their names to indicate as if they were in the business of computer software. For this purpose they have included words like "infosys, software systems, infosystem, computers, cyber, cyberspace, etc." in their names.

4.2 In order that investors are not misled by the strategy adopted by a few companies ROCs are hereby advised that in future they should allow change of name to companies to reflect the business of software only if a substantial portion of their income (as reflected from their audited accounts or accounts certified by a Chartered Accountant) is derived from software business. If this is not proved then such change of name should not be allowed.

5. Companies in insurance sector

5.1 It may be recalled that in Guideline No. 21, it has been advised not to allow the words 'bank', 'banking', 'investment' 'insurance', and 'trust' unless circumstances justify it. As it may be aware, the insurance sector is likely to be opened for entry by private sector. The activities of the insurance sector would be regulated by the Insurance Regulatory and Development Authority (IRDA) which has already been set up.

5.2 In view of this, in partial modification of the above mentioned guideline, it is hereby clarified that ROCs may allow companies to be registered by them with the word 'insurance' or 'risk corporation' as part of the name only after consulting the Insurance Regulatory Authority or the RBI, as the case may be.

6. Use of Generic Names.

6.1 Guideline No. 5 relates to inadvisability of allowing companies to have only generic names without any other proper noun preceding or succeeding it. Under this category would come the word 'Y2K' (*i.e.*, year 2000).

6.2 It may be noted that this is a generic one and cannot be allowed for any company as 'stand alone' name."

III. Guiding principles, dated 5-5-1962 and 27-9-1974

A name which falls within the categories mentioned below will not generally be made available by the Registrar:

1. Indicative of the business in certain cases—
   (*i*) If the proposed name is not in consonance with the principal objects of the company as set out in memorandum of association. This does not necessarily mean that every name should be indicative of its objects but when there is some indication of business in the name, then it should be in conformity with its objects.
   (*ii*) If the company's main business is finance, the name should be indicative of the particular finance activities like investment, finance, leasing, etc.
2. The name should not be offensive to any section of the people.
3. If the proposed name is the exact Hindi translation of the name of an existing company registered in its English name, it will not be allowed.
4. If the proposed name has a close phonetic resemblance to the name of a company in existence, for example J.K. Industries Ltd. and Jay Kay Industries Ltd., the latter name will not be allowed.
5. If the name is only a general one like Cotton Textile Mills Ltd., or Silk Manufacturing Ltd., it cannot be allowed. But if such general description contains some specific aspects like Indore Cotton Textile Mills Ltd. or Jain Silk Manufacturing Company Ltd., that may be allowed.
6. If the name includes "co-operative", "Sahkari" or the equivalent in regional language like 'Pedi', that will not be allowed.
7. The proposed name should not attract the provisions of the Emblems and Names (Prevention of Improper Use) Act, 1950, under this Act.
8. A name may be deemed undesirable if it makes use of any of the words such as National, Union, Central, Federal, Republic, President, Rashtrapati or any body connected with the Union or State Government, Small Scale Industries, etc., if it connotes the Governments participations unless the circumstances justify it.
9. The name shall not contain the words 'British India'.
10. If the proposed name implies association or connection or affiliation with embassy of foreign nations, or which suggest connections with local authorities like Municipal, Panchayat, Indore Development Authority or any other body connected with any State Government or the Union of India, it will not be allowed.

11. If the name is vague like DJMO. Ltd. or TNVR Ltd. or LIC Ltd. or SSRI Ltd., the same will not be allowed except where the same is the abbreviated version of an existing company in the case of change in name.

12. If a proposed name implies association or connection with or patronage of a national hero or any person held in high esteem or important personages who are occupying important positions in government, the same will not be allowed as long as they continue to hold such position.

13. If a proposed name resembles or too nearly resembles the name of an existing company [sub-section (2) of section 20], even some abbreviated description of important company as the key words of the name of an existing company will not be/cannot be allowed to be part of a new name although such words have not been registered as trade marks.

    A few illustrations of closely resembling names are given below. The names as proposed in column (1) should not normally be allowed in view of similar companies in existence as shown in column (2). The exception to this rule is, that name will be allowed when the new company with the proposed similar name will be under the same group as an existing company:

Proposed name	*Resembling existing name*
1. Hindustan Motor and General Finance Ltd.	Hindustan Motors Ltd.
2. National Steel Mfg. Co. Pvt. Ltd.	National Steel Works
3. Trade Corporation of India Ltd.	State Trading Corporation of India Ltd.
4. Viswakaran Engineering Works Pvt. Ltd.	Viswakaran Engineers (India) Pvt. Ltd.
5. General Industrial Financing & Trading Co. Ltd.	General Financial & Trading Corporation Ltd.
6. India Land & Finance Ltd.	Northern India Land & Finance Pvt. Ltd.
7. United News of India Ltd.	United Newspaper of India Ltd.
8. Hindustan Chemicals & Fertilisers Ltd.	Hindustan Fertiliser Ltd.

