

THE COMPANIES BILL, 2009

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Bill No. 59 of 2009

THE COMPANIES BILL, 2009

A

BILL

to consolidate and amend the law relating to companies.

BE it enacted by Parliament in the Sixtieth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. (1) This Act may be called the Companies Act, 2009.

(2) It extends to the whole of India.

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

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

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

(b) any company or body corporate governed by any special Act, in the absence of any corresponding provisions therein.

Short title,
extent,
commence-
ment and
application.

Definitions.

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

(a) “abridged prospectus” means a memorandum containing such salient features of a prospectus as may be prescribed;

(b) “accounting standards” means such accounting standards as the Central Government may notify under section 119, in consultation with the National Advisory Committee on Accounting and Auditing Standards constituted under section 118;

(c) “alter” or “alteration” includes the making of additions, omissions and substitutions;

(d) “Appellate Tribunal” means the National Company Law Appellate Tribunal constituted under section 371;

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

(f) “associate company”, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence or of any other company.

Explanation.—For the purposes of this clause, “significant influence” means control of at the least twenty-six per cent. of total voting power, or of business decisions under an agreement;

(g) “auditing standards” means such auditing standards as the Central Government may notify under sub-section (10) of section 126, in consultation with the National Advisory Committee on Accounting and Auditing Standards constituted under section 118;

(h) “authorised capital” or “nominal capital” means such capital as is authorised by the memorandum of a company to be the maximum amount of share capital of the company;

(i) “banking company” means a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949;

10 of 1949.

(j) “Board of Directors” or “Board”, in relation to a company, means the collective body of the directors of the company;

(k) “body corporate” or “corporation” includes a company incorporated outside India, but does not include—

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

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

(l) “book and paper” and “book or paper” include books of account, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form;

(m) “books of account” includes records maintained in respect of—

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

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

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

(iv) in the case of a company which belongs to any class of companies specified under section 131, such items of cost as may be prescribed under that section;

(n) “branch office”, in relation to a company, means any establishment described as such by the company;

(o) “called-up capital” means such part of the subscribed capital, which has been called for payment;

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

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

(r) “Chief Executive Officer” means an officer of a company, who has been designated as such by it;

(s) “Chief Financial Officer” means a person appointed as the Chief Financial Officer of a company;

(t) “company” means a company incorporated under this Act or under any previous company law;

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

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

(w) “Company Liquidator”, in so far as it relates to the winding up of a company, means a person appointed by the Tribunal, company or creditors, as the case may be, as a Company Liquidator from a panel of professionals maintained by the Central Government under sub-section (2) of section 250;

56 of 1980. (x) “Company Secretary” or “Secretary” means a Company Secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 and who is appointed by a company to perform the functions of a Company Secretary under this Act;

56 of 1980. (y) “Company Secretary in practice” means a Company Secretary who is deemed to be in practice under sub-section (2) of section 2 of the Company Secretaries Act, 1980;

(z) “contributory” means a person liable to contribute towards the payment of a company’s debts in the event of its being wound up;

(za) “controlling interest” means the largest voting power a member may exercise in a general meeting of a company, whether directly or indirectly, and either alone or in association with his relatives, bodies corporate or firms controlled by such person or his relatives;

23 of 1959. (zb) “cost accountant” means a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 and who holds a valid certificate of practice under sub-section (1) of section 6 of that Act;

(zc) “Court” means—

(i) the High Court having jurisdiction in relation to the place at which the registered office of the company concerned is situate, except to the extent to

which jurisdiction has been conferred on any District Court or District Courts subordinate to that High Court under sub-clause (ii);

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

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

(iv) the special court established under section 396;

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

(zd) “debenture” includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not;

(ze) “deemed director” means a person under whose advice, instructions or directions, the Board of Directors is accustomed to act, but does not include a person who has been engaged by the company to advise it in a professional capacity;

(zf) “deposit” means a deposit accepted by a company under section 66 and includes a deposit existing on the commencement of this Act;

(zg) “depository” means a depository as defined in clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996;

22 of 1996.

(zh) “derivative” means the derivative as defined in clause (aa) of section 2 of the Securities Contracts (Regulation) Act, 1956;

42 of 1956.

(zi) “director” means a director appointed to the Board of a company, and includes a deemed director;

(zj) “Director-General” means the Director-General of Registration appointed under sub-section (2) of section 358;

(zk) “dividend” includes any interim dividend;

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

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

(zn) “expert” includes an engineer, a valuer, a Chartered Accountant, a Company Secretary, a Cost and Works Accountant and any other person who has the power or authority to issue a certificate in pursuance of any law for the time being in force;

(zo) “financial institution” includes a scheduled bank;

(zp) “financial statement” in relation to a company, includes—

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

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

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

(iv) any explanatory note attached to, or forming part of, any document referred to in sub-clause (i) or sub-clause (ii);

(zq) “financial year”, in relation to any company or body corporate, means the period ending on the 31st day of March every year, and where it has been incorporated on or after the 1st day of January of a year, the period ending on the 31st day of March of the following year, in respect whereof financial statement of the company or body corporate laid before it in its annual general meeting is made up;

Provided that on an application made by a company or body corporate, the Tribunal may, if it is satisfied that the circumstances so warrant, allow any period as its financial year, whether that period is a year or not;

(zr) “foreign company” means any company or body corporate incorporated outside India which has a place of business in India whether established before or after the commencement of this Act;

(zs) “free reserves” means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend;

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

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

(zv) “holding company”, in relation to one or more other companies, means a company of which such companies are subsidiary companies;

(zw) “independent director” means an independent director as defined under sub-section (5) of section 132;

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

(zy) “interested director” means a director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals in which he or any of his relatives is a partner, director or a member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of a company;

(zz) “issued capital” means such capital as the company issues from time to time for subscription by the public;

(zza) “key managerial personnel”, in relation to a company, means —

(i) the Managing Director, the Chief Executive Officer or the Manager and where there is no Managing Director or Manager, a whole-time director or directors;

(ii) the Company Secretary; and

(iii) the Chief Financial Officer;

(zzb) “listed company” means a company which has any of its securities listed on any recognised stock exchange;

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

(zzd) “managing director” means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with the management of the whole, or substantially the whole, of the affairs of the company;

(zze) “member”, in relation to a company, means—

(i) any subscriber to the memorandum of the company and whose name is entered in the register of members of the company;

(ii) every other person who agrees in writing to become a member of the company by virtue of his holding equity or preference shares in the company and whose name is entered in the register of members of the company;

(iii) every person holding equity or preference shares of the company and whose name is entered as a beneficial owner in the records of a depository;

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

(zzg) “net worth” means the aggregate value of the paid-up share capital and all reserves created out of the profits and share premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation;

(zzh) “notification” means a notification published in the Official Gazette and the expression “notify” shall be construed accordingly;

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

(i) whole-time director or directors;

(ii) other key managerial personnel;

(iii) where there is no key managerial personnel such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;

(iv) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorises, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;

(v) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act other than a person who gives advice to the Board in a professional capacity;

(vi) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;

(vii) in respect of the issue or transfer of any shares of a company, the share transfer agents, bankers, registrars and merchant bankers to the issue or transfer;

(zzj) “Official Liquidator” means an Official Liquidator appointed under section 334;

(zzk) “One Person Company” means a company which has only one person as a member;

(zxl) “paid-up share capital” or “share capital paid-up” means such aggregate amount of money credited as paid-up as is equivalent to the amount received as paid-up in respect of shares issued, but does not include any other amount received in respect of such shares, by whatever name called;

(zzm) “postal ballot” means voting by post or through any electronic communication;

(zzn) “prescribed” means prescribed by rules made under this Act;

(zzo) “previous company law” means any of the laws specified below:—

(i) any Act or Acts relating to companies in force before the Indian Companies Act, 1866;

10 of 1866.

(ii) the Indian Companies Act, 1866;

10 of 1866.

(iii) the Indian Companies Act, 1882;

6 of 1882.

(iv) the Indian Companies Act, 1913;

7 of 1913.

(v) the Registration of Transferred Companies Ordinance, 1942;

54 of 1942.

(vi) the Companies Act, 1956; and

1 of 1956.

(vii) any law corresponding to any of the Acts or the Ordinance aforesaid and in force—

(A) in the merged territories or in a Part B State (other than the State of Jammu and Kashmir), or any part thereof, before the extension thereto of the Indian Companies Act, 1913; or

7 of 1913.

(B) in the State of Jammu and Kashmir, or any part thereof, before the commencement of the Jammu and Kashmir (Extension of Laws) Act, 1956, in so far as banking, insurance and financial corporations are concerned, and before the commencement of the Central Laws (Extension to Jammu and Kashmir) Act, 1968, in so far as other corporations are concerned;

62 of 1956.

25 of 1968.

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

(ix) the Registration of Companies Act (Sikkim) 1961;

(zzp) “private company” means a company which, by its articles,—

(i) restricts the right to transfer its shares;

(ii) limits the number of its members to fifty :

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

Provided further that –

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

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

shall not be included in the number of members; and

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

(zzq) “promoter” means a person who has—

(a) been named as such in a prospectus; or

(b) control over the affairs of the company, directly or indirectly whether as a shareholder, director or otherwise:

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

(zzr) “prospectus” means any document described or issued as a prospectus and includes a red herring or shelf prospectus or any notice, circular, advertisement or other document inviting offers from the public for the subscription or purchase of any securities, but does not include any memorandum or other document containing information about the prospectus or the matters included therein issued prior to the issue of the prospectus and any document which shows on the face of it that it is not a prospectus;

(zzs) “public company” means a company which is not a private company or such private company which is a subsidiary of a company which is not a private company;

(zzt) “public financial institution” means any financial institution—

(i) which is established or constituted by or under any Central or State Act; or

(ii) in which not less than fifty-one per cent. of the paid-up share capital is held or controlled by the Central Government or any State Government or both by the Central Government and any State Government or Governments or by the State Governments,

and which is notified by the Central Government as such under this Act;

(zzu) “recognised stock exchange” means a recognised stock exchange as defined in clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956; 42 of 1956.

(zzv) “red herring prospectus” means a prospectus which does not include complete particulars of the quantum or price of the securities or class of securities included therein;

(zzw) “register of companies” means the register of companies maintained by the Registrar on paper or in any electronic mode under this Act;

(zzx) “Registrar” means any officer having the duty of registering companies under this Act;

(zzy) “related party” with reference to a company means—

(i) a relative of a director or key managerial personnel;

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

(iii) a private company in which a director or manager is a member or director;

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

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

(vi) any person under whose advice, directions or instructions a director or manager is accustomed to act;

(vii) any company which is—

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

or

(B) a subsidiary of a holding company to which it is also a subsidiary:

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

(zzz) “relative”, with reference to any individual, means the spouse, brother, sister and all lineal ascendants and descendants of such individual related to him either by marriage or adoption;

43 of 1961.

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

2 of 1934.

(zzzb) “scheduled bank” means the scheduled bank as defined in clause (e) of section 2 of the Reserve Bank of India Act, 1934;

42 of 1956.

(zzzc) “securities” means the securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956;

15 of 1992.

(zzzd) “Securities and Exchange Board” means the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992;

(zzze) “share” means a share in the share capital of a company and includes stock;

(zzzf) “shelf prospectus” means a prospectus in respect of which the securities or class of securities included therein are issued for subscription in one or more issues over a certain period without the issue of a further prospectus;

(zzzg) “small company” means a company, other than a public company,—

(i) whose paid-up share capital does not exceed such amount as may be prescribed and the prescribed amount shall not be more than five crore rupees; or

(ii) whose turnover as per its last profit and loss account does not exceed such amount as may be prescribed and the prescribed amount shall not be more than twenty crore rupees:

Provided that nothing in this clause shall apply to —

(A) a holding company or a subsidiary company;

(B) a company registered under section 4; or

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

(zzzh) “subscribed capital” means such part of the capital which is for the time being subscribed by the members of a company;

(zzzi) “subsidiary company” or “subsidiary”, in relation to any other company (hereinafter referred to as the holding company), means a company in which the holding company—

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

(ii) exercises or controls more than one-half of the total voting power.

Explanation.—For the purposes of this clause, a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;

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

(zzzk) “total voting power” means the total number of votes that may be cast at a meeting of the company if all the members thereof cast their votes either personally or by means of postal ballot;

(zzzl) “Tribunal” means the National Company Law Tribunal constituted under section 369;

(zzzm) “unlimited company” means a company not having any limit on the liability of its members;

(zzzn) “voting right” means the right of a member of a company to vote in any meeting of the company;

(zzzo) “whole-time director” includes a director in the whole-time employment of the company.

(2) Words and expressions used and not defined in this Act but defined in the Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996 shall have the meanings respectively assigned to them in that Act.

42 of 1956.
15 of 1992.
22 of 1996.

CHAPTER II

INCORPORATION OF COMPANIES

Formation of company.

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

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

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

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

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

Provided that the memorandum of a One Person Company shall indicate the name of the person who shall, in the event of the subscriber’s death, disability or otherwise, become the member of the company:

Provided further that it shall be the duty of the member of a One Person Company to intimate the Registrar the change, if any, in the name of the person referred to in the preceding proviso and indicated in the memorandum within such time and in such form as may be prescribed, and any such change shall not be deemed to be an alteration of the memorandum.

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

- (a) a company limited by shares, or
- (b) a company limited by guarantee, or
- (c) an unlimited company.

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

Formation of companies with charitable objects, etc.

- (a) has for its objects the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity or any such other object;
- (b) shall apply its profits, if any, or other income in promoting its objects; and
- (c) prohibits the payment of any dividend to its members,

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

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

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

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

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

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

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

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

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

(8) Where a licence is revoked under sub-section (6) and where the Central Government is satisfied that it is essential in the public interest that the company registered under this

section should be amalgamated with another company registered under this section and having similar objects, then, notwithstanding anything to the contrary contained in this Act, the Central Government may, by order, notified in the Official Gazette, provide for such amalgamation to form a single company with such constitution, properties, powers, rights, interest, authorities and privileges and with such liabilities, duties and obligations as may be specified in the order.

(9) If on the winding up or dissolution of a company registered under this section, there remain, after the satisfaction of its debts and liabilities, any assets, they may be transferred to another company registered under this section and having similar objects, subject to such conditions as the Tribunal may impose, or may be sold and proceeds thereof credited to the Rehabilitation and Insolvency Fund formed under section 244.

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

(11) Where a company makes any default in complying with any of the requirements laid down in this section, the company shall, without prejudice to any other action under the provisions of this section, be punishable with fine which shall not be less than ten lakh rupees but which may extend to one crore rupees and the directors of the company and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than twenty-five thousand rupees but which may extend to twenty-five lakh rupees, or with both.

Memorandum.

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

(a) the name of the company with the last word “Limited” in the case of a public limited company, or the last words “Private Limited” in the case of a private limited company, or the last letters and word “OPC Limited” in the case of a One Person limited company:

Provided that nothing in this clause shall apply to a company registered under section 4;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) such word or expression, as may be prescribed, unless the previous approval of the Central Government has been obtained for the use of any such word or expression.

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

(a) the name of the proposed company; or

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

(5) Upon receipt of an application under sub-section (4), the Registrar may, if he is satisfied that the name to be reserved is not the one which may be rejected on any ground referred to in sub-section (2), reserve the name for a period of sixty days from the date of the application, and on payment of such additional fee as may be prescribed, for a further period of sixty days.

(6) The memorandum of a company shall be in such form, as may be prescribed.

6. (1) The articles of a company shall contain regulations for the company.

Articles.

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

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

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

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

(5) Where the articles contain provisions for entrenchment, whether made on formation or by amendment, the company shall give notice to the Registrar of such provisions.

(6) The Central Government may prescribe model articles for different types of companies.

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

Incorporation
of companies.

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

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

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

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

(d) the name of the State where the registered office of the company is proposed to be situated on incorporation and the address for correspondence till its registered office is established;

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

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

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

(2) If the Registrar is satisfied that all the requirements of this Act and the rules made thereunder in respect of registration and matters precedent or incidental thereto have been complied with, he shall register all the documents and information referred to in sub-section (1) in the register and issue a Certificate of Incorporation in the prescribed form to the effect that the proposed company is incorporated under this Act.

(3) On and from the date mentioned in the Certificate of Incorporation issued under sub-section (2), the Registrar shall allot to the company a “Corporate Identity Number”, which shall be a distinct identity for the company and which shall also be included in the certificate.

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

(5) Where any person deliberately furnishes any false or incorrect particulars of any information or suppresses any material information, in any of the documents filed with the Registrar in relation to the registration of a company, he shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than five thousand rupees but which may extend to one lakh rupees, or with both.

(6) Without prejudice to the provisions of sub-section (5), where the Tribunal, on an application made to it at any time after the incorporation of a company, is satisfied that the company has been got incorporated by furnishing any false or incorrect information or representation or by suppressing any material fact or information in any of the documents or declaration filed or made for incorporating such company, or by any fraudulent action, the promoters, the persons named as first directors of the company, the persons making declaration under clause (b) of sub-section (1) shall each be punishable with imprisonment for a term which may extend to one year and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.

(7) Without prejudice to the provisions of sub-section (6), the Tribunal may, if it is satisfied that the situation so warrants,—

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

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

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

(d) pass an order for the winding up of the company:

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

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

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

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

Effect of registration.

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

Effect of memorandum and articles.

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

10. (1) A public company having a share capital shall not commence any business or exercise any borrowing powers unless—

Commencement of business, etc.

(a) a declaration is filed by a director or subscriber in such form and verified in such manner as may be prescribed, with the Registrar that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him; and

(b) the company has filed with the Registrar a verification of its registered office in the manner as may be prescribed.

(2) If any default is made in complying with the requirements of this section, the company shall be liable to a penalty which may extend to five thousand rupees and every officer who is in default shall be punishable with fine which may extend to one thousand rupees for every day during which the default continues.

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

Registered
office of
company.

11. (1) A company shall, on and from the date of its incorporation and at all times thereafter, have a registered office capable of receiving and acknowledging all communications and notices as may be addressed to it.

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

(3) Every company shall —

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

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

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

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

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

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

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

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

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

Alteration of
memorandum.

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

(2) Any change in the name of a company shall be subject to the provisions of subsections (2) and (3) of section 5 and shall not have effect except with the approval of the Central Government in writing:

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

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

(4) The alteration of the memorandum relating to the place of the registered office from one State to another shall not have any effect unless it is approved by the Central Government on an application made in this behalf.

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

(6) A company shall, in relation to any alteration of its memorandum, file with the Registrar—

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

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

(c) certified copy of the order of the Central Government made under sub-section (5), if the alteration involves a transfer of the registered office from one State to another.

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

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

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

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

Alteration of articles.

(a) a private company into a public company or a One Person Company, or

(b) a public company into a private company or a One Person Company, or

(c) a One Person Company into a public company or a private company:

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

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

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

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

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

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

(2) Where a company makes any default in complying with the provisions of this section, the company shall be liable to a penalty, for each such default, of one thousand rupees for every day during which the default continues but not exceeding one lakh rupees.