14. Proposed name almost similar to existing name with some change, mere cosmetic change of an existing name as a proposed name by the addition of words like New Modern, Nav, etc. in names such as New Bata Shoe Company Limited, Nav Bharat Electronics Limited, etc. will not be allowed. The re-arrangement of words in the existing name like the proposal to have a name "Contractors and Builders Limited" where there is an existing company "Builders and Contractor Ltd.", will not be allowed.

15. Where there is an existing company, same name with the inclusion of a place for a company cannot be proposed as, for example the name Indian Press (Delhi) Limited cannot be allowed in view of the existence of a company with name Indian Press Limited. However, there are exceptions to this rule in the case of subsidiaries and also companies with local business. For example, Corner Garage (Delhi) Private Limited may be allowed notwithstanding that there is an existing company Corner Garage Private Limited at Calcutta. So would be Regent Cinema Limited at Madras if there is a company by the name Regent Cinema (Delhi) Limited. Such names may also be allowed if they are in the same group or management.

16. Names containing common words like 'Popular', 'General', 'Janata', etc. will not be allowed if the companies are in the same State and doing the same business. However, companies in different businesses, the key general words in the name will be allowed as in Popular Drug House Private Limited and Popular Plastic Private Limited.

17. A new name which includes a registered trade mark will not be allowed unless the consent of the owner of the trade mark is produced.

18. It is interesting to note that the principle of undesirability of a proposed name resembling the name of an existing company is extended to the name of existing unregistered companies or firms of repute and the Registrars of Companies have been asked to prevent such misuse if the same is in

the knowledge of the Registrar. The cases of foreign companies of repute will also be treated similarly even if there are branches of such companies in India.

19. The proposed name which is identical with or which closely resembles the name of a company on dissolution will not be allowed. Further a similar treatment will be given for a period of two years even in respect of the name of a company which has been dissolved as the Court [now Tribunal] could declare the dissolution void within the said period under section 559. Further, a company dissolved under section 560 can be revived before the expiry of 20 years, the availability of the name of such a company shall be governed as per the procedure laid down by the Department (now Ministry) of Company Affairs which is stated below. The registration of a proposed name which is identical with or closely resembles the name of the company dissolved under section 560 will not be allowed for a period of first five years. During the next five years the name may be allowed subject to the condition that the name will be changed in the case of revival of the dissolved company. The proposed name based on the dissolved company will be available without any condition after ten years.

20. If name includes words like 'Bank', 'Investment', 'Insurance', 'Trust', etc., it may be allowed only if the circumstances justify. Inclusion of word "Insurance" will not be possible after the nationalisation of, first, life insurance and later, the general insurance. Inclusion of words like 'Bank/Banking' will not be allowed without the prior permission of the Reserve Bank of India.

21. The objection to allow inclusion of words like 'Industries' or 'Business' may not hold good in the present context. If the name includes Industries unless the name is indicative of the business of the proposed company and meet out the minimum authorised capital norms.

22. Where the proposed name contains a proper name which is not the name or surname of a director or its promoters, the said proposed name will not be allowed. But sometimes, the name of a relative of a director will be allowed to be part of the proposed name for reasons to be justified.

23. If it is likely or intended to produce a misleading impression regarding the scope or scale of activities which would be beyond the resources at its disposal, the name will not be allowed. For example names like Water Development Corporation of India (Private) Ltd., Telefilm of India (Private) Ltd., India Sales Organisation Ltd., Inter Continental Import and Export Company Ltd., etc. should not be allowed when the authorised capital is small and the scale of operation is limited. The words 'International', 'Hindustan', 'India', 'Bharat', 'Continental', 'Asiatic', etc. may be allowed only if the scope and scale of business of the proposed company justify the use of similar words. However, the words 'Jai Hind', 'Jai Bharat', 'Nav Bharat', 'New India', etc. included in the proposed name need not stand same test as 'Hindustan', 'India', etc. Where the words 'Bharat', 'India', etc. is stated in brackets before the words 'Limited' or 'Pvt. Limited' it need not stand the same test as words like 'India', etc. put at the beginning of a name.

24. If the proposed name includes the word 'State' along with the name of the State such as Kerela State Company Limited, the same will not be allowed as it would give an impression of the State Government participating in the share capital of the proposed company until and unless the company is promoted by the concerning State Government, like M.P. State Forest Development Corporation Ltd. However, if only the name of a State is included without the addition of the word 'State' in the proposed name, it may be allowed, as it is not likely to give the impression that the company has the State Government's interest in it.

25. The proposed name of Rajasthan Finance Company Limited will be regarded as undesirable as this is an existing company by the name Rajasthan Finance Corporation.

26. If the proposed name includes words like French, British, German, etc. the same will be allowed only when the promoters satisfy that there is some form of collaboration with some company in the foreign country. Thus the name German Tool Manufacturing Company Ltd. should not be allowed unless the company has some connection with Germany.