Rectification of name of company.

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

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

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

47 of 1999.

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

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

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

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

(a) the memorandum,

(b) the articles, and

(c) every agreement and every resolution referred to in sub-section (1) of section 106, if and in so far as they have not been embodied in the memorandum or articles.

(2) Where a company makes any default in complying with the provisions of this section, the company shall be liable for each default, to a penalty of one thousand rupees for every day during which the default continues but not exceeding one lakh rupees.

17. (1) A company of any class registered under this Act may re-register itself as a company of the same class or other class under this Act by alteration of memorandum and articles of the company in accordance with the provisions of this Chapter.

Re-registration of companies already registered.

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

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

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

Subsidiary company not to hold shares in its holding company.

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

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

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

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

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

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

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

Service of documents.

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

(2) A document may be served on Registrar or any member by sending it to him by registered post or by delivering at his office or address, by such electronic or other mode as may be prescribed:

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

20. Save as otherwise provided in this Act,—

(a) a document or proceeding requiring authentication by a company, or

Authentication of documents, proceedings and contracts.

(b) contracts made by or on behalf of a company,

may be signed by any key managerial personnel or an officer of the company duly authorised by the Board in this behalf.

Execution of
bills of
exchange, etc.

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

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

(3) A deed signed by such an attorney on behalf of the company and under his seal shall bind the company and have the effect as if it were made under its common seal.

CHAPTER III

PROSPECTUS AND ALLOTMENT OF SECURITIES

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

22. The provisions contained in this Chapter and Chapter IV,—

(a) in so far as they relate to issue and transfer of securities and non-payment of dividend by listed companies or those companies which intend to get their securities listed on any stock exchange in India, shall, except as provided under this Act, be administered by the Securities and Exchange Board by making regulations;

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

Explanation.—For the removal of doubts, it is hereby declared that all powers relating to all other matters including those relating to prospectus, return of allotment, issue of shares and redemption of preference shares shall be exercised by the Central Government, the Tribunal or the Registrar, as the case may be.

Matters to be
stated in
prospectus.

23. (1) Every prospectus issued by or on behalf of a public company either with reference to its formation or subsequently, or by or on behalf of any person who is or has been engaged or interested in the formation of a public company, shall be dated and signed and shall—

(a) state the following information, namely:—

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

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

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

(iv) details about underwriting of the issue;

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

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

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

- (viii) capital structure of the company in the prescribed manner;
 - (ix) such particulars and terms of the present issue as may be prescribed;
 - (x) main objects and present business of the company and its location, schedule of implementation of the project and future prospects;
 - (xi) particulars of management perception of risk factors;
 - (xii) minimum subscription, amount payable by way of premium, issue of shares otherwise than on cash, option to subscribe for securities to be dealt with in a depository; and
 - (xiii) details of directors, proposed directors including their appointments and remuneration, and such particulars of the nature and extent of their interests in the company as may be prescribed;
- (b) set out the following reports for the purposes of the financial information, namely:—
- (i) reports by the auditors of the company with respect to its profits and losses and assets and liabilities and such other matters as may be prescribed;
 - (ii) reports relating to profits and losses for each of the five financial years immediately preceding the financial year of the issue of prospectus including such reports of the subsidiaries and in such manner as may be prescribed;
 - (iii) reports made by the auditors upon the profits and losses of the business of the company for each of the five financial years, immediately preceding issue and assets and liabilities of its business on the last date before the issue of prospectus in the prescribed manner; and
 - (iv) reports about the business or transaction to which the proceeds of the securities are to be applied directly or indirectly;
- (c) make a declaration about the compliance of the provisions of this Act and a statement to the effect that nothing in the prospectus is contrary to the provisions of this Act and the Securities and Exchange Board of India Act, 1992; and
- (d) state such other matters and set out such other reports, as may be prescribed:

15 of 1992.

Provided that nothing in this sub-section shall apply to the issue of a prospectus or form of application for shares and debentures to the existing members or debenture holders of a company, irrespective of whether any such member or debenture holder has a right to renounce the offer in favour of any other person.

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

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

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

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

(a) state that a copy has been delivered for registration to the Registrar as required under sub-section (2); and

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

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

(6) No prospectus shall be valid if it is issued more than ninety days after the date on which a copy thereof is delivered to the Registrar under sub-section (2).

(7) Where a prospectus is issued in contravention of the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees and every person who is knowingly a party to the issue of such prospectus shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees, or with both.

Offer or
invitation for
subscription of
securities.

24. (1) A company may, without prejudice to the provisions of section 23, make an offer or invitation to a section of the public, whether selected as members or debenture holders of the company or as clients of the persons issuing the prospectus or in any other manner, to subscribe for such securities as are mentioned in the offer or invitation, irrespective of whether such securities are included in a prospectus and referred to therein as being reserved for such offer or invitation.

(2) No offer or invitation shall be treated as made to a section of the public by virtue of sub-section (1), if the offer or invitation can properly be regarded in all the circumstances—

(a) as not being calculated to result, directly or indirectly, in the securities becoming available for subscription or purchase by persons other than those receiving the offer or invitation, or

(b) otherwise as being a domestic concern of the persons making and receiving the offer or invitation:

Provided that nothing contained in this sub-section shall apply to a case where the offer or invitation to subscribe for the securities is made to fifty persons or more:

Provided further that nothing in the preceding proviso shall apply to such public financial institutions or non-banking financial companies as may be notified in the Official Gazette by the Central Government from time to time.

(3) A company making an offer or invitation under this section shall allot its securities within seventy days from the date of receipt of the application money for such securities and if the company is not able to allot the securities within that period, it shall repay the application money within eight days from the date of completion of seventy days.

(4) The Securities and Exchange Board shall, in consultation with the Reserve Bank of India, make regulations in respect of an offer or invitation made to the public by a public financial institution or non-banking financial company referred to in clause (f) of section 45-I of the Reserve Bank of India Act, 1934.

2 of 1934.

(5) A statement indicating the salient features of the offer or invitation made under this section shall, on or before the date of such offer or invitation, be delivered to the Registrar for registration and the provisions of sub-sections (4) to (7) of section 23 shall apply *mutatis mutandis* to such offer or invitation.

Advertisement
of prospectus.

25. Where an advertisement of any prospectus of a company is published in any manner, it shall be necessary to specify therein the contents of its memorandum as regards

the objects, the liability of members and the amount of share capital, of the company, and the names of the signatories to the memorandum and the number of shares subscribed for by them, and its capital structure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Criminal liability for mis-statements in prospectus.

29. Where a prospectus, issued, circulated or distributed under this Chapter, includes any statement which is untrue or misleading in form or context or where any inclusion or omission of any matter is likely to mislead, every person who authorises the issue of such prospectus shall be punishable with imprisonment for a term which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees:

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

Civil liability for mis-statements in prospectus.

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

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

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

(c) is a promoter of the company,

(d) has authorised the issue of the prospectus, and

(e) is an expert referred to in sub-section (3) of section 23,

shall, without prejudice to any punishment to which any person may be liable under section 31, be liable to pay compensation to every person who has sustained such loss or damage.

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

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

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

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

Punishment for fraudulently inducing persons to invest money.

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

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

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

shall be punishable with imprisonment for a term which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to fifty lakh rupees.

32. A suit may be filed or any other action may be taken under section 30 or section 31 by any person, group of persons or any association of persons affected by any misleading statement or the inclusion or omission of any matter in the prospectus. Action by affected persons.

33. (1) Any person who—

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

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

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

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

shall be punishable with imprisonment for a term which may extend to three years and with fine which shall not be less than fifty thousand rupees but which may extend to fifty lakh rupees.

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

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

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

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

Allotment of securities by company.

(2) The amount payable on application on every security shall not be less than five per cent. of the nominal amount of the security.

(3) If the stated minimum amount has not been subscribed and the sum payable on application is not received within a period of one hundred and twenty days from the date of issue of the prospectus, the amount received under sub-section (1) shall be returned within such time and in such manner as may be prescribed.

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

(5) Nothing in this section shall apply to a private company.

(6) In case of any default under sub-section (3) or sub-section (4), the company and its officer who is in default shall be liable to a penalty, for each default, of one thousand rupees for every day during which default continues but not exceeding one lakh rupees.

35. (1) Every company intending to offer securities to the public for subscription by the issue of a prospectus shall, before such issue, make an application to one or more recognised stock exchange or exchanges for permission for the securities to be dealt with in such stock exchange or exchanges.

Securities to be dealt with in Stock Exchanges.

(2) Where a prospectus states that an application under sub-section (1) has been made, such prospectus shall also state the name or names of the stock exchange, and any allotment whenever made on an application in pursuance of such prospectus shall be void if the permission has not been granted by such stock exchange or stock exchanges before the expiry of ten weeks from the date of closure of the subscription list:

Provided that where an appeal against the decision of any recognised stock exchange, refusing permission for the securities to be dealt with in that stock exchange, has been preferred under section 22 of the Securities Contracts (Regulation) Act, 1956, such allotment shall not be void until the dismissal of the appeal. 42 of 1956.

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

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

(b) for the repayment of monies within the prescribed time, received from applicants in pursuance of the prospectus, where securities have not been permitted to be so dealt with or where the company is for any other reason unable to allot securities.

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

(5) If a default is made in complying with the provisions of this section, the company shall be punishable with a fine which shall not be less than five lakh rupees but which may extend to fifty lakh rupees and the officer who is in default shall be punishable with imprisonment for a term which extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees, or with both.

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

Global
Depository
Receipt.

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

CHAPTER IV

SHARE CAPITAL AND DEBENTURES

Kinds of share
capital.

37. (1) The share capital of the company limited by shares shall be of two kinds, namely:—

(a) equity share capital, and

(b) preference share capital.

(2) Equity share capital, with reference to any company limited by shares, means that part of the issued share capital of the company which has no limits for participation, either with respect to dividends or with respect to capital, in distribution of profits or otherwise.

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

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

(b) repayment, in the case of a winding up or repayment of capital, of the amount of the share capital paid-up or deemed to have been paid-up.

Nature of
shares or
debentures.

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

Numbering
of shares.

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

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

40. (1) A certificate, issued under the common seal of the company, specifying the shares held by any person, shall be *prima facie* evidence of the title of the person to such shares. Certificate of shares.

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

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

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

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

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

(5) If a company with intent to defraud issues a duplicate certificate of shares, the company shall be punishable with fine which shall not be less than five times the face value of the shares involved in the issue of the duplicate certificate but which may extend to ten times the face value of such shares and every officer of the company who is in default shall be punishable with imprisonment which may extend to three years and with fine which shall not be less than three lakh rupees but which may extend to twenty five lakh rupees.

22 of 1996.

(6) Without prejudice to any liability under the Depositories Act, 1996, where any depository with an intention to defraud a person has transferred shares, it shall be punishable with fine which shall not be less than three lakh rupees but which may extend to twenty five lakh rupees.

41. (1) Subject to the provisions of sub-section (2) of section 44, —

Voting rights.

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

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

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

Provided that in respect of a resolution on a matter affecting both the equity shareholders and the preference shareholders, the proportion of the voting rights of equity shareholders to the voting rights of the preference shareholders shall be in the same proportion as the paid-up capital in respect of the equity shares bears to the paid-up capital in respect of the preference shares:

Provided further that where the dividends payable in respect of a class of preference shares are in arrears for a period of three years or more, such class of preference shareholders shall have a right to vote on all the resolutions placed before a meeting of the company.

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

shares of that class,—

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

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

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

(3) The company shall, within thirty days of the date of the order of the Tribunal, file a copy thereof with the Registrar.

(4) Where any default is made in complying with the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakhs rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both.

Calls on shares of same class to be made on uniform basis.

43. Where any calls for further share capital are made on the shares of a class, such calls shall be made on a uniform basis on all shares falling under that class.

Explanation.— For the purposes of this section, shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

Company to accept unpaid share capital, although not called up.

44. (1) A company may, if so authorised by its articles, accept from any member the whole or a part of the amount remaining unpaid on any shares held by him, even if no part of that amount has been called up.

(2) A member of the company limited by shares shall not be entitled to any voting rights in respect of the amount paid by him under sub-section (1) until that amount has been called up.

Payment of dividend in proportion to amount paid-up.

45. A company may, if so authorised by its articles, pay dividends in proportion to the amount paid-up on each share.

Application of premium received on issue of shares.

46. (1) Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the premium received on those shares shall be transferred to a “Securities Premium Account” and the provisions of this Act relating to reduction of share capital of a company shall, except as provided in this section, apply as if the share premium account were the paid-up share capital of the company.

(2) Notwithstanding anything contained in sub-section (1), the share premium account may be applied by the company—

(a) towards the issue of unissued shares of the company to the members of the company as fully paid bonus shares;

(b) in writing off the preliminary expenses of the company;

(c) in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company;

(d) in providing for the premium payable on the redemption of any redeemable preference shares or of any debentures of the company; or

(e) for the purchase of its own shares or other securities under section 61.

47. (1) Except as provided in section 48, a company shall not issue shares at a discount. Prohibition on issue of shares at discount.

(2) Any share issued by a company at a discounted price shall be void.

(3) Where a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both.

48. (1) Notwithstanding anything contained in section 47, a company may issue sweat equity shares of a class of shares already issued, if the following conditions are fulfilled, namely :— Issue of sweat equity shares.

(a) the issue is authorised by a special resolution passed by the company;

(b) the resolution specifies the number of shares, the current market price, consideration, if any, and the class or classes of directors or employees to whom such equity shares are to be issued;

(c) not less than one year has, at the date of such issue, elapsed since the date on which the company had commenced business; and

(d) where the equity shares of the company are listed on a recognised stock exchange, the sweat equity shares are issued in accordance with the regulations made by the Securities and Exchange Board in this behalf and if they are not so listed, the sweat equity shares are issued in accordance with such rules as may be prescribed.

(2) The rights, limitations, restrictions and provisions as are for the time being applicable to equity shares shall be applicable to the sweat equity shares issued under this section and the holders of such shares shall rank *pari passu* with other equity shareholders.

49. (1) No company limited by shares shall, after the commencement of this Act, issue any preference shares which are irredeemable. Issue and redemption of preference shares.

(2) A company limited by shares may, if so authorised by its articles, issue preference shares which are liable to be redeemed within a period not exceeding twenty years from the date of their issue subject to such conditions as may be prescribed:

Provided that a company may issue preference shares for a period exceeding twenty years for such infrastructural projects as may be prescribed, subject to the redemption of such percentage of shares as may be prescribed on an annual basis at the option of such preferential shareholders:

Provided further that—

(a) no such shares shall be redeemed except out of the profits of the company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of such redemption;

(b) no such shares shall be redeemed unless they are fully paid;

(c) where such shares are proposed to be redeemed out of the profits of the company, there shall, out of such profits, be transferred, a sum equal to the nominal amount of the shares to be redeemed, to a reserve fund, to be called the Capital Redemption Reserve Account, and the provisions of this Act relating to reduction of share capital of a company shall, except as provided in this section, apply as if the Capital Redemption Reserve Account were paid-up share capital of the company; and

(d) the premium, if any, payable on redemption shall be provided for out of the profits of the company or out of the company's Securities Premium Account, before such shares are redeemed.

(3) Where a company is not in a position to redeem any preference shares or to pay dividend, if any, on such shares in accordance with the terms of issue (such shares being hereinafter referred to as unredeemed preference shares), it may, with the consent of the holders of three-fourths in value of such preference shares and with the approval of the Tribunal on a petition made by it in this behalf, issue further redeemable preference shares equal to the amount due, including the dividend thereon, in respect of the unredeemed preference shares, and on the issue of such further redeemable preference shares, the unredeemed preference shares shall be deemed to have been redeemed:

Provided that the Tribunal shall, while giving approval under this sub-section, order the redemption forthwith of preference shares held by such persons who have not consented to the issue of further redeemable preference shares.

Explanation.— For the removal of doubts, it is hereby declared that the issue of further redeemable preference shares or the redemption of preference shares under this section shall not be deemed to be an increase or, as the case may be, a reduction, in the share capital of the company.

Transfer and
transmission
of securities.

50. (1) A company shall not register a transfer of securities of the company, or the interest of a member in the company in the case of a company having no share capital, other than the transfer between persons both of whose names are entered as holders of beneficial interest in the records of a depository, unless a proper instrument of transfer, in such form as may be prescribed, duly stamped, dated and executed by or on behalf of the transferor and the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the company by the transferor or the transferee within such period from the date of execution, as may be prescribed, along with the certificate relating to the securities, or if no such certificate is in existence, along with the letter of allotment of securities:

Provided that where the instrument of transfer has been lost or the instrument of transfer has not been delivered within the prescribed period, the company may register the transfer on such terms as to indemnity as the Board may think fit.

(2) Nothing in sub-section (1) shall prejudice the power of the company to register, on receipt of an intimation of transmission of any right to securities by operation of law from any person to whom such right has been transmitted.

(3) Where an application is made by the transferor alone and relates to partly paid shares, the transfer shall not be registered, unless the company gives the notice of the application, in such manner as may be prescribed, to the transferee and the transferee gives no objection to the transfer within two weeks from the receipt of notice.

(4) Every company shall, unless prohibited by any provision of law or any order of Court, tribunal or other authority, deliver the certificates of all securities allotted, transferred or transmitted—

(a) within two months after incorporation, in the case of subscribers to the memorandum;

(b) within two months from the date of allotment, in the case of any allotment of any of its shares;

(c) within one month from the date of receipt by the company of the instrument of transfer under sub-section (1) or, as the case may be, of the intimation of transmission under sub-section (2), in the case of a transfer or transmission of securities;

(d) within six months from the date of allotment in the case of any allotment of debenture.

(5) The transfer of any security or other interest of a deceased person in a company made by his legal representative shall, even if the legal representative is not himself a holder

thereof, be valid as if he had been the holder at the time of the execution of the instrument of transfer.

(6) Where any default is made in complying with the provisions of sub sections (1) to (5) of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than ten thousand rupees but which may extend to one lakh rupees, or with both.

15 of 1992.

(7) Where the transfer of securities is in contravention of any of the provisions of the Securities and Exchange Board of India Act, 1992 or this Act or any other law for the time being in force, the Tribunal may, on an application made by the depository, company, depository participant, the holder of the securities or the Securities and Exchange Board, direct any company or a depository to set right the contravention and rectify its register of records concerned.

51. Where any person deceitfully personates the owner of any share or interest and thereby obtains or attempts to obtain any such share or interest or any coupon, or receives or attempts to receive any money due to any such owner, he shall be punishable with imprisonment for a term which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

Punishment
for
personation
of
shareholder.

52. (1) If a private company limited by shares refuses, whether in pursuance of any power of the company under its articles or otherwise, to register the transfer of, or the transmission by operation of law of the right to, any securities or interest of a member in the company, it shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the company, send notice of the refusal to the transferor and the transferee or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal.