IV. Availability of name — section 20, if some of the applicants do not intend to participate in the incorporation of the company[1]

"I am directed to refer to the Department's Circular No. 27/l/69-CL.III, dated 17-2-1989 (quoted below) on the above subject wherein you were requested to advise your constituents that the application form is signed by one or more amongst the promoters and in case of one or more of the promoters are thereafter no more interested to participate in the participation in the new company, no-objection letter from such promoter is made available to the Registrar of Companies at the time of registration of the new company. Instances came to the notice of the Department that some promoters are pre-empting the names, which is not a healthy practice. It has accordingly been decided that, in future, the Registrars of Companies should register company only in cases where the promoters as per the application for availability of name also the subscribers to the Memorandum and Articles of Association of the proposed company at the time of registration. In case of any change in the name(s) amongst the subscriber, the changed subscribers may be asked to make a fresh application for availability of name. Registrar may, as per existing procedure, allow the same name, if available, after three months (since increased to six months) from the date when the name was allowed to the original promoters."

The Department *vide* Circular No. 1/95-F14/6/94-CL.V, dated 16-2-1995 has stated that on reconsideration, it has been decided in partial modification of above Circular dated 5-1-1990 that so long as there is one promoter common, both in the name availability application and the subscription clause in the MOA and AOA and other persons mentioned in the application for name availability have indicated that they have no objection, the company may be registered.

V. Application for availability of name —Instructions issued by the Government to ensure appropriate action where there is change in the promoters from what was given in the application in Form 1A for availability of name[2]

"I am directed to say that as per Application Form for availability of names Form No.1A (now e-Form 1A) prescribed under rule 4A of the Companies (Central Government's) General Rules and Form, 1956, the promoters are, *inter alia* required to give the names and addresses of the prospective directors or promoters as also the name and address of the person(s) applying for availability of name. You are requested to advise your constituent, to ensure that the application form is filled up in all respects and application is made by one or more amongst the promoters. Registrars of Companies have been advised to ensure at the time of registration of a new company that the subscribers to the Memorandum and Articles of Association tally with list of promoters/first directors stated in the application for availability of name and in case one or more of the promoters is/are not interested to participate in the promotion of the company at a later stage, no-objection letter from such promoter(s) is made available to the Registrar while submitting the documents for registration of company by the remaining/other applicants. The Registrars of Companies are also being advised to dispose of applications for availability of name ordinarily within 14 days [reduced to 3 days and now shall be made available online basis] of the receipt of the application and to correspond with the applicant promoters in this behalf".

VI. Guidelines for availability of names for Venture Capital Companies[3]

Department of Economic Affairs *vide* Press Release, dated 25-11-1988 prescribed that only such venture capital companies which abide by the Guidelines laid down shall be eligible to avail of the tax benefits. It has been decided that the words "venture capital/ venture capital company/venture capital fund/venture capital finance company" or such similar name as part of the proposed name of a company will be allowed only when the company or the promoters have obtained the approval from the Department of Economic Affairs or such authority as may be nominated by the Government in this behalf.

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1 Department's Circular No. 1/90, dated 5-1-1990.

2 Letter dated 17-2-1989 referred to above.

3 Department's Circular No. 13/90, dated 27-8-1990.

VII. Guidelines for change in the name to reflect the insurance broker business[1]

The Central Government vide Circular No. 19/2003 No. 5/6/2003-CL V dated 25th April, 2003 has partially modified the General Circular No. 5/2000 dated 30-6-2000, and has clarified that since the Insurance Regulatory and Development Authority has notified the Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002 permitting private sector companies to carry on the insurance brokers' business, the Registrar of Companies may permit change of name of existing companies on their changing the objects to undertake the business of insurance brokers also.

VIII. Guidelines for availability of name to reflect the stock exchange[2]

Letter No. SMD/RCE/PJ/1045/96 dated 18-3-1996 by Chairman SEBI to Department (now Ministry) of Company Affairs

"It has come to our notice that certain companies calling themselves stock exchanges are enrolling members and collecting substantial deposits from them. The companies who have not obtained permission to operate as a stock exchange under section 19 of Securities Contracts (Regulation) Act, 1956 or have not been granted recognition by Central Government/SEBI under section 4 of the above Act, are collecting such deposits in violation of the provisions of the said Act. Section 19(1) of Securities Contracts (Regulation) Act, 1956 prohibits organising or assisting in organising any stock exchange without the permission of the Central Government/SEBI.

In this regard, we request you not to allow such names to new companies which have the words 'Stock Exchange' in them unless they have been given in-principle approval or 'no objection' from SEBI. This would ensure that the investors are not misled by such names into dealing with members of unrecognised stock exchanges."

IX. Use of the word "Stock Exchange" with prior approval/permission under Securities Contracts (Regulation) Act, 1956[3]

"I am directed to draw your attention to this Department's Circular No. 27/22/855-Cl.III, dated 13-1-1986 and 18-9-1991 and Circular No. 27/50/92-Cl.III, dated 23-3-1993 on the above subject and to enclose a copy of letter dated 18-3-1996 (not enclosed there) received from the chairman, SEBI in this regard. You are requested to ensure that under no circumstances a company is registered with the words "Stock Exchange" as part of its name without obtaining in principle approval/no objection of Securities and Exchange Board of India. It may kindly be noted that non-compliance with these instructions will be viewed very seriously."

X. Guidelines on avoiding undesirable names for companies[4]

1. As Registrars of Companies (ROCs) are aware, this Department has issued exhaustive guidelines on avoiding undesirable names for companies as mentioned in section 20 of the Companies Act, 1956 through Circular No. 10(19)-RS/61, dated 5th May, 1962. Further guidelines were also issued through Circular No. 2/90 (No. 1/1/90-CL-V27/1/89-CL-III), dated 5-1-1990.

2. In recent times, the Department has issued a few references, which needed further clarification. The following guidelines/clarifications are accordingly issued.

3. Names starting with small letters

3.1 In the past the name-search for allowing names for companies used to be a manual search based on names already in existence on a particular date, names made available by different ROCs (which used to be circulated periodically), etc. The name search is no longer manual. It has become a computerised operation in all ROC offices. In view of this, some of the old constraints (like alphabetical listing) which could be a restrictive factor in the manual system do not exist under the present computerised system.

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1 Circular No. 19 / 2003 No. 5/6/2003-CL.V, dated 25-4-2003.
2 Letter No. SMD/RCE/PJ/1045/96, dated 18-3-1996.
3 Circular No. 3/96, dated 12-4-1996.
4 Circular No. 6/99, dated 13-5-1999.

3.2 ROCs, may, therefore, allow names starting with small alphabets (like i2 Technologies .... Ltd., etc.) as such names are being increasingly used by many companies in other countries. It should, however, be ensured that the name starting with small alphabets does not have phonetic or visual resemblance to the name of a company in existence.

4. Change of name by companies

4.1 In recent times it appears that quite a few companies whose principal object was not computer software and who had actually been involved in financing activities have changed their names to indicate as if they were in the business of computer software. For this purpose they have included words like — "Infosys; Software; Systems, Infosystems; Computers; Cyber, Cyberspace, etc." in their names.

4.2 In order that investors are not misled by the strategy adopted by a few companies, ROCs are hereby advised that in future they should allow change of name to companies to reflect the business of software only if a substantial portion of their income (as reflected from their audited accounts or accounts certified by a chartered accountant) is derived from software business. If this is not proved, then such change of name should not be allowed.

5. Companies in insurance sector

5.1 It may be recalled that in Guideline No. 21, you have been advised not to allow the word 'bank', 'banking', 'investment', 'insurance, and 'trust' unless circumstances justify it. As you may be aware, the insurance sector is likely to be opened for entry by private sector. The activities of the insurance sector would be regulated by the Insurance Regulatory and Development Authority (IRDA).

5.2 In view of this, in partial modification of the abovementioned guideline, it is hereby clarified that ROCs may allow companies to be registered by them with the word 'insurance' or 'risk corporation' as part of the name only after consulting the RBI and IRDA as the case may be.

6. Use of generic names

6.1 Guideline No. 5 relates to inadvisability of allowing companies to have only generic names without any proper noun preceding/succeeding it under this category would come the word 'Y2K' (*i.e.* year 2000).

6.2 It may kindly be noted that this is a generic one and cannot be allowed for any company as a 'stated alone' name.

XI. Registration of names with the words 'mutual funds' forming part of some NBFCs/nidhis[1]

1. The Registrar of Companies (ROCs) have been directed by the Department of Company Affairs not to allow registration of names with the words 'mutual funds' forming part of some non-banking financial companies (NBFCs)/nidhis under section 20 of the Companies Act, 1956 ('the Act') unless such companies are going to the incorporated actually as mutual funds. ROCs have been informed that companies declared as nidhis and mutual benefits societies under section 620A of the Act are not mutual funds. Therefore, names with words 'mutual funds' forming part thereof shall also not be allowed to companies proposed to be incorporated as 'nidhi' or 'mutual benefit societies'.

2. It has come to the notice of the Department (now Ministry) of Company Affairs that some NBFCs or nidhis have been registered with the words 'mutual funds' forming part of their names, although they are not actually mutual funds. This is likely to create confusion in the minds of investors.

3. In the cases where NBFCs or nidhis have already been incorporated with the words 'mutual funds' in their names, the ROCs have been asked to get their names changed under section 21 of the Act, within a reasonable time of six months failing which, report would be sent to the Department of Company Affairs for initiating action for withdrawal of notification issued in their favour under section 620A of the Act.

XII. Name — Availability Guidelines — Change in[2]

Attention is invited to this Department's Circular No. 6 of 1999 (5/35/98-CL.V), dated 13th May, 1999 in regard to allowability of names for entrepreneurs seeking to promote companies for providing insurance services. In terms, of the above circular such names were being given only after consulting the insurance

1 Press Release, dated 14-2-2000 issued by PIB.
2 Circular No. 5, dated 30-6-2000.

regulatory authority until now. Consequent on the coming into force of the Insurance Regulatory Development Authority Act, 1999, with effect from 19th April, 2000,the department has received a reference from the insurance regulatory authority advising that the embargo on registration of names by new companies could be lifted. In view of this all ROCs are advised that they may allow names with the word insurance/assurance or risk corporation as part of the name without any need to consult the insurance regulatory authority. It is hereby clarified that such names can be allowed only to new companies and not for change of name as existing companies are not allowed to carry on any insurance activity.