Refusal of
registration
and appeal
against refusal.

(2) The transferee may appeal to the Tribunal against the refusal within one month from the date of receipt of the notice or in case no notice has been sent by the company, within four months from the date on which the instrument of transfer or the intimation of transmission, as the case may be, was delivered to the company.

(3) If a public company without sufficient cause refuses to register the transfer of shares within one month from the date on which the instrument of transfer or the intimation of transmission, as the case may be, is delivered to the company, the transferee may, within two months of such refusal or where no intimation has been received from the company, within three months of the delivery of the instrument of transfer or intimation of transmission, appeal to the Tribunal.

(4) The Tribunal, while dealing with an application preferred under sub-section (1) or an appeal made under sub-section (2) or sub section (3), may, after hearing the parties, either reject the application or dismiss the appeal, or by order—

(a) direct that the transfer or transmission shall be registered by the company and the company shall comply with such order within ten days of the receipt of the order; or

(b) direct rectification of the register and also direct the company to pay damages, if any, sustained by any party aggrieved.

(5) Where any person contravenes the order of the Tribunal under this section, he shall be punishable with imprisonment for a term which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

Rectification of register of members.

53. (1) If the name of any person is, without sufficient cause, entered in the register of members of a company, or after having been entered in the register, is, without sufficient cause, omitted therefrom, or if a default is made, or unnecessary delay takes place in entering in the register, the fact of any person having become or ceased to be a member, the person aggrieved, or any member of the company, or the company may appeal in such form as may be prescribed, to the Tribunal, or to a competent court outside India, specified by the Central Government by notification, in respect of foreign members or debenture holders residing outside India, for rectification of the register.

(2) The Tribunal may, after hearing the parties to the appeal under sub-section (1), by order, either dismiss the appeal or direct that the transfer or transmission shall be registered by the company within ten days of the receipt of the order or direct rectification of the register and in the latter case direct the company to pay damages, if any, sustained by the party aggrieved or the records of a depository.

(3) If any default is made in complying with the order of the Tribunal under this section, the company and every officer who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees, or with both.

Publication of authorised, subscribed and paid-up capital.

54. (1) Where any notice, advertisement or other official publication, or any business letter, billhead or letter paper of a company contains a statement of the amount of the authorised capital of the company, such notice, advertisement or other official publication, or such letter, billhead or letter paper shall also contain a statement, in an equally prominent position and in equally conspicuous characters, of the amount of the capital which has been subscribed and the amount paid-up.

(2) If any default is made in complying with the requirements of sub-section (1), the company shall be liable to a penalty of ten thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees, for each default.

Power of limited company to alter its share capital.

55. (1) A limited company having a share capital may, if so authorised by its articles, alter its memorandum in its general meeting to—

(a) increase its share capital by such amount as it thinks expedient by issuing new shares;

(b) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;

(c) convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;

(d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;

(e) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

(2) The cancellation of shares under sub-section (1) shall not be deemed to be a reduction of share capital.

Further issue of share capital.

56. (1) Where at any time, a company having a share capital proposes to increase its subscribed capital by the issue of further shares, such shares shall be offered —

(a) to persons who, at the date of the offer, are holders of equity shares of the company in proportion, as nearly as circumstances admit, to the share capital paid-up on those shares by circulating an offer for sale subject to such terms and conditions relating to the time within which the offer has to be accepted, the renunciation of such offer and such other matters as may be prescribed;

(b) to employees under a scheme of employees' stock option, subject to such conditions as may be prescribed; or

(c) if it is authorised by a special resolution, to persons other than those mentioned in clause (a) or clause (b), either for cash or for a consideration, if the price of such shares is determined by the valuation report of a registered valuer subject to such conditions as may be prescribed.

(2) Nothing in this section shall apply to the increase of the subscribed capital of a public company caused by the exercise of an option as a term attached to the debentures issued or loan raised by the company to convert such debentures or loans into shares in the company:

Provided that the terms of issue of such debentures or loan containing such an option have been approved before the issue of such debentures or the raising of loan by a special resolution passed by the company in general meeting.

(3) Notwithstanding anything contained in sub-section (2), where any debentures have been issued, or loan has been obtained from any Government, by a company, and if that Government considers it necessary in the public interest so to do, it may, by order, direct that such debentures or loans or any part thereof shall be converted into shares in the company on such terms and conditions as appear to the Government to be reasonable in the circumstances of the case even if terms of the issue of such debentures or the raising of such loans do not include a term for providing for an option for such conversion:

Provided that where the terms and conditions of such conversion are not acceptable to the company, it may, within sixty days from the date of communication of such order, appeal to the Tribunal which shall after hearing the company and the Government pass such order as it deems fit.

(4) In determining the terms and conditions of conversion under sub-section (3), the Government shall have due regard to the financial position of the company, the terms of issue of debentures or loans, as the case may be, the rate of interest payable on such debentures or loans and such other matters as it may consider necessary.

(5) Where the Government has, by an order made under sub-section (3), directed that any debenture or loan or any part thereof shall be converted into shares in a company and where no appeal has been preferred to the Tribunal under sub-section (3) or where such appeal has been dismissed, the memorandum of such company shall, where such order has the effect of increasing the authorised share capital of the company, stand altered and the authorised share capital of such company shall stand increased by an amount equal to the amount of the value of shares which such debentures or loans or part thereof has been converted into.

57. (1) Where—

(a) a company alters its share capital in any manner specified in sub-section (1) of section 55;

(b) an order made by the Government under sub-section (3) read with sub-section (5) of section 56 has the effect of increasing the authorised capital of a company; or

(c) a company redeems any redeemable preference shares,

the company shall file a notice in the prescribed form with the Registrar within thirty days of such alteration or increase, as the case may be, along with an altered memorandum.

(2) Where a company and any officer of the company who is in default contravenes the provisions of sub-section (1), it or he shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees.

Notice to be given to Registrar for alteration of share capital.

Unlimited company to provide for reserve share capital on re-registration.

58. An unlimited company having a share capital may, by a resolution for registration as a limited company under this Act, do either or both of the following things, namely—

(a) increase the nominal amount of its share capital by increasing the nominal amount of each of its shares, subject to the condition that no part of the increased capital shall be capable of being called up except in the event and for the purposes of the company being wound up;

(b) provide that a specified portion of its uncalled share capital shall not be capable of being called up except in the event and for the purposes of the company being wound up.

Reduction of share capital.

59. (1) Subject to confirmation by the Tribunal on an application by the company, a company limited by shares or limited by guarantee and having a share capital may, by a special resolution, reduce the share capital in any manner and in particular, may—

(a) extinguish or reduce the liability on any of its shares in respect of the share capital not paid-up; or

(b) either with or without extinguishing or reducing liability on any of its shares,—

(i) cancel any paid-up share capital which is lost or is unrepresented by available assets; or

(ii) pay off any paid-up share capital which is in excess of the wants of the company,

and alter its memorandum by reducing the amount of its share capital and of its shares accordingly:

Provided that no such reduction shall be made if the company is in arrears in the repayment of any deposits accepted by it, either before or after the commencement of this Act, or the interest payable thereon.

(2) The Tribunal shall give notice of every application made to it under sub-section (1) to the Central Government and to the Securities and Exchange Board, in the case of listed companies, and the creditors of the company and shall take into consideration the representations, if any, made to it by that Government, the Securities and Exchange Board and the creditors within a period of three months from the date of receipt of the notice:

Provided that where no representation has been received from the Central Government, the Securities and Exchange Board or the creditors within the said period, it shall be presumed that they have no objection to the reduction.

(3) The Tribunal may, if it is satisfied that the debt or claim of every creditor of the company has been discharged or determined or has been secured or his consent is obtained, make an order confirming the reduction on such terms and conditions as it deems fit.

(4) The order of confirmation of the reduction by the Tribunal under sub-section (3) shall be published by the company in such manner as the Tribunal may direct.

(5) The company shall deliver a certified copy of the order of the Tribunal under sub-section (3) and of a minute approved by the Tribunal showing—

(a) the amount of share capital,

(b) the number of shares into which it is to be divided,

(c) the amount of each share, and

(d) the amount, if any, at the date of registration deemed to be paid-up on each share,

to the Registrar within thirty days of the receipt of the copy of the order, who shall register the same and issue a certificate to that effect.

(6) Nothing in this section shall apply to buy-back of its own securities by a company under section 61.

(7) A member of the company, past or present, shall not be liable to any call or contribution in respect of any share held by him exceeding the amount of difference, if any, between the amount paid on the share, or reduced amount, if any, which is to be deemed to have been paid thereon, as the case may be, and the amount of the share as fixed by the order of reduction.

(8) Where the name of any creditor entitled to object to the reduction of share capital under this section is, by reason of his ignorance of the proceedings for reduction or of their nature and effect with respect to his debt or claim, not entered on the list of creditors, and after such reduction the company is unable, within the meaning of sub-section (2) of section 246, to pay the amount of his debt or claim,—

(a) every person, who was a member of the company at the date of the registration of the order for reduction by the Registrar, shall be liable to contribute to the payment of that debt or claim, an amount not exceeding the amount which he would have been liable to contribute if the company had commenced winding up on the day immediately before the said date; and

(b) if the company is wound up, the Tribunal may, on the application of any such creditor and proof of his ignorance as aforesaid, if it thinks fit, settle a list of persons so liable to contribute, and make and enforce calls and orders on the contributories settled on the list, as if they were ordinary contributories in a winding up.

(9) Nothing in sub-section (8) shall affect the rights of the contributories among themselves.

(10) If any officer of the company—

(a) knowingly conceals the name of any creditor entitled to object to the reduction;

(b) knowingly misrepresents the nature or amount of the debt or claim of any creditor; or

(c) abets or is privy to any such concealment or misrepresentation as aforesaid, he shall be punishable with imprisonment which may extend to two years or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both.

(11) Where a company fails to comply with the provisions of sub-sections (4) and (5), it shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees.

60. (1) No company limited by shares or by guarantee and having a share capital shall have power to buy its own shares unless the consequent reduction of share capital is effected under the provisions of this Act.

Restrictions on purchase by company or giving of loans by it for purchase of its shares.

(2) No public company shall give, whether directly or indirectly and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of, or in connection with, a purchase or subscription made or to be made, by any person of or for any shares in the company or in its holding company:

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

(a) the lending of money by a banking company in the ordinary course of its business;

(b) the provision by a company of money in accordance with any scheme for

the purchase of, or subscription for, fully paid-up shares in the company or its holding company, if the purchase of, or the subscription for, the shares by trustees to be held by or for the benefit of the employees of the company; or

(c) the giving of loans by a company to persons in the employment of the company other than its directors or key managerial personnel, for an amount not exceeding their salary or wages for a period of six months with a view to enabling them to purchase or subscribe for fully paid-up shares in the company or its holding company to be held by them by way of beneficial ownership.

(3) Nothing in this section shall affect the right of a company to redeem any preference shares issued by it under this Act or under any previous company law.

(4) Where a company contravenes the provisions of this section, it shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees.

Power of company to purchase its own securities.

61. (1) Notwithstanding anything contained in this Act, but subject to the provisions of sub-section (2), a company may purchase its own shares or other specified securities (hereinafter referred to as buy-back) out of—

(a) its free reserves,

(b) the securities premium account, or

(c) the proceeds of the issue of any shares or other specified securities:

Provided that no buy-back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or same kind of other specified securities.

(2) No company shall purchase its own shares or other specified securities under sub-section (1), unless—

(a) the buy-back is authorised by its articles;

(b) a special resolution has been passed at a general meeting of the company authorising the buy-back:

Provided that nothing contained in this clause shall apply to a case where—

(i) the buy-back is for less than ten per cent. of the total paid-up equity capital and free reserves of the company; and

(ii) such buy-back has been authorised by the Board by means of a resolution passed at its meeting;

(c) the buy-back is for less than twenty-five per cent. of the total paid-up capital and free reserves of the company:

Provided that in respect of the buy-back of equity shares in any financial year, the reference to twenty-five per cent. in this clause shall be construed with respect to its total paid-up equity capital in that financial year;

(d) the ratio of the aggregate of secured and unsecured debts owed by the company after buy-back is not more than twice the capital and its free reserves:

Provided that the Central Government may, by order, notify a higher ratio of the debt to capital and free reserves for a class or classes of companies;

(e) all the shares or other specified securities for buy-back are fully paid-up;

(f) the buy-back of the shares or other specified securities listed on any recognised stock exchange is in accordance with the regulations made by the Securities and Exchange Board in this behalf; and

(g) the buy-back in respect of shares or other specified securities other than those specified in clause (f) is in accordance with such rules as may be prescribed:

Provided that no offer of buy-back under this sub-section shall be made within a period of one year reckoned from the date of the preceding offer of buy-back, if any.

(3) The notice of the meeting at which the special resolution is proposed to be passed under clause (b) of sub-section (2) shall be accompanied by an explanatory statement stating—

(a) a full and complete disclosure of all material facts;

(b) the necessity for the buy-back;

(c) the class of shares or securities intended to be purchased under the buy-back;

(d) the amount to be invested under the buy-back; and

(e) the time limit for completion of buy-back.

(4) Every buy-back shall be completed within one year from the date of passing of the special resolution under clause (b), or as the case may be, the resolution passed by the Board under item (ii) of the proviso to that clause, of sub-section (2).

(5) The buy-back under sub-section (1) may be—

(a) from the existing shareholders or security holders on a proportionate basis;

(b) from the open market;

(c) from odd lots, where the lot of shares or securities of a public company, whose shares are listed on a recognised stock exchange, is smaller than such marketable lot, as may be specified by the stock exchange; or

(d) by purchasing the securities issued to employees of the company pursuant to a scheme of stock option or sweat equity.

(6) Where a company proposes to buy-back its own shares or other specified securities under this section in pursuance of a special resolution under clause (b) of sub-section (2) or a resolution under item (ii) of the proviso thereto, it shall, before making such buy-back, file with the Registrar and the Securities and Exchange Board, a declaration of solvency signed by at least two directors of the company, one of whom shall be the managing director, if any, in such form as may be prescribed and verified by an affidavit to the effect that the Board of Directors of the company has made a full inquiry into the affairs of the company as a result of which they have formed an opinion that it is capable of meeting its liabilities and will not be rendered insolvent within a period of one year from the date of declaration adopted by the Board:

Provided that no declaration of solvency shall be filed with the Securities and Exchange Board by a company whose shares are not listed on any recognised stock exchange.

(7) Where a company buys back its own shares or other specified securities, it shall extinguish and physically destroy the shares or securities so bought back within seven days of the last date of completion of buy-back.

(8) Where a company completes a buy-back of its shares or other specified securities under this section, it shall not make a further issue of the same kind of shares or other securities including allotment of new shares under clause (a) of sub-section (1) of section

56 or other specified securities within a period of six months except by way of a bonus issue or in the discharge of subsisting obligations such as conversion of warrants, stock option schemes, sweat equity or conversion of preference shares or debentures into equity shares.

(9) Where a company buys back its shares or other specified securities under this section, it shall maintain a register of the shares or securities so bought, the consideration paid for the shares or securities bought back, the date of cancellation of shares or securities, the date of extinguishing and physically destroying the shares or securities and such other particulars as may be prescribed.

(10) A company shall, after the completion of the buy-back under this section, file with the Registrar and the Securities and Exchange Board a return containing such particulars relating to the buy-back within thirty days of such completion, as may be prescribed:

Provided that no return shall be filed with the Securities and Exchange Board by a company whose shares are not listed on any recognised stock exchange.

(11) Where a company makes any default in complying with the provisions of this section or any regulation made by the Securities and Exchange Board, for the purposes of clause (f) of sub-section (2), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees and any officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees, or with both.

Explanation.—For the purposes of this section and section 63, “specified securities” includes employees’ stock option or other securities as may be notified by the Central Government from time to time.

Transfer of certain sums to Capital Redemption Reserve Account.

62. Where a company purchases its own shares out of free reserves, a sum equal to the nominal value of the shares so purchased shall be transferred to the Capital Redemption Reserve Account and details of such transfer shall be disclosed in the balance sheet.

Prohibition for buy-back in certain circumstances.

63. No company shall directly or indirectly purchase its own shares or other specified securities—

(a) through any subsidiary company including its own subsidiary companies;

(b) through any investment company or group of investment companies; or

(c) if a default is made by the company in the repayment of deposits accepted either before or after the commencement of this Act, interest payment thereon, redemption of debentures or preference shares or payment of dividend to any shareholder, or repayment of any term loan or interest payable thereon to any financial institution or banking company.

Debentures.

64. (1) A company may issue debentures either with an option to convert such debentures into shares at the time of redemption or otherwise.

(2) No company shall issue any debentures carrying any voting rights.

(3) All secured debentures may be issued only by such class of companies and subject to such terms and conditions as may be prescribed.

(4) Where debentures are issued by a company under this section, the company shall create a Debenture Redemption Reserve Account out of the profits of the company available for payment of dividend and the amount credited to such account shall not be utilised by the company except for the redemption of debentures.

(5) No company shall issue a prospectus or make an offer or invitation to the public or to its members exceeding five hundred for the subscription of its debentures, unless the

company has, before such issue or offer, appointed one or more debenture trustees and the conditions governing the appointment of such trustees shall be such as may be prescribed.

(6) A debenture trustee shall take steps to protect the interests of the debenture holders and redress their grievances and rules may be made in this behalf.

(7) Any provision contained in a trust deed for securing the issue of debentures, or in any contract with the debenture holders secured by a trust deed, shall be void insofar as it would have the effect of exempting a trustee thereof from, or indemnifying him against, any liability for breach of trust, where he fails to show the degree of care and diligence required of him as a trustee, having regard to the provisions of the trust deed conferring on him any power, authority or discretion:

Provided that the liability of the debenture trustee shall be subject to such exemptions as may be agreed upon by a majority of debenture holders holding not less than three-fourths in value of the total debentures at a meeting held for the purpose.

(8) A company shall pay interest and redeem the debentures in accordance with the terms and conditions of their issue.

(9) Where at any time the debenture trustee comes to a conclusion that the assets of the company are insufficient or are likely to become insufficient to discharge the principal amount as and when it becomes due, the debenture trustee may file a petition before the Tribunal and the Tribunal may, after hearing the company and any other person interested in the matter, by order, impose such restrictions on the incurring of any further liabilities by the company as the Tribunal may consider necessary in the interests of the debenture holders.

(10) Where a company fails to redeem the debentures on the date of their maturity or fails to pay interest on the debentures when it is due, the Tribunal may, on the application of any or all of the debenture holders, or debenture trustee and, after hearing the parties concerned, direct, by order, the company to redeem the debentures forthwith on payment of principal and interest due thereon.

(11) Where any default is made in complying with the order of the Tribunal under this section, every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not less than two lakh rupees but which may extend to five lakh rupees, or with both.

(12) A contract with the company to take up and pay for any debentures of the company may be enforced by a decree for specific performance.

(13) The Central Government may prescribe by rules, for securing the issue of debentures, the form of debenture trust deed, the procedure for the debenture holders to inspect the trust deed and to obtain copies thereof and such other matters.

65. (1) Every holder of shares or debentures of a company may, at any time, nominate, in the prescribed manner, any person to whom his shares or debentures shall vest in the event of his death.

Nomination of
shares or
debentures.

(2) Where the shares or debentures of a company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, any person to whom all the rights in the shares or debentures shall vest in the event of death of all the joint holders.

(3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of the shares or debentures of a company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares or debentures of the company, the nominee shall, on the death of the holder of shares or debentures or, as the case may be, on the death of the joint holders, become entitled to all the rights in the shares or debentures, of the holder or, as the

case may be, of all the joint holders, in relation to such shares, or debentures, to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

(4) Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, making the nomination to appoint, in the prescribed manner, any person to become entitled to the shares or debentures of the company, in the event of the death of the nominee during his minority.

CHAPTER V

ACCEPTANCE OF DEPOSITS BY COMPANIES

Prohibition
on
acceptance
of deposits
from public.

66. (1) On and after the commencement of this Act, no company shall invite, accept or renew deposits under this Act from the public except as provided under this Chapter:

Provided that nothing in this sub-section shall apply to a banking company and non-banking financial company as defined in the Reserve Bank of India Act, 1934 and to such other company as the Central Government may, after consultation with the Reserve Bank of India, specify in this behalf. 2 of 1934.

(2) A company may, subject to the passing of a resolution in general meeting and subject to such rules as may be prescribed in consultation with the Reserve Bank of India, accept deposits from its members on such terms and conditions, including the provision of security or for the repayment of such deposits with interest, as may be agreed upon between the company and its members, subject to the fulfilment of the following conditions, namely:—

(a) issuance of a circular to its members including therein a statement showing the financial position of the company, the credit rating obtained, the total number of depositors and the amount due towards deposits in respect of any previous deposits accepted by the company and such other particulars in such form and in such manner as may be prescribed;

(b) filing a copy of the circular along with such statement with the Registrar thirty days before the date of issue of the circular;

(c) depositing such sum which shall not be less than fifteen per cent. of the amount of its deposits maturing during a financial year and the financial year next following, in a Deposit Repayment Reserve Account;

(d) providing such deposit insurance in such manner and to such extent as may be prescribed;

(e) certifying that the company has not defaulted in the repayment of deposits accepted either before or after the commencement of this Act or payment of interest on such deposits; and

(f) providing such security for the due repayment of the amount of deposit or the interest thereon including the creation of such charge on the company property or assets.

(3) Every deposit accepted by a company under sub-section (2) shall be repaid with interest in accordance with the terms and conditions of the agreement referred to in that sub-section.

(4) Where a company fails to repay the deposit or part thereof or any interest thereon under sub-section (3), the depositor concerned may apply to the Tribunal for an order directing the company to pay the sum due or for any loss or damage incurred by him as a result of such non-payment and for such other orders as the Tribunal may deem fit.

Repayment of
deposits, etc.,
accepted
before
commence-
ment of this
Act.

67. (1) Where in respect of any deposit accepted by a company before the commencement of this Act, the amount of such deposit or part thereof or any interest due thereon remains unpaid on such commencement or becomes due at any time thereafter, the company shall—

(a) file, within a period of three months from such commencement or from the date on which such payments, are due, with the Registrar a statement of all the deposits accepted by the company and sums unpaid on such amount with the interest payable thereon along with the arrangements made for such repayment, notwithstanding anything contained in any other law for the time being in force or under the terms and conditions subject to which the deposit was accepted or any scheme framed under any law; and

(b) repay within one year from such commencement or from the date on which such payments are due, whichever is earlier.

(2) The Tribunal may on an application made by the company, after considering the financial condition of the company, the amount of deposit or part thereof and the interest payable thereon and such other matters, allow further time as considered reasonable to the company to repay the deposit.

(3) Where a company fails to repay the deposit or part thereof or any interest thereon within the time specified in sub-section (1) or such further time as may be allowed by the Tribunal under sub-section (2), the company shall, in addition to the payment of the amount of deposit or part thereof and the interest due, be punishable with fine which shall not be less than one crore rupees but which may extend to ten crore rupees and every officer of the company who is in default shall be punishable with imprisonment which may extend to seven years or with fine which shall not be less than twenty-five lakh rupees but which may extend to two crore rupees, or with both.

68. (1) Where a company fails to repay the deposit or part thereof or any interest thereon referred to in section 67 within the time specified in sub-section (1) of that section or such further time as may be allowed by the Tribunal under sub-section (2) of that section, and it is proved that the deposits had been accepted with intent to defraud the depositors or for any fraudulent purpose, every officer of the company who was responsible for the acceptance of such deposit shall, without prejudice to the provisions contained in sub-section (3) of that section, be personally responsible, without any limitation of liability, for all or any of the losses or damages that may have been incurred by the depositors.

Damages for fraud.

(2) Any suit, proceedings or other action may be taken by any person, group of persons or any association of persons who had incurred any loss as a result of the failure of the company to repay the deposits or part thereof or any interest thereon.

CHAPTER VI

REGISTRATION OF CHARGES

69. (1) It shall be the duty of every company creating a charge within India or outside, on its property or assets or any of its undertakings, whether tangible or otherwise, and situated in India or outside, to register the particulars of the charge signed by the company and the charge-holder together with the instruments, if any, creating such charge in such form, on payment of such fee and in such manner as may be prescribed, with the Registrar within thirty days of its creation:

Duty to register charges, etc.

Provided that the Registrar may, on an application by the company, allow such registration to be made within a period of three hundred days of such creation on payment of such additional fee as may be prescribed.

(2) Where a charge is registered with the Registrar under sub-section (1), he shall issue a certificate of registration of such charge in such form and in such manner as may be prescribed to the company and, as the case may be, to the person in whose favour the charge is created.

(3) Notwithstanding anything contained in any other law for the time being in force, no charge created by a company shall be taken into account by the liquidator or any other creditor unless it is duly registered under sub-section (1) and a certificate of registration of such charge is given by the Registrar under sub-section (2).

(4) Nothing in sub-section (3) shall prejudice any contract or obligation for the repayment of the money secured by a charge.

Application
for
registration
of charge.

70. Where a company fails to register the charge within the period specified in section 69, without prejudice to its liability in respect of any offence under this Chapter, the person in whose favour the charge is created may apply to the Registrar for registration of the charge along with the instrument created for the charge, in such form and manner as may be prescribed and the Registrar may, on such application, within fourteen days after giving notice to the company, unless the company itself registers the charge or shows sufficient cause why such charge should not be registered, allow such registration on payment of such fee and additional fee as may be prescribed:

Provided that where registration is effected on application of the person in whose favour the charge is created, that person shall be entitled to recover from the company the amount of any fee or additional fee paid by him to the Registrar for the purpose of registration of charge.

Section 69 to
apply in
certain
matters.

71. The provisions of section 69 relating to registration of charges shall, so far as may be, apply to—

(a) a company acquiring any property subject to a charge within the meaning of that section; or

(b) any modification in the terms and conditions of any charge registered under that section.

Date of notice
of charge.

72. Where any charge on any property or assets of a company or any of its undertakings is registered under section 69, any person acquiring such property, assets, undertakings or part thereof or any share or interest therein shall be deemed to have notice of the charge from the date of such registration.

Register of
charges to be
kept by
Registrar.

73. (1) The Registrar shall, in respect of every company, keep a register containing particulars of the charges registered under this Chapter in such form and in such manner as may be prescribed.

(2) A register kept in pursuance of this section shall be open to inspection by any person on payment of such fee as may be prescribed for each inspection.

Company to
report
satisfaction of
charge.

74. (1) A company shall give intimation to the Registrar in the prescribed form, of the payment or satisfaction in full of any charge registered under this Chapter within thirty days from the date of such payment or satisfaction and the provisions of sub-section (1) of section 69 shall, as far as may be, apply to an intimation given under this section.

(2) The Registrar shall, on receipt of intimation under sub-section (1), cause a notice to be sent to the holder of the charge calling upon him to show cause within such time not exceeding fourteen days, as may be specified in such notice, as to why payment or satisfaction in full should not be recorded as intimated to the Registrar, and if no cause is shown, by such holder of the charge the Registrar shall order that a memorandum of satisfaction shall be entered in the register of charges kept by him under section 73 and shall inform the company that he has done so.

Intimation of
appointment
of receiver or
manager.

75. (1) If any person obtains an order for the appointment of a receiver for, or of a person to manage, the property, subject to a charge, of a company or if any person appoints such receiver or person under any power contained in any instrument, he shall, within such time as may be prescribed, give notice of such appointment to the company and the Registrar along with a copy of the order or instrument and the Registrar shall, on payment of the prescribed fee, register particulars of the receiver, person or instrument.

(2) Any person appointed under sub-section (1) shall, on ceasing to hold such appointment, give to the company and the Registrar a notice to that effect and the Registrar shall register such notice.

76. (1) Every company shall keep at its registered office a register of charges in such form and in such manner as may be prescribed, which shall include therein all charges and floating charges affecting any property or assets of the company or any of its undertakings, indicating in each case such particulars as may be prescribed.

Company's register of charges.

(2) The register of charges kept under sub-section (1) shall be open for inspection during business hours—

(a) by any member without any payment of fee; or

(b) by any other person on payment of such fee as may be prescribed,

subject to such reasonable restrictions as the company may, by its articles, impose.

77. Where any company contravenes any provision of this Chapter, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to ten lakh rupees and any officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than ten thousand rupees but which may extend to one lakh rupees, or with both.

Punishment for contravention.

CHAPTER VII

MANAGEMENT AND ADMINISTRATION

78. (1) Every company shall keep and maintain following registers in such form and in such manner as may be prescribed, namely:—

Register of members, etc.

(a) register of members indicating separately equity and preference shares held by each member and residing in India and outside,

(b) register of debenture holders, and

(c) register of any other security holders.

(2) Every register maintained under sub-section (1) shall include an index of the names included therein.

22 of 1996.

(3) The register and index of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996, shall be deemed to be the corresponding register and index for the purposes of this Act.

(4) A company may, if so authorised by its articles, keep in any country outside India, in such manner as may be prescribed, a part of the register referred to in sub-section (1), called "foreign register" containing the names and particulars of the members, debenture holders, other security holders or beneficial owners residing outside India.

(5) A company shall file with the Registrar—

(a) particulars of the situation of the place where such register of members, etc., is kept; and

(b) in the event of any change in the situation of such place or of its discontinuance, particulars of such change or discontinuance within thirty days from the date of such change or discontinuance.

(6) If any default is made in complying with the provisions of this section, the company shall be liable to a penalty of ten thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees, for each such default.

79. (1) Where the name of a person is entered in the register of members of a company as the holder of shares or class of shares in that company but who does not hold the beneficial interest in such shares, such person shall make a declaration in such form as may be prescribed to the company specifying the name and other particulars of the person who holds the beneficial interest in such shares or class of shares.

Declaration in respect of beneficial interest in any share.

(2) Every person who holds or acquires a beneficial interest in a share or class of shares of a company shall make a declaration to the company specifying the nature of his interest, particulars of the person in whose name the shares stand registered in the books of the company and such other particulars as may be prescribed.

(3) Where any change occurs in the beneficial interest in such shares or class of shares, the person referred to in sub-section (1) and the beneficial owner specified in sub-section (2) shall, within thirty days from the date of such change, make a declaration to the company in such form and containing such particulars as may be prescribed.

(4) Where any declaration under this section is made to a company, the company shall make a note of such declaration in the register concerned and shall file, within thirty days from the date of receipt of declaration by it, a return in the prescribed form with the Registrar in respect of such declaration with such fee as may be prescribed, or with such additional fee, as may be prescribed, within the time specified under section 364.

(5) Where a company, required to file a return under sub-section (4), fails to do so before the expiry of the time specified under section 364 with additional fee, the company and every officer who is in default shall be punishable with fine which shall not be less than five hundred rupees but which may extend to one thousand rupees for every day during which the default continues.

(6) Any instrument created by the ostensible owner of any share or class of shares, in respect of which a declaration is required to be made under this section, shall not be enforceable by the beneficial owner or any person claiming through him unless such declaration is made.

(7) Nothing in this section shall be deemed to prejudice the obligation of a company to pay dividend to its members under this Act and the said obligation shall, on such payment, stand discharged.

Investigation of beneficial ownership of shares in certain cases.

80. Where it appears to the Central Government that there are good reasons so to do, it may appoint one or more competent persons to investigate and report as to beneficial ownership with regard to any share or class of shares and the provisions of section 187 shall, as far as may be, apply to such investigation as if it were an investigation ordered under that section.

Power to close register of members or debenture holders or other security holders.

81. (1) A company may, after giving not less than seven days' previous notice in such manner as may be prescribed, close the register of members or the register of debenture holders or the register of other security holders for any period or periods not exceeding in the aggregate forty-five days in each year, but not exceeding thirty days at any one time.

(2) If the register of members or of debenture holders or of other security holders is closed without giving the notice as provided in sub-section (1), or after giving shorter notice than that so provided, or for a continuous or an aggregate period in excess of the limits specified in that sub-section, the company and every officer of the company who is in default shall be liable to a penalty of five thousand rupees for every day during which the register is kept closed but not exceeding one lakh rupees.

Annual return.

82. (1) Every company shall prepare a return (hereinafter referred to as the annual return) in the prescribed form containing the particulars as they stood on the close of the financial year regarding—

- (a) its registered office, principal business activities, particulars of its holding, subsidiary and associate companies;
- (b) its shares, debentures and other securities and shareholding pattern;
- (c) its indebtedness;
- (d) its members and debenture holders along with changes therein since the close of the last financial year;

(e) its promoters, directors, key managerial personnel along with changes therein since the close of the last financial year;

(f) meetings of members or a class thereof, Board and its various committees along with attendance details;

(g) remuneration of directors and key managerial personnel;

(h) penalties or punishments imposed on the company, its directors or officers and details of compounding of offences;

(i) matters related to certification of compliances, disclosures; and

(j) such other matters as may be prescribed,

and signed both by a director and the Company Secretary, or where there is no Company Secretary, by a Company Secretary in whole-time practice:

Provided that the annual return, filed by a company having such paid-up capital and turnover as may be prescribed, or a company whose shares are listed on a recognised stock exchange, shall also be signed by a Company Secretary in whole-time practice certifying that the annual return states the facts correctly and adequately and that the company has complied with all the provisions of this Act, in the prescribed form:

Provided further that in relation to a One Person Company and small company, the annual return shall be signed by the Company Secretary, or where there is no Company Secretary, by one director of the company.

(2) An extract of the annual return in such form as may be prescribed shall form part of the Board's Report.

(3) Every company shall, within thirty days from the date on which the annual general meeting is held or where no annual general meeting is held in any year within thirty days from the date on which the annual general meeting should have been held together with the statement specifying the reasons for not holding the annual general meeting, file with the Registrar a copy of the annual return with such fee as may be prescribed, or with such additional fee as may be prescribed, within the time as specified, under section 364.

(4) If a company fails to file its annual return under sub-section (3) before the expiry of the period specified under section 364 with additional fee, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for six months or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

(5) Where a Company Secretary in whole-time practice certifies the annual return otherwise than in conformity with the requirements of this section or the rules made thereunder, such Company Secretary shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees.

83. (1) The registers required to be kept and maintained by a company under section 78 and copies of the annual return filed under section 82 shall be kept at the registered office of the company:

Place of keeping and inspection of registers, returns, etc.

Provided that such registers or copies of return may also be kept at any other place in India in which more than one-tenth of the total members entered in the register of members reside, if approved by a special resolution passed at a general meeting of the company and the Registrar has been given a copy of the proposed special resolution in advance.

(2) The registers and their indices, except when they are closed under the provisions of this Act, and the copies of the returns shall be open for inspection by any member, debenture holder, other security holder or beneficial owner, during business hours without payment of any fee and by any other person on payment of such fee as may be prescribed.

(3) Any such member, debenture holder, other security holder or beneficial owner or any other person may—

(a) take extracts from any register, or index or return without payment of any fee; or

(b) require a copy of any such register or entries therein or return on payment of such fee as may be prescribed.

(4) The Central Government may also, by order, direct an immediate inspection of the document, or direct that the extract required shall forthwith be allowed to be taken by the person requiring it.

(5) If any inspection or the making of any extract or copy required under this section is refused, the company and every officer of the company who is in default shall be liable, for each such default, to a penalty of one thousand rupees for every day during which the refusal or default continues but not exceeding one lakh rupees.

Registers,
etc., to be
evidence.

84. The registers, their indices and copies of annual returns maintained under sections 78 and 83 shall be *prima facie* evidence of any matter directed or authorised to be inserted therein by or under this Act.

Annual
general
meeting.

85. (1) Every company other than a One Person Company shall in each year hold in addition to any other meetings, a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one annual general meeting of a company and that of the next:

Provided that in case of the first annual general meeting, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case, within a period of six months, from the date of closing of the financial year:

Provided further that if a company holds its first annual general meeting as aforesaid, it shall not be necessary for the company to hold any annual general meeting in the year of its incorporation or in the following year:

Provided also that the Registrar may, for any special reason, extend the time within which any annual general meeting, other than the first annual general meeting, shall be held, by a period not exceeding three months.

(2) Every annual general meeting shall be called during business hours, that is, between 9 a.m. and 6 p.m. on any day that is not a National Holiday and shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situate:

Provided that the Central Government may exempt any company from the provisions of this sub-section subject to such conditions as it may impose.

Power of
Tribunal to
call annual
general
meeting.

86. (1) If any default is made in holding the annual general meeting of a company under section 85, the Tribunal may, notwithstanding anything contained in this Act or the articles of the company, on the application of any member of the company, call, or direct the calling of, an annual general meeting of the company and give such ancillary or consequential directions as the Tribunal thinks expedient:

Provided that such directions may include a direction that one member of the company present in person or by proxy shall be deemed to constitute a meeting.

(2) A general meeting held in pursuance of sub-section (1) shall, subject to any directions of the Tribunal, be deemed to be an annual general meeting of the company under this Act.

Power of
Tribunal to
call meetings
of members,
etc.

87. (1) If for any reason it is impracticable to call a meeting of a company, other than an annual general meeting, in any manner in which meetings of the company may be called, or to hold or conduct the meeting of the company in the manner prescribed by this Act or

the articles of the company, the Tribunal may, either *suo motu* or on the application of any director of the company or of any member of the company who would be entitled to vote at the meeting,—

(a) order a meeting of the company to be called, held and conducted in such manner as the Tribunal thinks fit; and

(b) give such ancillary or consequential directions as the Tribunal thinks expedient, including directions modifying or supplementing in relation to the calling, holding and conducting of the meeting, the operation of the provisions of this Act and articles of the company:

Provided that such directions may include a direction that one member of the company present in person or by proxy shall be deemed to constitute a meeting.