XIII. Availability of name — Instructions regarding[1]

Instruction No. 8 of the Guiding instructions circulated *vide* this Department's (now Ministry) letter No. 10(1)-RS/65, dated 27-11-1965 provides that a name in the category mentioned below will not generally be made available:—

> "If it attracts the provisions of the Emblems and Names (Prevention of Improper Use) Act, 1950 as amended from time to time *i.e.*, use of improper names, prohibited under this Act."

2. It is observed from a communication received from the Department of Consumer Affairs that the above said instructions are not being followed scrupulously.

3. The ROCs are advised to take into account the provisions of the above said Emblems & Names Act while making names available to companies under the Companies Act, 1956.

4. All the ROCs are requested to adhere to the above instructions for strict compliance.

XIV. Instructions for filling of E-form – 1A
(Application form for availability or change of name)

<table>
<tr><th colspan="2">S. No.</th><th>Detailed Instruction</th></tr>
<tr><td colspan="3">Before filing this application, refer the guidelines, instructions and rules framed by the Ministry of Company Affairs, Government of India with regard to availability of name.</td></tr>
<tr><td colspan="2">1</td><td>Select option for 'Incorporating a new company' or 'Changing the name of an existing company'.</td></tr>
<tr><td colspan="3">In case of application for Incorporation of a new company, only Part A is required to be filled.
In case for Change of name, fields 7 & 8 of Part A and Part B are required to be filled.</td></tr>
<tr><td colspan="3">PART – A: AVAILABILITY OF NAME</td></tr>
<tr><td>3</td><td>(i) to (vii)</td><td>Minimum number of promoters should be two in case of a Private company and seven in case of a Public company. Enter name of such number of promoter as applicable.</td></tr>
<tr><td colspan="2">5</td><td>In case the company has to be registered in the state of Maharashtra or Tamil Nadu, select the concerned Registrar of Companies having jurisdiction on district in which the registered office of the company will be situated.
Maharashtra:
RoC Pune is having jurisdiction on the following districts –
Pune, Ahmednagar, Ratnagiri, Satara, Kolhapur, Sangli, Sindhudurg
RoC Mumbai is having jurisdiction on the remaining districts in the state
Tamilnadu:
RoC Coimbatore is having jurisdiction on the following districts –
Dindigul, Krishnagiri, Dharmapuri, Salem, Nammakkal, Erode, Coimbatore, Nilgiris
RoC Chennai is having jurisdiction on the remaining districts in the state</td></tr>
<tr><td colspan="2">6</td><td>Select the nature of the proposed company, whether 'Public' or 'Private'.
Note that the nature selected cannot be changed at the time of filing e-form 1 for Incorporation of the company.</td></tr>
</table>

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1 Circular No. 24/2001, dated 21-11-2001.

S. No.		*Detailed Instruction*
7	(*a*) to (*f*)	Name should be entered in order of preference. RoC office will consider the same in the order as provided by you. The illustrative list of names based on the type of company is as follows: In case of a private limited company – ABC Private Limited In case of a public limited company – ABC Limited In case of a Company licensed under Section 25 of the Companies Act, 1956 – ABC In case of an Unlimited liability company – ABC (a company with an unlimited liability)
12		Enter the Particulars of the proposed directors of the company. Director identification number (DIN) – Every person before becoming a director has to get DIN from MCA by filling eform. If 'Yes' is selected in the field 'Whether present residential address is same as the permanent residential address', the present residential address will be displayed same as the permanent residential address otherwise enter the present residential address
13		Minimum authorised capital required for a Private company having share capital is Rs. 1,00,000 and in case of a Public company having share capital is Rs. 5,00,000. In case of a Company licensed under Section 25 of the Companies Act, 1956 the authorised capital can be less than the above. It should be note that the amount of authorised capital cannot be reduced at the time of filing e-form 1 for Incorporation of the company.

PART – B: CHANGE OF NAME		
15	(*a*)	Enter Corporate Identity Number (CIN) of the company • You may find CIN by entering existing registration number of the company in the 'Find CIN/GLN' service at the portal www.mca.gov.in
16	(*a*), (*b*)	Click the Pre-fill button. System will automatically display the name & registered office address of the company
Attachments		Ensure that the attachments as mentioned in the e-form are attached before signing the. Any other information can be provided as an optional attachment.
Declaration		In case of change of name of an existing company, select the first check box and enter the date of board resolution authorising the signatory to sign and submit the application. In case of a new company, select the second check box.
Digital signature		In case of change of name of an existing company, the e-form should be digitally signed by the managing director or director or manager or secretary of the company duly authorised by the board of directors. In case of a new company, the e-form should be digitally signed by the applicant duly authorised by the promoters.

Appendix 2

Use of key words in names and capital of proposed companies[1]

With a view to maintaining uniformity, the following guidelines may be followed in the use of key words as part of the name while making available the proposed names.