(2) Any meeting called, held and conducted in accordance with any order made under sub-section (1) shall, for all purposes, be deemed to be a meeting of the company duly called, held and conducted.

88. If any default is made in holding a meeting of the company in accordance with section 85 or section 86 or section 87 or in complying with any directions of the Central Government or the Tribunal, as the case may be, the company and every officer of the company who is in default shall be punishable with fine which may extend to one lakh rupees and in the case of a continuing default, with a further fine which may extend to five thousand rupees for every day during which such default continues.

Punishment for default in complying with provisions of sections 85 to 87.

89. (1) The Board may on its own whenever it deems fit call an extraordinary general meeting in regard to any matter.

Calling of extraordinary general meeting.

(2) The Board shall at the requisition made by,—

(a) in the case of a company having a share capital, such number of members as hold on the date of the receipt of the requisition, not less than one-tenth of such of the paid-up share capital of the company as on that date carries the right of voting;

(b) in the case of a company not having a share capital, such number of members as have on the date of receipt of the requisition, not less than one-tenth of the total voting power of all the members having on the said date a right to vote,

call an extraordinary general meeting of the company within the period specified in sub-section (4).

(3) The requisition made under sub-section (2) shall set out the matters for the consideration of which the meeting is to be called and shall be signed by the requisitionists and sent to the registered office of the company.

(4) If the Board does not, within twenty-one days from the date of receipt of a valid requisition in regard to any matter, proceed to call a meeting for the consideration of that matter on a day not later than forty-five days from the date of receipt of such requisition, the meeting may be called and held by the requisitionists themselves within a period of three months from the date of the requisition in the manner prescribed.

(5) The manner in which an extraordinary general meeting shall be called by the Board shall, as nearly as may be, apply to the calling of such meeting by the requisitionists under sub-section (4).

(6) Any reasonable expenses incurred by the requisitionists in calling a meeting under sub-section (4) shall be reimbursed to the requisitionists by the company and the sums so paid shall be deducted from any fee or other remuneration under sub-section (1) of section 175 payable to such of the directors who were in default in calling the meeting.

90. (1) A general meeting of a company may be called by giving not less than clear twenty-one days' notice either in writing or through electronic mode in such manner as may be prescribed:

Notice of meeting.

Provided that a general meeting may be called after giving a shorter notice if consent is given in writing or by electronic mode by not less than ninety-five per cent. of the members entitled to vote at such meeting.

(2) Every notice of a meeting shall specify the place, date, day and the hour of the meeting and shall contain a statement of the business to be transacted at such meeting.

(3) The notice of every meeting of the company shall be given to—

(a) every member of the company, legal representative of any deceased member or the assignee of an insolvent member;

(b) the auditor or auditors of the company; and

(c) every director of the company.

(4) Any accidental omission to give notice to, or the non-receipt of such notice by, any member or other person who is entitled to such notice for any meeting shall not invalidate the proceedings of the meeting.

Explanatory
statement to
be annexed
with notice.

91. (1) A statement setting out all the material facts concerning each item of special business to be transacted at a general meeting, including, in particular, the nature of the concern or interest, if any, of every director and the manager, if any, and of every other key managerial personnel shall be annexed to the notice calling such meeting.

(2) For the purposes of sub-section (1), —

(a) in the case of an annual general meeting, all business to be transacted thereat shall be deemed special, other than—

(i) the consideration of accounts, balance sheet and the reports of the Board of Directors and auditors;

(ii) the declaration of any dividend;

(iii) the appointment of directors in place of those retiring;

(iv) the appointment of, and the fixing of the remuneration of, the auditors;
and

(b) in the case of any other meeting, all business shall be deemed to be special:

Provided that where any item of special business to be transacted at a meeting of the company relates to or affects any other company, the extent of shareholding interest in that other company of every director, manager, if any, and of every other key managerial personnel of the first mentioned company shall, if the extent of such shareholding is not less than two per cent. of the paid-up share capital of that company, also be set out in the statement.

(3) Where any item of business refers to any document, which is to be considered at the meeting, the time and place where such document can be inspected shall be specified in the statement under sub-section (1).

(4) Where as a result of the non-disclosure or insufficient disclosure in any statement referred to in sub-section (1), being made by a director, manager, if any, or other key managerial personnel, any benefit which accrues to such director, manager or other key managerial personnel or his relatives, either directly or indirectly, the director, manager or other key managerial personnel, as the case may be, shall hold such benefit in trust for the company, and shall, without prejudice to any other action being taken against him under this Act or under any law for the time being in force, be liable to compensate the company to the extent of the benefit received by him.

(5) Where any default is made in complying with the provisions of this section, every officer of the company who is in default shall be punishable with fine which may extend to

fifty thousand rupees or five times the amount of benefit accruing to the director, manager or other key managerial personnel or any of his relatives, whichever is more.

92. (1) Unless the articles of the company provide for a larger number, five members personally present in the case of public company and two members personally present in the case of a private company, shall be the quorum for a meeting of the company. Quorum for meetings.

(2) If within half-an-hour from the time appointed for holding a meeting of the company, the quorum is not there,—

(a) the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other date and such other time and place as the Board may determine; or

(b) the meeting, if called by requisitionists under section 89, shall stand cancelled:

Provided that in case of an adjournment or of a change of day, time or place of meeting under clause (a), the company shall give not less than three days' notice to the members either individually or by press announcement.

(3) If at the adjourned meeting also, a quorum is not present within half-an-hour from the time appointed for holding meeting, the members present shall be the quorum.

93. (1) Unless the articles of the company otherwise provide, the members personally present at the meeting shall elect one of themselves to be the Chairman thereof on a show of hands. Chairman of meetings.

(2) If a poll is demanded on the election of the Chairman, it shall be taken forthwith in accordance with the provisions of this Act and the Chairman elected on a show of hands under sub-section (1) shall continue to be the Chairman of the meeting until some other person is elected as Chairman as a result of the poll, and such other person shall be the Chairman for the rest of the meeting.

94. Any member of a company entitled to attend and vote at a meeting of the company shall be entitled to appoint another person as a proxy to attend and vote at the meeting on his behalf in writing or by electronic mode in such manner and subject to such conditions as may be prescribed: Proxies.

Provided that a proxy shall not have the right to speak at such meeting and shall not be entitled to vote except on a poll.

95. (1) Notwithstanding anything contained in this Act, the articles of a company may provide that no member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid, or in regard to which the company has exercised any right of lien. Restriction on voting rights.

(2) A company shall not, except on the grounds specified in sub-section (1), prohibit any member from exercising his voting right on any other ground.

(3) On a poll taken at a meeting of a company, a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

96. (1) At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded under section 98 or the voting is carried out electronically, be decided on a show of hands. Voting by show of hands.

(2) A declaration by the Chairman of the meeting of the passing of a resolution or otherwise by show of hands under sub-section (1) and an entry to that effect in the books containing the minutes of the meeting of the company shall be conclusive evidence of the fact of passing of such resolution or otherwise.

Voting
through
electronic
means.

97. Unless the articles provide otherwise, a member may exercise his vote at a meeting by electronic means in the manner as may be prescribed.

Demand for
poll.

98. (1) Before or on the declaration of the result of the voting on any resolution on show of hands, a poll may be ordered to be taken by the Chairman of the meeting on his own motion, and shall be ordered to be taken by him on a demand made in that behalf,—

(a) in the case a company having a share capital, by the members present in person or by proxy and having not less than one-tenth of the total voting power or holding shares on which an aggregate sum of not less than five lakh rupees has been paid up; and

(b) in the case of any other company, by any member or members present in person or by proxy and having not less than one-tenth of the total voting power.

(2) The demand for a poll may be withdrawn at any time by the persons who made the demand.

(3) A poll demanded for adjournment of the meeting or appointment of Chairman of the meeting shall be taken forthwith.

(4) A poll demanded on any question other than adjournment of the meeting or appointment of Chairman shall be taken at such time, not being later than forty-eight hours from the time when the demand was made, as the Chairman of the meeting may direct.

(5) Where a poll is to be taken, the Chairman of the meeting shall appoint such number of persons, as he deems necessary, to scrutinize the poll process and votes given on the poll and to report thereon to him in the manner as may be prescribed.

(6) Subject to the provisions of this section, the Chairman of the meeting shall have power to regulate the manner in which the poll shall be taken.

(7) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Postal ballot.

99. (1) Notwithstanding anything contained in this Act, a company—

(a) shall, in respect of such items of business as the Central Government may, by notification, declare to be transacted only by means of postal ballot; and

(b) may, in respect of any item of business, other than ordinary business and any business in respect of which directors or auditors have a right to be heard at any meeting,

transact by means of postal ballot in such manner as may be prescribed, instead of transacting such business at a general meeting.

(2) If a resolution is assented to by the requisite majority of the shareholders by means of postal ballot, it shall be deemed to have been duly passed at a general meeting convened in that behalf.

Circulation of
members'
resolution.

100. (1) A company shall, on requisition in writing of such number of members, as required in section 89,—

(a) give notice to members of any resolution which may properly be moved and is intended to be moved at a meeting; and

(b) circulate to members any statement with respect to the matters referred to in any proposed resolution or any business to be dealt with at that meeting.

(2) A company shall not be bound under this section to give notice of any resolution or to circulate any statement unless—

(a) a copy of the requisition signed by the requisitionists (or two or more copies which between them contain the signatures of all the requisitionists) is deposited at the registered office of the company,—

(i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting;

(ii) in the case of any other requisition, not less than two weeks before the meeting; and

(b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the company's expenses in giving effect thereto:

Provided that if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the company, an annual general meeting is called on a date within six weeks after the copy has been deposited, the copy, although not deposited within the time required by this sub-section, shall be deemed to have been properly deposited for the purposes thereof.

(3) The company shall not be bound to circulate any statement as required by clause (b) of sub-section (1), if on the application either of the company or of any other person who claims to be aggrieved, the Central Government, by order, declares that the rights conferred by this section are being abused to secure needless publicity for defamatory matter.

(4) An order made under sub-section (3) may also direct that the cost incurred by the company by virtue of this section shall be paid to the company by the requisitionists, notwithstanding that they are not parties to the application.

(5) If any default is made in complying with the provisions of this section, the company and its every officer who is in default shall be liable to a penalty of twenty-five thousand rupees.

101. (1) The President of India or the Governor of a State, if he is a member of a company, may appoint such person as he thinks fit to act as his representative at any meeting of the company or at any meeting of any class of members of the company.

Representation of the President and Governors in meetings.

(2) A person appointed to act under sub-section (1) shall, for the purposes of this Act, be deemed to be a member of such a company and shall be entitled to exercise the same rights and powers, including the right to vote by proxy and postal ballot, as the President or, as the case may be, the Governor could exercise as a member of the company.

102. (1) A body corporate, whether a company within the meaning of this Act or not, may,—

Representation of corporations at meeting of companies and of creditors.

(a) if it is a member of a company within the meaning of this Act, by resolution of its Board of Directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the company, or at any meeting of any class of members of the company;

(b) if it is a creditor, including a holder of debentures, of a company within the meaning of this Act, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of any creditors of the company held in pursuance of this Act or of any rules made thereunder, or in pursuance of the provisions contained in any debenture or trust deed, as the case may be.

(2) A person authorised by resolution under sub-section (1) shall be entitled to exercise the same rights and powers, including the right to vote by proxy and by postal ballot, on behalf of the body corporate which he represents as that body could exercise if it were an individual member, creditor or holder of debentures of the company.

Ordinary and special resolutions.

103. (1) A resolution shall be an ordinary resolution if it is required to be passed by the votes cast, whether on a show of hands, or electronically or on a poll, as the case may be, in favour of the resolution, including the casting vote, if any, of the Chairman, by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy or by postal ballot, exceed the votes, if any, cast against the resolution by members, etc., so entitled and voting.

(2) A resolution shall be a special resolution when—

(a) the intention to propose the resolution as a special resolution has been duly specified in the notice calling the general meeting or other intimation given to the members of the resolution;

(b) the notice required under this Act has been duly given; and

(c) the votes cast in favour of the resolution, whether on a show of hands, or electronically or on a poll, as the case may be, by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting.

Resolutions requiring special notice.

104. Where, by any provision contained in this Act or in the articles, special notice is required of any resolution, notice of the intention to move such resolution shall be given to the company by such number of members as may be prescribed and the company shall give its members notice of the resolution in such manner as may be prescribed.

Resolutions passed at adjourned meeting.

105. Where a resolution is passed at an adjourned meeting of—

(a) a company,

(b) the holders of any class of shares in a company, or

(c) the Board of Directors of a company,

the resolution shall, for all purposes, be treated as having been passed on the date on which it was in fact passed, and shall not be deemed to have been passed on any earlier date.

Resolutions and agreements to be filed.

106. (1) A copy of every resolution or any agreement, in respect of such matters as may be prescribed, together with the explanatory statement under section 91, if any, annexed to the notice calling the meeting in which the resolution is proposed, shall be filed with the Registrar within thirty days of the passing or making thereof in the manner as may be prescribed, with such fee as may be prescribed or with such additional fee as may be prescribed within the time specified, under section 364.

(2) If a company fails to file the resolution or the agreement under sub-section (1) before the expiry of the period specified under section 364 with additional fee, the company shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees and every officer who is in default, including liquidator of the company, if any, shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both.

Minutes of proceedings of general meeting, meeting of Board of Directors and other meeting and resolutions passed by postal ballot.

107. (1) Every company shall cause to be prepared, signed and kept minutes of the proceedings of every general meeting, including any meeting called by the requisitionists under section 89, and of proceedings of every meeting of any class of shareholders or creditors, and every resolution passed by postal ballot and every meeting of its Board of Directors or of every committee of the Board, within such time and in such manner as may be prescribed.

(2) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.

(3) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.

(4) In the case of a meeting of the Board of Directors or of a committee of the Board, the minutes shall also contain —

(a) the names of the directors present at the meeting; and

(b) in the case of each resolution passed at the meeting, the names of the directors, if any, dissenting from, or not concurring with the resolution.

(5) There shall not be included in the minutes, any matter which, in the opinion of the Chairman of the meeting,—

(a) is or could reasonably be regarded as defamatory of any person;

(b) is irrelevant or immaterial to the proceedings; or

(c) is detrimental to the interests of the company.

(6) The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the grounds specified in sub-section (5).

(7) Minutes kept in accordance with the provisions of this section shall be evidence of the proceedings recorded therein.

(8) Where minutes have been kept in accordance with sub-section (1) and the rules made thereunder, then, until the contrary is proved, the meeting shall be deemed to have been duly called and held, and all proceedings thereat to have duly taken place, and the resolutions passed by postal ballot to have been duly passed and in particular, all appointments of directors, key managerial personnel, auditors or company secretary in practice, shall be deemed to be valid.

(9) No document purporting to be a report of the proceedings of any general meeting of a company shall be circulated or advertised at the expense of the company, unless it includes the matters required by this section to be contained in the minutes of the proceedings of such meeting.

(10) Every company shall observe such secretarial standards as may be prescribed with respect to general and Board meetings.

(11) If any default is made in complying with the provisions of this section and the rules made thereunder in respect of any meeting, the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees.

108. (1) The books containing the minutes of the proceedings of any general meeting of a company, shall—

(a) be kept at the registered office of the company, and

(b) be open, during business hours, to the inspection by any member without charge, subject to such reasonable restrictions as the company may, by its articles or in general meeting, impose, so, however, that not less than two hours in each business day are allowed for inspection.

(2) Any member shall be entitled to be furnished, within seven working days after he has made a request in that behalf to the company, and on payment of such fees as may be prescribed, with a copy of any minutes referred to in sub-section (1).

(3) If any inspection under sub-section (1) is refused, or if any copy required under sub-section (2) is not furnished within the time specified therein, the company shall be

Inspection of
minute-books
of general
meeting.

liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees for each such refusal or default, as the case may be.

(4) In the case of any such refusal or default, the Central Government may, without prejudice to any action being taken under sub-section (3), by order, direct an immediate inspection of the minute-books or direct that the copy required shall forthwith be sent to the person requiring it.

Report on
general
meeting.

109. (1) Every listed public company shall prepare in the prescribed manner a report on each annual general meeting including the confirmation to the effect that the meeting was convened, held and conducted as per the provisions of this Act and the rules made thereunder.

(2) The company shall file with the Registrar a copy of the report referred to in sub-section (1) within thirty days of the conclusion of the annual general meeting with such fee as may be prescribed, or with such additional fee as may be prescribed, within the time as specified, under section 364.

(3) If the company fails to file the report under sub-section (2) before the expiry of the period specified under section 364 with additional fee, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.

CHAPTER VIII

DECLARATION AND PAYMENT OF DIVIDEND

Declaration of
dividend.

110. (1) No dividend shall be declared or paid by a company for any financial year except—

(a) out of the profits of the company for that year arrived at after providing for depreciation in accordance with the provisions of sub-section (2), or out of the profits of the company for any previous financial year or years arrived at after providing for depreciation in accordance with the provisions of that sub-section and remaining undistributed, or out of both; or

(b) out of money provided by the Central Government or a State Government for the payment of dividend in pursuance of a guarantee given by that Government:

Provided that a company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company:

Provided further that if owing to inadequacy or absence of profits in any financial year, the company proposes to declare dividend out of the accumulated profits earned by it in the previous financial year or years and transferred by it to the reserves, such declaration shall be made by a resolution passed at a meeting of the Board with the consent of all the directors and the approval of the financial institutions whose term loans are subsisting, and thereafter in accordance with a special resolution passed by the shareholders at an annual general meeting.

(2) For the purposes of clause (a) of sub-section (1), depreciation shall be provided in any one of the following manners, namely:—

(a) the amount of depreciation on assets as shown by the books of the company at the end of each financial year at the rate prescribed in the rules made in this behalf;

(b) as regards any other depreciable asset for which no rate of depreciation has been laid down under this Act, on such basis as may be approved by the Central Government by any general order published in the Official Gazette or by a special order in any particular case:

Provided that if any asset is sold, discarded, demolished or destroyed for any reason before depreciation of such asset has been provided for in full, the excess, if any, of the written down value of such asset over its sale proceeds or, as the case may be, its scrap value, shall be written off in the financial year in which the asset is sold, discarded, demolished or destroyed.

(3) The Board of Directors of a company may declare interim dividend during any financial year out of the profits of the company for part of the year.

(4) The amount of the dividend, including interim dividend, shall be deposited in a scheduled bank in a separate account within five days from the date of declaration of such dividend.

(5) No dividend shall be paid by a company in respect of any share therein except to the registered shareholder of such share or to his order or to his banker and shall not be payable except in cash:

Provided that nothing in this sub-section shall be deemed to prohibit the capitalisation of profits or reserves of a company for the purpose of issuing fully paid-up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the company:

Provided further that any dividend payable in cash may be made by cheque or warrant or in any electronic mode to the shareholder entitled to the payment of the dividend.

(6) A company which fails to comply with the provisions of section 67 shall not, so long as such failure continues, declare any dividend on its equity shares.

111. (1) Where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in that behalf in any scheduled bank to be called the Unpaid Dividend Account.

Unpaid
Dividend
Account.

(2) If any default is made in transferring the total amount referred to in sub-section (1) or any part thereof to the Unpaid Dividend Account of the company, it shall pay, from the date of such default, interest on so much of the amount as has not been transferred to the said account, at the rate of twelve per cent per annum and the interest accruing on such amount shall enure to the benefit of the members of the company in proportion to the amount remaining unpaid to them.

(3) Any person claiming to be entitled to any money transferred under sub-section (1) to the Unpaid Dividend Account of the company may apply to the company for payment of the money claimed.

(4) Any money transferred to the Unpaid Dividend Account of a company in pursuance of this section which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company to the Fund established under sub-section (1) of section 112 and the company shall send a statement in the prescribed form of the details of such transfer to the authority or committee which administers the said Fund and that authority or committee shall issue a receipt to the company as evidence of such transfer.

(5) If a company fails to comply with any of the requirements of this section, the company shall be punishable with fine which shall not be less than five lakh rupees but

which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with fine which shall not be less than one lakh rupees which may extend to five lakh rupees.

Investor
Education
and
Protection
Fund.

112. (1) The Central Government shall establish a fund to be called the Investor Education and Protection Fund (hereafter in this section referred to as the Fund).

(2) There shall be credited to the Fund –

(a) the amount given by the Central Government by way of grants after due appropriation made by Parliament by law in this behalf for being utilised for the purposes of the Fund;

(b) donations given to the Fund by the Central Government, State Governments, companies or any other institution for the purposes of the Fund;

(c) the amount in the Unpaid Dividend Accounts of companies transferred to the Fund under sub-section (4) of section 111;

(d) the amount in the general revenue account of the Central Government which had been transferred to that account under sub-section (5) of section 205A of the Companies Act, 1956, as it stood immediately before the commencement of the Companies (Amendment) Act, 1999, and remaining unpaid or unclaimed on the commencement of this Act;

1 of 1956.

21 of 1999.

(e) the amount lying in the Investor Education and Protection Fund under section 205(C) of the Companies Act, 1956;

1 of 1956.

(f) the interest or other income received out of investments made from the Fund;

(g) the amount received under sub-section (4) of section 33; and

(h) such other amount as may be prescribed.

(3) The Fund shall be utilised for the refund in respect of unclaimed dividends, the application monies due for refund and interest thereon, and promotion of investors' education, awareness and protection in accordance with such rules as may be prescribed.

(4) The Central Government shall constitute, by notification, an authority consisting of a Chairperson, such number of members, not exceeding seven, as the Central Government may appoint and an Administrator who shall be the Chief Executive Officer.

(5) The authority shall administer the Fund and maintain separate accounts and other relevant records in relation to the Fund in such form as may be prescribed after consultation with the Comptroller and Auditor-General of India (hereinafter referred to as the Comptroller and Auditor-General).

(6) It shall be competent for the authority constituted under sub-section (4) to spend money out of the Fund for carrying out the objects for which the Fund is established.

(7) The accounts of the Fund shall be audited by the Comptroller and Auditor-General at such intervals as may be specified by him and such accounts as certified by the Comptroller and Auditor-General together with the audit report thereon shall be forwarded annually to the Central Government by the authority.

(8) The authority shall prepare in such form and at such time for each financial year as may be prescribed its annual report giving a full account of its activities during the financial year and forward a copy thereof to the Central Government and the Central Government shall cause the annual report and the audit report given by the Comptroller and Auditor-General to be laid before each House of Parliament.

(9) Any person claiming to be entitled to the amount referred in clauses (c) and (d) of sub-section (1) may apply to the authority for payment of the money claimed.

1 of 1956.	113. The amount lying in the Investor Education and Protection Fund established under section 205C of the Companies Act, 1956 shall stand credited to the Investor Education and Protection Fund established under sub-section (1) of section 112.	Amount lying in previous Fund to become part of Fund under this Act.
	114. Where any instrument of transfer of shares has been delivered to any company for registration and the transfer of such shares has not been registered by the company, it shall, notwithstanding anything contained in any other provision of this Act,— (a) transfer the dividend in relation to such shares to the Unpaid Dividend Account referred to in section 111 unless the company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer; and (b) keep in abeyance in relation to such shares, any offer of rights shares under clause (a) of sub-section (1) of section 56 and any issue of fully paid-up bonus shares in pursuance of first proviso to sub-section (5) of section 110.	Right to dividend, rights shares and bonus shares to be held in abeyance pending registration of transfer of shares.
	115. Where a dividend has been declared by a company but has not been paid or the warrant in respect thereof has not been posted within thirty days from the date of declaration to any shareholder entitled to the payment of the dividend, every director of the company shall, if he is knowingly a party to the default, be punishable with imprisonment which may extend to two years and with fine which shall not be less than one thousand rupees for every day during which such default continues and the company shall be liable to pay simple interest at the rate of eighteen per cent per annum during the period for which such default continues: Provided that no offence under this section shall be deemed to have been committed in the following cases, namely:— (a) where the dividend could not be paid by reason of the operation of any law; (b) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with; (c) where there is a dispute regarding the right to receive the dividend; (d) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or (e) where, for any other reason, the failure to pay the dividend or to post the warrant within the period under this section was not due to any default on the part of the company.	Punishment for failure to distribute dividends within thirty days.

CHAPTER IX

ACCOUNTS OF COMPANIES

116. (1) Every company shall prepare and keep at its registered office books of account and other relevant books and papers which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on accrual basis and according to the double entry system of accounting: Provided that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company shall, within seven days thereof, file with the Registrar a notice in writing giving the full address of that other place: Provided further that the company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed. (2) Where a company has a branch office within India or outside, it shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to	Books of account, etc., to be kept by company.
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the transactions effected at the branch office are kept at that office and proper summarised returns periodically are sent by the branch office to the company at its registered office or the other place referred to in sub-section (1).

(3) The books of account and other books and papers maintained by the company within India shall be open for inspection at the registered office of the company or at such other place in India by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director subject to such conditions as may be prescribed:

Provided that the inspection in respect of any subsidiary of the company shall be done only by any person authorised in this behalf by a resolution of the Board of Directors.

(4) Where an inspection is made under sub-section (3), the officers and other employees of the company shall give to the person making such inspection all assistance in connection with the inspection which the company may reasonably be expected to give.

(5) The books of account of every company relating to a period of not less than eight financial years immediately preceding a financial year, or where the company had been in existence for a period less than eight years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order:

Provided that where an investigation has been ordered in respect of the company under section 183 or section 184, the Central Government may direct that the books of account may be kept for such longer period as it may deem fit.

(6) Where any company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board with the duty of complying with the requirements of this section shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

Financial
statement.

117. (1) The financial statement shall give a true and fair view of the state of affairs of the company or companies as at the end of the financial year, comply with the accounting standards notified under section 119 and shall be in such form as may be prescribed.

(2) At every annual general meeting of a company held in pursuance of section 85, the Board of Directors of the company shall lay before such meeting a financial statement for the financial year.

(3) Where a company has one or more subsidiaries, it shall prepare a consolidated financial statement of all the subsidiaries in the same form and manner as that of its own which shall also be laid before the annual general meeting of the company along with the laying of its financial statement under sub-section (2).

(4) Where the financial statements of a company do not comply with the accounting standards referred to in sub-section (1), the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation.

(5) The Central Government may, on its own or on an application by a class or classes of companies, by notification, exempt any class or classes of companies from complying with any of the requirements of this section or the rules made thereunder, if it is considered necessary to grant such exemption in the public interest and any such exemption may be granted either unconditionally or subject to such conditions as may be specified in the notification.

(6) Where any company contravenes the provisions of this section, the managing director, the whole-time director in charge of finance, the Chief Financial Officer or any other person charged by the Board with the duty of complying with the requirements of this section and in the absence of any of the officers mentioned above, all the directors shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

Explanation.—For the purposes of this section, except where the context otherwise requires, any reference to the financial statement shall include any note or document annexed or attached thereto, giving information required to be given by this Act and allowed by this Act to be given in the form of such note or document.

118. (1) The Central Government may, by notification, constitute an advisory committee to be called the National Advisory Committee on Accounting and Auditing Standards (hereinafter referred to as the Advisory Committee) to advise the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be.

Constitution of National Advisory Committee on Accounting and Auditing Standards.

(2) The Advisory Committee shall consist of the following members, namely:—

(a) a Chairperson who shall be a person of eminence and well versed in accountancy, finance, business administration, business law, economics or similar disciplines, to be nominated by the Central Government;

(b) one representative of the Central Government to be nominated by it;

(c) the Chairman of the Central Board of Direct Taxes constituted under the Central Boards of Revenue Act, 1963 or his nominee;

(d) one representative of the Reserve Bank of India to be nominated by it;

(e) one representative of the Securities and Exchange Board to be nominated by it;

(f) one representative of the Comptroller and Auditor-General of India to be nominated by him;

(g) one member each to be nominated by the Institute of Chartered Accountants of India constituted under the Chartered Accountants Act, 1949, the Institute of Cost and Works Accountants of India constituted under the Cost and Works Accountants Act, 1959 and the Institute of Company Secretaries of India constituted under the Company Secretaries Act, 1980;

(h) a person who is or has been a professor in accountancy, finance or business management in any University or deemed University to be nominated by the Central Government; and

(i) two representatives of the Chambers of Commerce and Industry, to be nominated by the Central Government.

(3) The members of the Advisory Committee nominated by the Central Government shall hold office for such term as may be determined by it at the time of their appointment and any vacancy in the membership of the Committee shall be filled by the Central Government in the same manner as that for the member in whose vacancy it is proposed to be filled.

(4) The members of the Advisory Committee shall be entitled to such fees, traveling, conveyance and other allowances as may be prescribed.

(5) The Advisory Committee shall, after consulting the Institute of Chartered Accountants of India, submit its recommendations to the Central Government on matters relating to accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be.

54 of 1963.

38 of 1949.

23 of 1959.

56 of 1980.

Central Government to notify accounting standards.

Financial Statement, Board's report, etc.

119. The Central Government may, after consultation with the Advisory Committee, by notification, lay down accounting standards for adoption by companies or class of companies.

120. (1) The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board at least by the Chairman where he is authorised by the Board or by two directors out of which one shall be Managing Director or Chief Executive Officer, or, in the case of a One Person Company, only by one director, for submission to the auditor for his report thereon:

Provided that such financial statements shall be authenticated in such manner as may be prescribed.

(2) The auditors' report shall be attached to every financial statement.

(3) There shall be annexed to every financial statement laid before a company in general meeting, a report by its Board of Directors, which shall include—

(a) the extract of the annual return as provided under sub-section (2) of section 82,

(b) number of meetings of the Board,

(c) Directors' Responsibility Statement,

(d) declaration by independent directors where they are required to be appointed under sub-section (3) of section 132,

(e) Report of the committee on directors' remuneration,

(f) explanations or comments by the Board on every qualification, reservation or adverse remark made by the auditor in his report,

(g) particulars of loans, guarantees or investments under sub-section (2) of section 164, and

(h) particulars of contracts or arrangements under sub-section (1) of section 166.

(4) The Directors' Responsibility Statement referred to in sub-section (3) shall state that—

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls have been complied with.

(5) The Board's report and any annexures thereto under sub-section (3) shall be signed by its Chairman if he is authorised by the Board and where he is not so authorised, shall be signed by at least two directors, one of whom shall be a managing director, or by the director where there is one director.

(6) A signed copy of every financial statement, including consolidated financial statement, if any, shall be issued, circulated or published along with a copy each of –

(a) any notes or documents which are required to be attached to the financial statement in pursuance of section 117,

(b) the auditors report, and

(c) the Board's report referred to in sub-section (3).

(7) Where a company fails to comply with the provisions of this section, it shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to twenty-five lakh rupees and every officer who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than ten thousand rupees but which may extend to five lakh rupees, or with both.

121. (1) A copy of the financial statement, auditor's report and every other document required by law to be annexed or attached to the financial statement, which are to be laid before a company in its general meeting, shall be sent to every member of the company, to every trustee for the debenture holder of any debentures issued by the company, and to all the persons other than such member or trustee, being the person so entitled, twenty-one days before the date of the meeting:

Right of member to copies of audited balance sheet.

Provided that the Central Government may prescribe the manner of circulation of financial statements of companies having such net worth and turnover as may be prescribed.

(2) A company shall allow every member or trustee of the holder of any debentures issued by the company to inspect the documents stated under sub-section (1) at its registered office during business hours.

(3) If any default is made in complying with the provisions of this section, the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees.

122. (1) A copy of the financial statement along with all the documents which are required to be annexed or attached to such financial statement under this Act, duly adopted at the annual general meeting of the company, shall be filed with the Registrar within thirty days of the date of annual general meeting in such manner, with such fee or additional fee as may be prescribed within the time specified under section 364:

Copy of financial statement to be filed with Registrar.

Provided that where the financial statement under sub-section (1) is not adopted at annual general meeting or adjourned annual general meeting, such unadopted financial statement along with the required documents under sub-section (1) shall be filed with the Registrar within thirty days of the date of annual general meeting and the Registrar shall take them in his records as provisional till the financial statement is filed with him after their adoption in the adjourned annual general meeting for that purpose:

Provided further that financial statement adopted in the adjourned annual general meeting shall be filed with the Registrar within thirty days of the date of such adjourned annual general meeting with such fee or such additional fee as may be prescribed within the time specified under section 364.

(2) Where the annual general meeting of a company for any year has not been held, the financial statement along with the documents required to be annexed or attached under sub-section (1), duly signed along with the statement of facts and reasons for not holding the annual general meeting shall be filed with the Registrar within thirty days of the last date before which the annual general meeting should have been held and in such manner, with such fee or additional fee as may be prescribed within the time specified, under section 364.

(3) If a company fails to file the copy of the financial statement under sub-section (1) or sub-section (2), as the case may be, before the expiry of the period specified in section 364, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to ten lakh rupees, and the managing director or the managing director and the Chief Financial Officer, if any, and, in the absence of the managing director and the Chief Financial Officer, any other director who is charged by the Board with the responsibility of complying with the provisions of this section, and, in the absence of any such director, all the directors of the company, shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both.

CHAPTER X

AUDIT AND AUDITORS

Appointment
of auditors.

123. (1) Subject to the provisions of this Chapter, every company shall, at each annual general meeting, appoint an individual or a firm as an auditor who shall hold office from the conclusion of that meeting till the conclusion of the next annual general meeting:

Provided that before such appointment is made, the written consent of the auditor to such appointment, and a certificate from him or it that the appointment, if made, will be in accordance with the conditions as may be prescribed, shall be obtained from the auditor:

Provided further that the company shall inform the auditor concerned of his appointment, and also file a notice of such appointment with the Registrar within fifteen days of the meeting in which the auditor is appointed.

Explanation.—For the purposes of this Chapter, “appointment” includes re-appointment.

(2) Notwithstanding anything contained in sub-section (1), in the case of a Government company or any other company owned and controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, the Comptroller and Auditor-General of India shall, in respect of a financial year, appoint an auditor duly qualified to be appointed as an auditor of companies under this Act, within a period of one hundred and eighty days from the commencement of the financial year, who shall hold office till the adoption of accounts of that financial year.

(3) Notwithstanding anything contained in sub-section (1), the first auditor of a company, other than a Government company, shall be appointed by the Board of Directors within thirty days from the date of registration of the company and in the case of failure of the Board to appoint such auditor, it shall inform the members of the company, who shall at an extraordinary general meeting appoint such auditor. The said auditor shall hold office till the conclusion of the first annual general meeting.

(4) Notwithstanding anything contained in sub-section (1) or sub-section (2), in the case of a Government Company, the first auditor shall be appointed by the Comptroller and Auditor-General of India within thirty days from the date of registration of the company and in case the Comptroller and Auditor-General of India does not appoint such auditor within the said period, the Board of Directors of the company shall appoint such auditor within next thirty days. In the case of failure of the Board to appoint such auditor within next thirty days, it shall inform the Central Government or the State Government concerned and the Central Government or the State Government concerned, as the case may be, shall appoint such auditor, who shall hold office till the appointment of an auditor under sub-section (2).

(5) Any casual vacancy in the office of an auditor shall,—

(i) in the case of a company other than a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor-General of India, be filled by the Board of Directors, but if such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within three months of the approval of the Board;

(ii) in case of a company whose accounts are subject to audit by an auditor appointed by the Comptroller and Auditor-General of India, be filled within thirty days, failing which by the Board.

(6) Subject to the provisions of sub-section (1) and the rules made thereunder, a retiring auditor may be re-appointed at an annual general meeting, if—

(a) he is not disqualified for re-appointment;

(b) he has not given the company a notice in writing of his unwillingness to be re-appointed; and

(c) a special resolution has not been passed at that meeting appointing some other auditor or providing expressly that he shall not be re-appointed.

(7) Where at any annual general meeting, no auditor is appointed or re-appointed, the existing auditor shall continue to be the auditor of the company.

(8) Where a company constitutes an Audit Committee as required under section 158, all appointments, including the filling of a casual vacancy of an auditor under this section shall be made after taking into account the recommendations of such committee.

(9) The auditor appointed under this section may be removed from his office before the expiry of his term only by a special resolution of the company:

Provided that before taking any action under this sub-section, the auditor concerned shall be given a reasonable opportunity of being heard.

(10) Without prejudice to any action under the provisions of this Act or any other law for the time being in force, the Tribunal, if it is satisfied that the auditor of a company has acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to, the company or its directors or officers, it may, by order, direct the company to change its auditors.

124. (1) A person shall be eligible for appointment as an auditor of a company only if he is a Chartered Accountant in practice.

Eligibility, qualifications and disqualifications of auditors.

(2) Where a firm is appointed as an auditor of a company, only the partners who are Chartered Accountants in practice shall be authorised by the firm to act and sign on behalf of the firm.

(3) None of the following persons shall be eligible for appointment as an auditor of a company, namely:—

(a) a body corporate;

(b) an officer or employee of the company;

(c) a person who is a partner, or who is in the employment, of an officer or employee of the company;

(d) a person who, or his relative or partner—

(i) is holding any security of the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company, of value in terms of such percentage as may be prescribed;

(ii) is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company; or

(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;

(e) a person or a firm who has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;

(f) a person whose relative is in the employment of the company as a director or key managerial personnel;

(g) a person who is in employment elsewhere or a person or firm who holds appointment as an auditor in companies exceeding such number as may be prescribed on the date of his appointment.

(4) Where a person appointed as an auditor of a company incurs any of the disqualifications mentioned in sub-section (3) after his appointment, he shall vacate his office as such auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor.

Remuneration
of auditors.

125. (1) The remuneration of the auditor of a company shall be fixed in its general meeting or in such manner as may be determined therein.