	Key words	*Minimum authorised capital required Rs.*
(1)	Corporation	5 crores
(2)	International, Global, Universal, Continental, Inter-Continental, Asiatic, Asia, etc. being the first word of the name	1 crore

1 Circular No. 27/1/87/CL.III, dated 13-3-1989.

	Key words	*Minimum authorised capital required Rs.*
(3)	If any of the words at (2) alone is used within the name (with or without brackets)	50 lakhs
(4)	Hindustan, India, Bharat, being the first word of a name	50 lakhs
(5)	If any of the words at (4) above is used within the name (with or without brackets) and Infrastructure	5 lakhs
(6)	Industries/Udyog	1 crore
(7)	Enterprises, Products, Business Manufacturing	10 lakhs

The names with key words at serial Nos. (6) and (7) may be considered when the company proposes to deal in various business activities or the company is already carrying on various business activities in the case of change of name of an existing company.

Appendix 3

Specimen of e-Form 1A

Application Form for Availability or Change of Name

[Pursuant to sections 20 and 21 of the Companies Act, 1956]

Note - All fields marked in * are to be mandatorily filled.

1. *Application for

✓	Incorporating a new company		Changing the name of an existing company

Part A : Availability of name

2. (*a*)	*Name of applicant	RAJIV TUTEJA
(*b*)	*Occupation	BUSINESS
(*c*)	*Address Line I	15A, PREM NAGAR
	Line II	
(*d*)	*City	INDORE
(*e*)	*State	MADHYA PRADESH
(*f*)	*Country	INDIA
(*g*)	*Pin code	452001
(*h*)	*e-mail ID	rejivtuteja@rediffmail.com
(*i*)	*Phone	0731 1234567
(*j*)	*Fax	07312345678

3. Details of promoters

*(*i*)	Name of promoter	RAJIV TUTEJA
*(*ii*)	Name of promoter	RAM LAL TUTEJA
(*iii*)	Name of promoter	
(*iv*)	Name of promoter	
(*v*)	Name of promoter	
(*vi*)	Name of promoter	
(*vii*)	Name of promoter	

4. *Name of the state in which the proposed company is to be registered

MADHYA PRADESH

5. *Name of the Registrar of Companies in which the proposed company is to be registered

REGISTRAR OF COMPANIES MADHYA PRADESH AND CHHATISGRAH

6. *State whether the proposed company is public or private

	Public	✓	Private

7. Proposed name of the company (Please give 6 names in order of preference)

(*a*)*	AFS PRIVATE LIMITED
(*b*)	AFS MANAGEMENT PRIVATE LIMITED
(*c*)	ARPIT MANAGEMENT SERVICES PRIVATE LIMITED
(*d*)	AFS CONSULTANTS PRIVATE LIMITED
(*e*)	ARPIT CONSULTANTS PRIVATE LIMITED
(*f*)	ARPIT TECHNICAL CONSULTANTS PRIVATE LIMITED

8. State the significance of the key or coined word(s), if any, in the proposed name(s) (in brief)

(*a*)*	AFS = ARPIT FINANCIAL SERVICES
(*b*)	AFS= ARPIT FINANCIAL SERVICES
(*c*)	
(*d*)	AFS= ARPIT FINANCIAL SERVICES
(*e*)	
(*f*)	

9. *Main objects of the proposed company (If the objects include banking, stock exchange, mutual fund, etc., a copy of the in-principle approval of the appropriate authority should be enclosed)

To carry on business of financial and management services and to act as consultants, advisors, planning of events, etc.

10. *Whether the proposed name(s) is in consonance with the principal objects

√	Yes		No

11. *Whether the proposed company is a government company

	Yes	√	No

12. *Particulars of director(s) (specify information of two directors in case the proposed company is a private company or specify information of three directors in case the proposed company is a public company)

(*i*) *Director identification number (DIN) — 00123456

Name — RAJIV TUTEJA

Husband's/Father's name — HARBANSH LAL TUTEJA

*Nationality	IN	*Occupation	BUSINESS

If already a director or promoter of a company(s), specify corporate identity number (CIN) of such company(s)

Director	Promoter	CIN

* Date of birth (DD/MM/YYYY)	01/01/1975	Income-tax permanent account number (PAN)	ABTPJ1234K

Voter identity card number		Passport number	F1234567

Others (specify)	
Permanent residential address	
(*a*) * Address Line I	15A, PREM NAGAR COLONY
Line II	
(*b*) *City	INDORE
(*c*) *State	MADHYA PRADESH
(*d*) *Country	IN
(*e*) *Pin code	452001
(*f*) Phone	0731-1234567
(*g*) Fax	
(*h*) e-mail ID	rejivtuteja@rediffmail.com

Whether present residential address Is same as the permanent residential address	√	Yes		No

(*a*)* Address Line I	15A, PREM NAGAR COLONY
Line II	
(*b*)*City	INDORE
(*c*)*State	MADHYA PRADESH
(*d*)*Country	IN
(*e*)*Pin code	452001
(*f*)Phone	0731-1234567
(*g*)Fax	
(*ii*) * Director identification number (DIN)	00234567
Name	RAM LAL TUTEJA
Husband's/Father's name	HARBANSH LAL TUTEJA

*Nationality	IN	*Occupation	BUSINESS

If already a director or promoter of a company(s), specify corporate identity number (CIN) of such company(s)

Director	Promoter	CIN	

* Date of birth (DD/MM/YYYY)	01/01/1978	Income-tax permanent account number (PAN)	BCDEF0123G
Voter identity card number		Passport number	F1234567