(2) The “remuneration” under sub-section (1) in addition to the fee payable to an auditor, include the expenses, if any, incurred by the auditor in connection with the audit of the company and anything given to him otherwise than in cash, but does not include any remuneration paid to him for any other service rendered by him at the request of the company.

Powers and
duties of
auditors and
auditing
standards.

126. (1) Every auditor of a company shall have a right of access at all times to the books of account and vouchers of the company, whether kept at the registered office of the company or at any other place in India, and shall be entitled to require from the officers of the company such information and explanation as he may consider necessary for the performance of his duties as auditor and shall inquire into such matters as may be prescribed:

Provided that the auditor of a company which is a holding company shall also have the right of access to the records of all its subsidiaries in so far as it relates to the consolidation of its financial statement with that of its subsidiaries.

(2) The auditor shall make a report to the members of the company on the accounts examined by him and on every financial statement or other document which are required by or under this Act to be laid before the company in general meeting and the report shall after taking into account the provisions of this Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of this Act or any rules made thereunder or under any order made under sub-section (11) and to the best of his information and knowledge, the said accounts, financial statement or other document give a true and fair view of the state of the company’s affairs as at the end of its financial year and such other matters as may be prescribed.

(3) The auditor’s report shall also state—

(a) whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purpose of his audit;

(b) whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books and proper returns adequate for the purposes of his audit have been received from branches not visited by him;

(c) whether the report on the accounts of any branch office of the company audited under sub-section (8) by a person other than the company auditor has been sent to him under the proviso to that sub-section and the manner in which he has dealt with it in preparing his report;

(d) whether the company’s balance sheet and profit and loss account dealt with in the report are in agreement with the books of account and returns;

(e) whether, in his opinion, the financial statements comply with the accounting standards and the auditing standards;

(f) the observations or comments of the auditors which have any adverse effect on the functioning of the company;

(g) whether any director is disqualified from being appointed as a director under sub-section (2) of section 145;

(h) any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith;

(i) in case of listed companies, whether the company has complied with the internal financial controls and directions issued by the Board; and

(j) such other matters as may be prescribed.

(4) Where any of the matters required to be included in the audit report under this section is answered in the negative or with a qualification, the report shall state the reasons therefor.

(5) In the case of a Government company, the auditor appointed by the Comptroller and Auditor-General of India under sub-section (2) of section 123 shall submit a copy of his audit report to the Comptroller and Auditor-General of India which shall, among other things, include the directions, if any, issued by the Comptroller and Auditor-General of India in respect of the accounting standards, the variance, if any, from the accounting standards notified by the Government, the action taken on such directions and the impact thereof on the company's accounts.

(6) The Comptroller and Auditor-General of India shall within sixty days from the date of receipt of the audit report under sub-section (5) have a right to—

(a) comment upon or supplement such audit report, and

(b) conduct any supplementary audit of the company's accounts by himself or by such person or persons as he may authorise in this behalf and such person or persons shall have the same rights and obligations as the auditor who has submitted the report:

Provided that any comments given by the Comptroller and Auditor-General on the report of the supplementary audit conducted by him shall be placed before the annual general meeting of the company at the same time and in the same manner as the audit report.

(7) Without prejudice to the provisions of this Chapter, the Comptroller and Auditor-General of India may, in case of any company covered under sub-section (2) of section 123, if he so deems necessary, by an order, cause test audit to be conducted of the accounts of such company. The provisions of section 19A of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit.

56 of 1971.

(8) Where a company has a branch office, the accounts of that office shall be audited either by the auditor appointed for the company (hereafter in this section referred to as the company's auditor) under this Act or by any other person qualified for appointment as an auditor of the company under this Act and appointed as such under section 123, or where the branch office is situated in a country outside India, the accounts of the branch office shall be audited either by the company's auditor or by an accountant or by other person duly qualified to act as an auditor of the accounts of the branch office in accordance with the laws of that country and the duties and powers of the company's auditor with reference to the audit of the branch and the branch auditor, if any, shall be such as may be prescribed:

Provided that the branch auditor shall prepare a report on the accounts of the branch examined by him and send it to the auditor of the company who shall deal with it in his report in such manner as he considers necessary.

(9) Every auditor shall comply with the auditing standards.

(10) The Central Government may, after consultation with the National Advisory Committee on Accounting and Auditing Standards, by notification, lay down auditing standards:

Provided that until any auditing standards are notified, any standard or standards of auditing specified by the Institute of Chartered Accountants of India shall be deemed to be the auditing standards.

(11) The Central Government may, after consultation with the Advisory Committee, by general or special order, direct, in respect of such class or description of companies, as may be specified in the order, that the auditor's report shall also include a statement on such matters as may be specified therein.

Auditor not to render certain services.

127. An auditor appointed under this Act shall provide the company only such other services as are approved by the Board of Directors or the audit committee, as the case may be, but which shall not include any of the following services, namely:—

- (a) accounting and book keeping services;
- (b) internal audit;
- (c) design and implementation of any financial information system;
- (d) actuarial services;
- (e) investment advisory services;
- (f) investment banking services;
- (g) rendering of outsourced financial services; and
- (h) management services.

Auditor to sign audit reports, etc.

128. Only the person appointed as an auditor of the company shall sign the auditor's report or sign or certify any other document of the company, and the auditor's report shall be read before the company in general meeting and shall be open to inspection by any member of the company.

Auditors to attend general meeting.

129. All notices of, and other communications relating to, any general meeting shall be forwarded to the auditor of the company, and the auditor shall, unless otherwise exempted by the company, attend either by himself or through his authorised representative, who shall also be qualified to be an auditor, any general meeting and shall have right to be heard at such meeting on any part of the business which concerns him as the auditor.

Punishment for contravention.

130. (1) Where any of the provisions of sections 123 to 129 is contravened, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and any officer who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than ten thousand rupees but which may extend to one lakh rupees, or with both.

(2) Where an auditor of a company contravenes any of the provisions of section 126 or section 127 or section 128 he shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees:

Provided that where it is proved that an auditor has knowingly or wilfully contravened any of the provisions of the aforesaid sections, he shall be punishable with imprisonment for a term which may extend to one year and with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees, or with both.

(3) Where an auditor has been convicted under sub-section (2), he shall be liable to—

- (i) refund the remuneration received by him to the company; and
- (ii) pay for damages to the company or to any other persons for loss arising out of incorrect or misleading statements of particulars made in his audit report.

Central Government to specify audit of items of cost in respect of certain companies.

131. (1) Notwithstanding anything contained in this Chapter, the Central Government may, by order, in respect of such class of companies engaged in the production, processing, manufacturing, mining or infrastructural activities, as may be specified therein, direct that particulars relating to the utilisation of material or labour or to such other items of cost as may be prescribed shall also be included in the books of account kept by such class of companies:

Provided that the Central Government shall, before issuing such order in respect of any class of companies regulated under a special Act, consult the regulatory body constituted or established under such special Act.

(2) If the Central Government is of the opinion, in relation to any company covered by an order under sub-section (1), that it is necessary to do so, it may, by order, direct that the audit of cost records of such company shall be conducted in the manner specified therein.

(3) Where a company includes the particulars relating to items of cost in the books of account in pursuance of a resolution passed by the company, the audit of cost records as contained in the books of account of the company shall be conducted by a Cost Accountant in practice who shall be appointed by the Board on such remuneration as may be determined by the members in such manner as may be prescribed:

Provided that no person appointed under section 123 as an auditor of the company shall be appointed for conducting the audit of cost records.

(4) An audit conducted under this section shall be in addition to the audit conducted under section 126.

(5) The qualifications, disqualifications, rights, duties and obligations applicable to auditors under this Chapter shall, so far as may be applicable, apply to a cost auditor appointed under this section and it shall be the duty of the company to give all assistance and facilities to the cost auditor appointed under this section for auditing the cost records of the company:

Provided that the report on the audit of cost records shall be submitted by the Cost Accountant in practice to the Board of Directors of the company.

(6) A company shall within thirty days from the date of receipt of a copy of the cost audit report prepared in pursuance of a direction under sub-section (2) furnish the Central Government with such report along with full information and explanation on every reservation or qualification contained therein.

(7) If, after considering the cost audit report referred to under this section and the information and explanation furnished by the company under sub-section (6), the Central Government is of the opinion that any further information or explanation is necessary, it may call for such further information and explanation and the company shall furnish the same within such time as may be specified by that Government.

(8) Where any default is made in complying with the provisions of this section,—

(a) the company and every officer who is in default shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees;

(b) the cost auditor who is in default shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

CHAPTER XI

APPOINTMENT AND QUALIFICATIONS OF DIRECTORS

132. (1) Every company shall have a Board of Directors consisting of only individuals as directors and shall have —

Company to have Board of Directors.

(a) a minimum number of three directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company; and

(b) a maximum of twelve directors, excluding the directors nominated by the lending institutions.

(2) One of the directors shall at least be a person ordinarily resident in India.

Explanation.—For the purposes of this sub-section, “ordinarily resident in India” means a person who stays in India for a total period of not less than one hundred and eighty-two days in a calendar year.

(3) Every listed public company having such amount of paid-up share capital as may be prescribed shall have at the least one-third of the total number of directors as independent directors. The Central Government may prescribe the minimum number of independent directors in case of other public companies and subsidiaries of any public company.

Explanation.—For the purposes of this sub-section, any fraction contained in such one-third number shall be rounded off as one.

(4) Every company existing on or before the commencement of this Act shall comply with the requirements of the provisions of sub-section (3) within one year from the date of commencement of this Act.

(5) “Independent director”, in relation to a company, means a non-executive director of the company, other than a nominee director,—

(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

(b) who, neither himself nor any of his relatives—

(i) has or had any pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or its promoters, or directors amounting to ten per cent. or more of its gross turnover or total income during the two immediately preceding financial years or during the current financial year;

(ii) holds or has held any senior management position, position of a key managerial personnel or is or had been employee of the company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

(iii) is or has been an employee or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iv) holds together with his relatives two per cent. or more of the total voting power of the company; or

(v) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent. or more of its income from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

(c) who possesses such other qualifications as may be prescribed.

Explanation.—For the purposes of this section, “nominee director” means a director nominated by any institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, to represent its shareholding.

(6) An independent director shall not be entitled to any remuneration, other than sitting fee, reimbursement of expenses for participation in the Board and other meetings and profit-related commission and stock options as may be approved by the members.

133. (1) Where no provision is made in the articles of a company for the appointment of the first directors, the subscribers to the memorandum who are individuals shall be deemed to be the first directors of the company until the directors are duly appointed in accordance with the provisions of this section.

Appointment of Directors.

(2) Save as otherwise expressly provided in this Act, every director shall be appointed by the company in general meeting.

(3) No person shall be appointed as a director of a company unless he has been allotted the Director Identification Number (DIN) under section 135:

Provided that a person may be appointed as a director, if an application for the allotment of a DIN has been made to the Central Government under section 134 and the same is pending with the Central Government and he may hold the office of a director till such time that person is allotted DIN.

(4) Every person proposed to be appointed as a director by the company in general meeting or otherwise, shall furnish his DIN and a declaration that he is not disqualified to become a director under this Act.

(5) A person appointed as a director shall not act as a director unless he gives his consent to hold the office as such director and such consent shall be filed with the Registrar within such time and in such manner as may be prescribed:

Provided that in the case of appointment of an independent director, the Board shall also give a report in the general meeting that in its opinion he fulfils the conditions specified in this Act for such an appointment.

(6) Unless the articles provide for the retirement of all the directors at every annual general meeting, not exceeding one-third of the total number of directors of a public company shall be liable to retire, and out of the remaining, one-third shall retire by rotation at every annual general meeting in accordance with such procedure and principles as may be prescribed and such retiring directors shall be entitled to be re-appointed.

(7) Where a company fails to re-appoint a retiring director or to appoint any person as a director in place of the retiring director at any general meeting, such appointment shall be made at any adjourned meeting within such time and in accordance with such procedure as may be prescribed.

Explanation.—For the purposes of this Chapter, “appointment” of a director includes his re-appointment.

134. Every individual intending to be appointed as director of a company shall make an application for allotment of Director Identification Number to the Central Government in such form and manner and along with such fee as may be prescribed.

Application for allotment of Director Identification Number.

135. The Central Government shall, within one month from the receipt of the application under section 134, allot a Director Identification Number to an applicant in such manner as may be prescribed.

Allotment of Director Identification Number.

136. No individual, who has already been allotted a Director Identification Number under section 135, shall apply for, obtain or possess another Director Identification Number.

Prohibition to obtain more than one Director Identification Number.

137. Every existing director shall, within one month of the receipt of Director Identification Number from the Central Government, intimate his Director Identification Number to the company or all companies wherein he is a director.

Director to intimate Director Identification Number.

Company to
inform Director
Identification
Number to
Registrar.

138. (1) Every company shall, within fifteen days of the receipt of intimation under section 137, furnish the Director Identification Number (DIN) of all its directors to the Registrar or any other officer or authority as may be specified by the Central Government with such fee as may be prescribed or with such additional fee as may be prescribed within the time specified under section 364 and every such intimation shall be furnished in such form and manner as may be prescribed.

(2) Where a company fails to furnish DIN under sub-section (1), before the expiry of the period specified under section 364 with additional fee, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term of six months or with fine which shall not be less than five thousand rupees but which may extend to twenty-five thousand rupees, or with both.

Obligation to
indicate
Director
Identification
Number.

139. Every person or company, while furnishing any return, information or particulars as are required to be furnished under this Act, shall mention the Director Identification Number in such return, information or particulars in case such return, information or particulars relate to the director or contain any reference of any director.

Punishment
for
contravention.

140. If any individual or director, contravenes any of the provisions of sections 133, 136 and 137, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to five thousand rupees and where the contravention is a continuing one, with a further fine which may extend to five hundred rupees for every day during which the contravention continues.

Right of
persons other
than retiring
directors to
stand for
directorship.

141. (1) A person who is not a retiring director shall, subject to the provisions of this Act, be eligible for appointment to the office of a director at any general meeting, if he, or some member intending to propose him as a director, has, not less than fourteen days before the meeting, left at the office of the company, a notice in writing under his hand signifying his candidature as a director or, as the case may be, the intention of such member to propose him as a candidate for that office, along with the deposit of such sum of money as may be prescribed and the amount so deposited shall be refunded to such person or, as the case may be, to the member, if the person proposed gets elected as a director or gets more than twenty-five per cent. of total votes cast.

(2) The company shall inform its members of the candidature of a person for the office of director under sub-section (1) in the manner as may be prescribed.

Appointment
of additional
director,
alternate
director and
nominee
director.

142. (1) The articles of a company may confer on its Board of Directors the power to appoint any person, other than a person who fails to get appointed as a director in a general meeting, as an additional director at any time who shall hold office up to the date of the next annual general meeting or the last date on which the annual general meeting should have been held, whichever is earlier.

(2) The Board of Directors may, if so authorised by its articles or by a resolution passed by the company in general meeting, appoint a person, not being a person holding any alternate directorship for any other director in the company, to act as an alternate director for a director during his absence for a period of not less than three months from India:

Provided that a person who is proposed to be appointed as an alternate director for an independent director should be qualified to be appointed as an independent director under the provisions of this Act:

Provided further that an alternate director shall not hold office for a period longer than that permissible to the director in whose place he has been appointed and shall vacate the office if and when the director in whose place he has been appointed returns to India:

Provided also that if the term of office of the original director is determined before he so returns to India, any provision for the automatic re-appointment of retiring directors in default of another appointment shall apply to the original, and not to the alternate director.

(3) Subject to the articles, the Board may appoint any person as a director nominated by any institution in pursuance of the provisions of any law for the time being in force or of any agreement or by the Central Government or State Government by virtue of its shareholding in a Government company.

(4) In the case of a public company or a private company which is a subsidiary of a public company, if the office of any director appointed by the company in general meeting is vacated before his term of office expires in the normal course, the resulting casual vacancy may, in default of and subject to any regulations in the articles of the company, be filled by the Board of Directors at a meeting of the Board:

Provided that any person so appointed shall hold office only up to the date up to which the director in whose place he is appointed would have held office if it had not been vacated.

143. (1) At a general meeting of a company, a motion for the appointment of two or more persons as directors of the company by a single resolution shall not be moved unless a proposal to move such a motion has first been agreed to at the meeting without any vote being cast against it.

Appointment of directors to be voted individually.

(2) A resolution moved in contravention of sub-section (1) shall be void, whether or not any objection was taken when it was moved.

(3) A motion for approving a person for appointment, or for nominating a person for appointment as a director, shall be treated a nomination for his appointment.

144. Notwithstanding anything contained in this Act, the articles of a company may provide for the appointment of not less than two-thirds of the total number of the directors of a company in accordance with the principle of proportional representation, whether by the single transferable vote or by a system of cumulative voting or otherwise and such appointments may be made once in every three years and casual vacancies of such directors shall be filled as provided in sub-section (4) of section 142.

Option to adopt principle of proportional representation for appointment of directors.

145. (1) A person shall not be eligible for appointment as a director of a company, if—

Disqualifications for appointment of director.

(a) he has been found to be of unsound mind by a court of competent jurisdiction and the said finding is in force;

(b) he is an undischarged insolvent;

(c) he has applied to be adjudicated as an insolvent and his application is pending;

(d) he has been convicted by a Court of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months, and a period of five years has not elapsed from the date of expiry of the sentence;

(e) an order disqualifying him for appointment as a director has been passed by a Court or Tribunal and the order is in force;

(f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;

(g) he has been convicted of the offence dealing with related party transactions at any time during the last preceding five years; or

(h) he has not obtained Director Identification Number.

(2) No person who is or has been a director of a company which—

(a) has not filed financial statements or annual returns for any continuous period of three financial years; or

(b) has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in other public company for a period of five years from the date on which the said company fails to do so:

Provided that in the case of a sick company under revival and rehabilitation pursuant to Chapter XIX, nothing contained in this section shall apply to a person proposed to be appointed as a director for any default specified in clause (b) and committed prior to his appointment.

(3) A private company may by its articles provide for any disqualifications for appointment as a director in addition to those specified in sub-sections (1) and (2):

Provided that the disqualifications referred to in clauses (d), (e) and (g) of sub-section (1) shall not take effect—

(i) for thirty days from the date of conviction or order of disqualification;

(ii) where an appeal or petition is preferred within thirty days as aforesaid against the conviction resulting in sentence or order, until expiry of seven days from the date on which such appeal or petition is disposed of; or

(iii) where any further appeal or petition is preferred against order or sentence within seven days, until such further appeal or petition is disposed of.

Number of
directorships.

146. (1) No person, after the commencement of this Act, shall hold office as a director, including any alternate directorship, in more than fifteen public limited companies at the same time.

(2) Where a person accepts an appointment as a director in contravention of sub-section (1), he shall be punishable with fine which shall not be less than five thousand rupees but which may extend to twenty-five thousand rupees for every day during which the contravention continues.