Others (specify)	
Permanent residential address	
(*a*) * Address Line I	15A, PREM NAGAR COLONY
Line II	
(*b*) *City	INDORE

(*c*)	*State	MADHYA PRADESH
(*d*)	*Country	IN
(*e*)	*Pin code	452001
(*f*)	Phone	0731-1234567
(*g*)	Fax	
(*h*)	e-mail ID	rejivtuteja@rediffmail.com

*Whether present residential address is same as the permanent residential address

✓	Yes		No

(*a*)	* Address Line I	15A, PREM NAGAR COLONY
	Line II	
(*b*)	*City	INDORE
(*c*)	*State	MADHYA PRADESH
(*d*)	*Country	IN
(*e*)	*Pin code	452001
(*f*)	Phone	0731-1234567
(*g*)	Fax	
(*h*)	e-mail ID	rejivtuteja@rediffmail.com

(*iii*) *Director identification number (DIN)

Name	
Husband's/Father's name	

*Nationality		*Occupation	

If already a director or promoter of a company(s), specify corporate identity number (CIN) of such company(s)

Director	Promoter	CIN

* Date of birth (DD/MM/YYYY)		Income-tax permanent account number (PAN)	
Voter identity card number		Passport number	

Others (specify)	

Permanent residential address

(*a*)	* Address Line I	
	Line II	
(*b*)	*City	
(*c*)	*State	
(*d*)	*Country	
(*e*)	*Pin code	
(*f*)	Phone	

(*g*) Fax

(*h*) e-mail ID

*Whether present residential address is same as the permanent residential address

	Yes		No

Permanent residential address

(*a*) * Address Line I

Line II

(*b*) *City

(*c*) *State

(*d*) *Country

(*e*) *Pin code

(*f*) Phone

(*g*) Fax

13.* Proposed authorised capital: 1,00,000.00

14. (*a*)*Whether the proposed name(s) are based on a registered trade mark or is the subject matter of an application pending for registration under the trade marks Act.

	Yes	√	No

(*b*) If yes, furnish particulars of trademark or application

Part B: In case of change of name

15. (*a*)*CIN of company

(*b*) Global location number (GLN) of company

16. (*a*)Name of company

(*b*) Address of the registered office of the company

17. *Reasons for change in name

Attachments

1 In case of change of name of an existing company, a copy of board resolution

2. In case there is a logo associated with the trade mark then image of the logo to be attached

3. If change is due to a direction received from the Central Government, then a copy of such direction

4. Optional attachment(s) - if any.

List of attachment

Declaration

To the best of my knowledge and belief, the information given in this application and its attachments is correct and complete, and the proposed name does not infringe the trademark rights of any entity or person.

I have gone through the provisions of the Companies Act, 1956, the rules and guidelines framed there under in respect of availability of name.

- I have been authorised by the Board of directors' resolution dated (DD/MM/YYYY) to sign and submit this application.

√ I am authorised by the promoters to sign and submit this application.

To be digitally signed by

Applicant or managing director or director or manager or secretary of the company **RAJIV TUTEJA**

For office use only:

Digital signature of the authorising officer

This e-Form is hereby approved

This e-Form is hereby rejected

Appendix 4

Guidelines on Corporate Identity Number[1]

1. It has been decided that all Registrar of Companies will allocate a corporate identity number (CIN) if each company registered on or after 1st November, 2000.

2. The CIN has been designed to help easily identify companies belonging to a State, industry ownership or age. It will be 21 digit number.

3. The first letter denotes the listed or unlisted company. The first five digits represent, the economic activity of the company's, the second two places represent the State in which the company's registered office is located, the next four places indicate the year in which the company was incorporated, the next three places indicate ownership code and the last six places in the CIN are the unique number assigned to every company in any particular economic activity, in a particular State, of a particular year of incorporation and of a particular ownership category, For example, the new CIN for a few well known companies are presented below:

Steel Authority of India Ltd. L 27104DL 1973 UGCXXXXXX

Tata Engineering & Locomotive L 3410MH1943 PCL XXXXXX

The complete listing of State code and the ownership code is enclosed (here reproduced below):

4. Training schedule for the officers and staff of Registrars of Companies in this regard is being chalked out by the NIC and will be sent to you shortly.

5. AH Registrars of Companies are directed to act accordingly.

IMPLEMENTATION OF CORPORATE IDENTITY NUMBER (CIN)

A new investor friendly corporate identity number (CIN) is being introduced to uniquely identify every company registered with the Registrar of Companies. Currently, the present registration number assigned to a company does not reflect the activity or the State or ownership of the company. The CIN assigned to a company indicates the following:

Listing status
Economic activity (industry)
State
Year of incorporation
Ownership
Sequential Number assigned by ROCs
The CIN is explained schematically below:

1 Circular No. 12/2000, dated 25-10-2000.

The first digit of the CIN represents the listing status of a company. If the company is unlisted, the alphabet entered is 'U' and in case the company is listed the alphabet entered is 'L'. In general, freshly incorporated companies are unlisted.

The second five digits represent the economic activity of the company. The standard National Industrial Classification (NIC) 98, at the 5 digit level, would be used to assign activity/industry code. The NIC 98, has been devised by Central Statistical Organisation (CSO)/Ministry of Statistics and Programme Implementation/Government of India. The document giving details on the codes can be procured from the CSO. Annexure I present a sample classification for a few economic activities.

The next two places represent the State in which the company's registered office is located. All States are represented by a two-alphabet code. The complete list of State code is presented in Annexure II to this note.

The next four places indicate the year in which the company was incorporated.

Next, the ownership code is indicated through a three-alphabet code. The list of code with their description is presented in Annexure III to this note.

The last six places in the CIN are the sequential number assigned to every company by the concerned ROC office of the State.

Note that there is no space, hyphen, oblique sign, etc., between the various code components.

STEPS FOR IMPLEMENTATION OF CIN

Step 1: First place in CIN represents the listing status of a company. The listing status code is represented by an alphabet. If company is listed, then assign 'L' otherwise assign 'U' for unlisted company.

Step 2: The next five places represent the economic activity of the company according to the standard National Industrial Classification (NIC) 98. Select the economic activity code of company from NIC 98 Manual and assign the code. In case if a company is operating in a diverse field, then assign '00000' as a 'diversified' company. The Manual/Document on NIC 98 can be obtained from CSO. Annexure I present a sample classification for a few economic activities.

Step 3: The next two places represent the State in which the company's registered office is located. All States are represented by a two-alphabet code. The complete list of State code is presented in Annexure II to this note. Assign the State code from the list given in Annexure II.

Step 4: The next four places represent the year of incorporation of the company. Assign the year of incorporation of a company in 'YYYY' format. Example, if a company is incorporated on 2nd April, 1982. Then assign 1982 as year of incorporation.

Step 5: The next three places represent the ownership of a company. Whether the company is Union Government Company or State Government Company, private limited or public limited company. Ownership code is represented by three alphabet code. The list of codes with their description is presented in Annexure III to this note. Assign the ownership code from the list presented in Annexure III.

Step 6: The last six places represent the unique sequential number assigned to every company by the concerned ROCs office of the State. This unique six digit sequential number is assigned by the respective ROCs.

Note that there is no space, hyphen, oblique sign, etc. between the various code components.

Consider an example of an existing company ABC India Ltd.

ABC India Ltd. 1393 (Registration Number)

ABC India Ltd. L 60230AS1972PLC1393 (CIN)

The registration number does not give any information about the company where as the CIN provides information about the listing status, activity (Industry), ownership, registered office, and year of incorporation of the company.

An investor friendly CIN of ABC India Ltd., indicates the following characteristics of the company:

L-Listed Company.
60230 - Freight transport by road.
AS - Registered office in Assam.
1972-28 year old company.
PLC - Public limited Indian non-government company.
1393 - Sequential number assigned by respective ROCs.

ANNEXURE I

15: MANUFACTURE OF FOOD PRODUCTS AND BEVERAGES

151 Production, processing and preservation of meat, fish, fruit vegetables, oils and fats
1511 Production, Processing and preserving of meat and meat products-
15111 Mutton-slaughtering, preparation
15112 Beef-slaughtering, preparation
15113 Pork-slaughtering, preparation
15114 Poultry and other slaughtering, preparation
15115 Preservation of meat except by canning
15116 Processing and canning of meat
15117 Rendering and refining of lard and other edible animal fats
15118 Production of flours and meals of meat and meat offals
Processing and preserving of fish products fishing and processing of the catch....
151121 Sun-drying of fish
151122 Artificial dehydration of fish and sea food
151123 Radiation preservation of fish and similar food
15124 Processing and canning of fish
15125 Manufacturing of fish meal
15126 Processing and canning of froglegs
15127 Processing and preserving of fish crustacean and similar foods.

ANNEXURE II

Codes	*State*	*Codes*	*State*
AN	Andaman & Nicobar Island	KL	Kerala
AP	Andhra Pradesh	LD	Lakshadweep
AR	Arunachal Pradesh	MN	Manipur
AS	Assam	ML	Meghalaya
RB	Bihar	MZ	Mizoram
CH	Chandigarh	NL	Nagaland
OR	Orissa		
DN	Dadar & Nagar Haveli	PY	Pondicherry
DD	Daman & Diu	PB	Punjab
DL	Delhi	RJ	Rajasthan
GA	Goa	SK	Sikkim
GJ	Gujarat	TN	Tamil Nadu
HR	Haryana	TR	Tripura
HP	Himachal Pradesh	UR	Uttaranchal
JK	Jammu & Kashmir	UP	UttarPradesh
JH	Jharkhand*	WB	West Bengal
KA	Karnataka		

*The codes will be operational once the ROC office opens up in the State.

ANNEXURE III

Codes	Ownership
GOI	Union Government Company
SGC	State Government Company
PLC	Public Limited Indian Non-Government Company
PTC	Private Limited India Non-Government Company
FLC	Public Limited Foreign Company incorporated in India
FTC	Private Limited Foreign Company incorporated in India
ULL	Unlimited Liabilities Public
ULT	Unlimited Liabilities private
GAP	Guarantee and Association Public
GAT	Guarantee and Association Private
NPL	Section 25 Company