Duties of
directors.

147. (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the company's articles.

(2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interest of the company.

(3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence.

(4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.

(5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates.

(6) A director of a company shall not assign his office and any assignment so made shall be void.

(7) Any director who contravenes the provisions of this section shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees:

Provided that if he is found guilty of making any undue gain either to himself or to his relatives, partners or associates he shall also be liable to pay an amount equal to that gain to the company.

148. (1) The office of a director shall become vacant in case—

Vacation of
office of
director.

(a) he incurs any of the disqualifications specified in section 145;

(b) he absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board;

(c) he acts in contravention of the provisions relating to entering into contracts or arrangements in which he is directly or indirectly interested;

(d) he fails to disclose his interest in any contract or arrangement;

(e) he becomes disqualified by an order of a Court or tribunal;

(f) he is removed in pursuance of the provisions of this Act;

(g) he, having been appointed a director by virtue of his holding any office or other employment in the holding, subsidiary or associate company, ceases to hold such office or other employment in that company.

(2) If a person, who after knowing that the office of director held by him has become vacant on account of any disqualification specified in sub-section (1), acts as a director, shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees, or with both.

(3) Where all the directors of a company vacate their offices under any of the disqualifications specified in sub-section (1), the promoter or, in his absence, the Central Government shall appoint the required number of directors who shall hold office till the directors are appointed by the company in the general meeting.

(4) A private company may, by its articles, provide any other ground for the vacation of the office of a director in addition to those specified in sub-section (1).

149. (1) A director may resign from his office by giving a notice in writing to the company and the Board shall on receipt of such notice take note of the same and intimate the Registrar in such manner and in such form as may be prescribed and shall also place the fact of such resignation in the subsequent general meeting held by the company:

Resignation of
director.

Provided that a director may also forward a copy of his resignation to the Registrar in the manner as may be prescribed.

(2) The resignation of a director shall take effect from the date on which the notice is received by the company or the date, if any, specified by the director in the notice, whichever is later.

(3) Where as a result of any vacancy in the Board, the number of directors is reduced below the quorum fixed for a meeting of the Board, the continuing director or director(s) shall be deemed to constitute the quorum.

(4) Where all the directors of a company resign from their offices, or vacate their offices under section 148, the promoter or, in his absence, the Central Government shall appoint the required number of directors who shall hold office till the directors are appointed by the company in general meeting.

150. (1) A company may, by ordinary resolution, remove a director, not being a director appointed by the Tribunal under section 213, before the expiry of period of his office after giving him a reasonable opportunity of being heard and following such procedure as may be prescribed.

Removal of
directors.

(2) Special notice shall be required of any resolution, to remove a director under this section, or to appoint somebody in place of a director so removed, at the meeting at which he is removed.

(3) On receipt of notice of a resolution to remove a director under this section, the company shall forthwith send a copy thereof to the director concerned, and the director, whether or not he is a member of the company, shall be entitled to be heard on the resolution at the meeting.

(4) A vacancy created by the removal of a director under this section may, if he had been appointed by the company in general meeting or by the Board, be filled by the appointment of another director in his place by the meeting at which he is removed, provided special notice of the intended appointment has been given under sub-section (2).

(5) A director so appointed shall hold office until the date up to which his predecessor would have held office if he had not been removed.

(6) If the vacancy is not filled under sub-section (4), it may be filled as a casual vacancy in accordance with the provisions of this Act:

Provided that the director who was removed from office shall not be re-appointed as a director by the Board of Directors.

(7) Nothing in this section shall be taken—

(a) as depriving a person removed under this section of any compensation or damages payable to him in respect of the termination of his appointment as director as per the terms of contract or terms of his appointment as director, or of any other appointment terminating with the termination as director; or

(b) as derogating from any power to remove a director under other provisions of this Act.

Register of directors and key managerial personnel and their shareholding.

151. (1) Every company shall keep at its registered office a register containing such particulars of its directors and key managerial personnel as may be prescribed, which shall include the details of securities held by each of them in the company or its holding, subsidiary or associate companies.

(2) A return containing such particulars and documents as may be prescribed, of the directors and the key managerial personnel shall be filed with the Registrar within thirty days from the appointment of every director and key managerial personnel, as the case may be, and within thirty days of any change taking place.

Members' right to inspect.

152. (1) The registers kept under sub-section (1) of section 151 shall be open for inspection during business hours and the members shall have a right to take extracts therefrom and copies thereof shall, on a request by the members, be provided to them free of cost within thirty days.

(2) The registers kept under section 151 shall also be kept open for inspection at every annual general meeting of the company and shall be made accessible to any person attending the meeting.

(3) If any inspection as provided in sub-section (1) is refused, or if any copy required under that sub-section is not sent within thirty days from the date of receipt of such request, the Registrar shall on an application made to him order immediate inspection and supply of copies required thereunder.

Punishment.

153. Where a company contravenes any of the provisions of this Chapter and for which no specific punishment is provided therein, the company and every director or employee who is responsible for such contravention shall be punishable with fine which shall not be less than one lakh rupees but which may extend to two lakh rupees.

CHAPTER XII

MEETINGS OF BOARD AND ITS POWERS

154. (1) Every company shall hold the first meeting of the Board of Directors within thirty days of the date of its incorporation and thereafter hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board: Meetings of Board.

Provided that the Central Government may, by notification, direct that the provisions of this sub-section shall not apply in relation to any class or description of companies or shall apply subject to such exceptions, modifications or conditions as may be specified in the notification.

(2) The participation of directors in a meeting of the Board may be either in person or through video conferencing or such other electronic means, as may be prescribed, which are capable of recording and recognising the participation of the directors and of recording and storing the proceedings of such meetings:

Provided that the Central Government may, by notification, specify such matters which shall not be dealt with in a meeting through video conferencing or other electronic means.

(3) A meeting of the Board shall be called by giving not less than seven days' notice in writing or by electronic means to every director at his address registered with the company:

Provided that a meeting of the Board may be called at shorter notice to transact urgent business subject to the condition that at least one independent director, if any, shall be present at the meeting:

Provided further that in case of absence of independent directors from such a meeting of the Board, decisions taken at such a meeting shall be circulated to all the directors and will be final only on ratification thereof by at least one independent director.

(4) Every officer of the company whose duty is to give notice under this section and who fails to do so shall be liable to a penalty of twenty-five thousand rupees.

155. (1) The quorum for a meeting of the Board of Directors of a company shall be one-third of its total strength or two directors, whichever is higher, and the participation of the directors by video conferencing or by other electronic means shall also be counted for the purposes of quorum under this sub-section. Quorum for meetings of Board.

(2) Where at any time, the number of interested directors exceeds, or is equal to, two-thirds of the total strength of the Board of Directors, the number of directors who are not interested directors and present at the meeting, being not less than two, shall be the quorum during such time.

Explanation.—For the purposes of this sub-section, “interested director” means a director within the meaning of sub-section (2) of section 162.

(3) Where a meeting of the Board could not be held for want of quorum, then, unless the articles otherwise provide, the meeting shall automatically stand adjourned to the same day at the same time and place in the next week or if that day is a public holiday, till the next succeeding day, which is not a public holiday, at the same time and place.

Explanation.—For the purposes of this section,—

(i) any fraction of a number shall be rounded off as one;

(ii) “total strength” shall not include directors whose places are vacant.

156. (1) No resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the directors, or members of the committee, as the Passing of resolution by circulation.

case may be, at their usual addresses in India, and has been approved by a majority of the directors or members, who are entitled to vote on the resolution.

(2) A resolution under sub-section (1) shall be noted at a subsequent meeting of the Board or the committee thereof, as the case may be, and made part of the minutes of such meeting.

Defects in appointment of directors not to invalidate actions taken.

157. No act done by a person as a director shall be deemed to be invalid, notwithstanding that it was subsequently noticed that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in this Act or in the articles:

Provided that nothing in this section shall be deemed to give validity to any act done by the director after his appointment has been noticed by the company to be invalid or to have terminated.

Committees of Board.

158. (1) The Board of Directors of every listed company and such other class or description of companies, as may be prescribed, shall constitute an Audit Committee and a Remuneration Committee of the Board.

(2) The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority and at least one director having knowledge of financial management, audit or accounts.

(3) The Chairman of an Audit Committee shall be an independent director.

(4) Every Audit Committee of a company existing immediately before the commencement of this Act shall, within one year of such commencement, be reconstituted in accordance with sub-sections (2) and (3).

(5) Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall include, among other things, the recommendation for appointment of auditors of the company, examination of the financial statements and the auditors' report thereon, transactions of the company with related parties, valuation of undertakings or assets of the company, wherever it is necessary, evaluation of internal financial controls and related matters.

(6) The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review financial statements before their submission to the Board.

(7) The Audit Committee shall have authority to investigate into any matter in relation to the items specified in sub-section (5) or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the company.

(8) The auditors of a company and the key managerial personnel shall have a right to attend the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote.

(9) The Board's report under sub-section (3) of section 120 shall disclose the composition of an Audit Committee and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in such report along with the reasons therefor.

(10) The Remuneration Committee shall consist of non-executive directors as may be appointed by the Board out of which at least one shall be an independent director.

(11) The Remuneration Committee shall determine the company's policies relating to the remuneration of the directors, including the remuneration and other perquisites of the directors, key managerial personnel and such other employees as may be decided by the Board.

(12) The Board of Directors of a company having a combined membership of the shareholders, debenture holders and other security holders of more than one thousand at any time during a financial year shall constitute a Stakeholders Relationship Committee consisting of a chairman who shall be a non-executive director and such other members of the Board as may be decided by the Board.

(13) Stakeholders Relationship Committee shall consider and resolve the grievances of stakeholders.

(14) The chairman of each of the committees constituted under this section or, in his absence, any other member of the committee authorised by him shall attend the general meetings of the company.

(15) In case of any contravention of the provisions of this section, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

159. (1) The Board of Directors of a company shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do so: Powers of Board.

Provided that in exercising such power or doing such act or thing, the Board shall be subject to the provisions contained in that behalf in this Act, or in the memorandum or articles of the company, or in any regulations not inconsistent therewith and duly made thereunder, including regulations made by the company in general meeting:

Provided further that the Board shall not exercise any power or do any act or thing which is directed or required, whether under this Act or by the memorandum or articles of the company or otherwise, to be exercised or done by the company in general meeting.

(2) No resolution passed by the company in general meeting shall invalidate any prior act of the Board which would have been valid if that resolution had not been passed.

(3) The Board of Directors of a company shall exercise the following powers on behalf of the company by means of resolutions passed at meetings of the Board, namely:—

- (a) to make calls on shareholders in respect of money unpaid on their shares;
- (b) to authorise buy-back of securities under section 61;
- (c) to issue securities, including debentures, whether in India or outside;
- (d) to borrow monies including arrangement with its bankers for overdraft, cash credit or other account;
- (e) to invest the funds of the company;
- (f) to grant loans or give guarantee or provide security in respect of loans;
- (g) to approve financial statement and the director's report;
- (h) to diversify the business of the company;
- (i) to approve amalgamation, merger or reconstruction;
- (j) to take over a company or acquire a controlling or substantial stake in another company:

Provided that the Board may, by a resolution passed at a meeting, delegate to any committee of directors, the managing director, the manager or any other principal officer of the company or in the case of a branch office of the company, the principal officer of the branch office, the powers specified in clauses (d) to (f) on such conditions as it may specify.

(4) Nothing in this section shall be deemed to affect the right of the company in general meeting to impose restrictions and conditions on the exercise by the Board of any of the powers specified in this section.

Restrictions
on powers of
Board.

160. (1) The Board of Directors of a company shall exercise the following powers only with the consent of the company by a special resolution, namely:—

(a) to sell, lease or otherwise dispose of the whole of the undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings.

Explanation.—For the purposes of this clause,—

(i) the word “undertaking” shall mean an undertaking in which the investment of the company exceeds twenty per cent. of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty per cent. of the total income of the company during the previous financial year;

(ii) the expression “substantially the whole of the undertaking” in any financial year shall mean twenty per cent. or more of the value of the undertaking as per the audited balance sheet of the preceding financial year;

(b) to invest otherwise in trust securities the amount of compensation received by it as a result of any merger or amalgamation;

(c) to borrow money exceeding the aggregate of its paid-up share capital and free reserves, apart from temporary loans obtained from the company’s bankers in the ordinary course of business;

(d) to remit, or give time for the repayment of, any debt due from a director;

(e) to contribute to charitable and other funds as donation in any financial year an amount in excess of five per cent. of its average net profits for the three immediately preceding financial years.

(2) Every special resolution passed by the company in general meeting in relation to the exercise of the powers referred to in clause (c) or clause (e) of sub-section (1) shall specify the total amount up to which monies may be borrowed by the Board of Directors under clause (c) or, as the case may be, contributed to charitable and other funds in any financial year under clause (e).

(3) Nothing contained in clause (a) of sub-section (1) shall affect—

(a) the title of a buyer or other person who buys or takes on lease any property, investment or undertaking as is referred to in that clause, in good faith; or

(b) the sale or lease of any property of the company where the ordinary business of the company consists of, or comprises, such selling or leasing.

(4) Any special resolution passed by the company consenting to the transaction as is referred to in clause (a) of sub-section (1) may stipulate such conditions as may be specified in such resolution, including conditions regarding the use, disposal or investment of the sale proceeds which may result from the transactions:

Provided that this sub-section shall not be deemed to authorise the company to effect any reduction in its capital except in accordance with the provisions contained in this Act.

(5) No debt incurred by the company in excess of the limit imposed by clause (c) of sub-section (1) shall be valid or effectual, unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by that clause had been exceeded.

161. (1) Notwithstanding anything contained in any other provision of this Act, a company, other than a Government company and a company which has been in existence for less than three financial years, may contribute any amount directly or indirectly—

Prohibitions and restrictions regarding political contributions.

(a) to any political party, or

(b) to any person for a political purpose:

Provided that the amount or, as the case may be, the aggregate of the amount which may be so contributed by the company in any financial year shall not exceed five per cent. of its average net profits during the three immediately preceding financial years:

Provided further that no such contribution shall be made by a company unless a resolution authorising the making of such contribution is passed at a meeting of the Board of Directors and such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making and the acceptance of the contribution authorised by it.

(2) Without prejudice to the generality of the provisions of sub-section (1),—

(a) a donation or subscription or payment caused to be given by a company on its behalf or on its account to a person who, to its knowledge, is carrying on any activity which, at the time at which such donation or subscription or payment was given or made, can reasonably be regarded as likely to affect public support for a political party shall also be deemed to be contribution of the amount of such donation, subscription or payment to such person for a political purpose;

(b) the amount of expenditure incurred, directly or indirectly, by a company on an advertisement in any publication, being a publication in the nature of a souvenir, brochure, tract, pamphlet or the like, shall also be deemed,—

(i) where such publication is by or on behalf of a political party, to be a contribution of such amount to such political party, and

(ii) where such publication is not by or on behalf of, but for the advantage of a political party, to be a contribution for a political purpose.

(3) Every company shall disclose in its profit and loss account any amount or amount contributed by it to any political party or to any person for a political purpose during the financial year to which that account relates, giving particulars of the total amount contributed and the name of the party or person to which or to whom such amount has been contributed.

(4) Where a company makes any contribution in contravention of the provisions of this section, the company shall be punishable with fine which may extend to five times the amount so contributed and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months and with fine which may extend to five times the amount so contributed.

Explanation.—For the purposes of this section, “political party” means a political party registered under section 29A of the Representation of the People Act, 1951.

43 of 1951.

162. (1) Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after the change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in such manner as may be prescribed.

Disclosure of interest by director.

(2) Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—

(a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

(b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be,

shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the next first meeting of the Board held after he becomes so concerned or interested.

(3) A contract or arrangement entered into by the company without disclosure under sub-section (2) or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the company.

(4) Where a director contravenes the provisions of sub-section (1), he shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to one lakh rupees, or with both.

(5) Every director who contravenes the provisions of sub-section (2) shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to one lakh rupees, or with both.

(6) Nothing in this section—

(a) shall be taken to prejudice the operation of any rule of law restricting a director of a company from having any concern or interest in any contract or arrangement with the company;

(b) shall apply to any contract or arrangement entered into or to be entered into between two companies where any of the directors of the one company or two or more of them together holds or hold not more than two per cent. of the paid-up share capital in the other company.

Loan to
directors,
etc.

163. (1) Save as otherwise provided in this Act, no company shall, directly or indirectly, advance any loan, including any loan represented by a book debt, to any of its directors or to any other person in whom he is interested or give any guarantee or provide any security in connection with any loan taken by him or such other person:

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

(a) the giving of any loan to a managing or whole-time director—

(i) as a part of the conditions of service extended by the company to all its employees; or

(ii) pursuant to any scheme approved by the members by a special resolution;

(b) a company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan and in respect of such loans an interest is charged at a rate not less than the bank rate declared by the Reserve Bank of India.

(2) Where any loan is advanced or a guarantee or security is given or provided in contravention of the provisions of sub-section (1), the company shall be punishable with

fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees, and the director or the other person to whom any loan is advanced or guarantee or security is given or provided in connection with any loan taken by him or the other person, shall be punishable with imprisonment which may extend to six months or with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees, or with both.

164. (1) No company shall directly or indirectly —

Loan and
investment by
company.

(a) give any loan to any person or other body corporate;

(b) give any guarantee or provide security in connection with a loan to any other body corporate or person; or

(c) acquire by way of subscription, purchase or otherwise, the securities of any other body corporate,

exceeding sixty per cent. of its paid-up share capital and free reserves or one hundred per cent. of its free reserves, whichever is more.

(2) Where the giving of any loan or guarantee or providing any security or the acquisition under sub-section (1) exceeds the limits specified in sub-section (1), prior approval by means of a special resolution passed at a general meeting shall be necessary.

(3) The company shall disclose to the members in the financial statements the full particulars of the loans given and the purpose for which the loan is proposed to be utilised by the recipient of the loan.

(4) No investment shall be made or loan or guarantee or security given by the company unless the resolution sanctioning it is passed at a meeting of the Board with the consent of all the directors present at the meeting and the prior approval of the public financial institution concerned where any term loan is subsisting, is obtained:

Provided that prior approval of a public financial institution shall not be required where the aggregate of the loans and investments so far made, the amount for which guarantee or security so far provided to or in all other bodies corporate, along with the investments, loans, guarantee or security proposed to be made or given does not exceed the limit as specified in sub-section (1), and there is no default in repayment of loan instalments or payment of interest thereon as per the terms and conditions of such loan to the public financial institution.

15 of 1992. (5) No company, which is registered under section 12 of the Securities and Exchange Board of India Act, 1992 and covered under such class or classes of companies as may be prescribed, shall take inter-corporate loan or deposits exceeding the prescribed limit. Such a company shall furnish in its financial statement the details of the loan or deposits.

2 of 1934. (6) No loan shall be given under this section at a rate of interest lower than the prevailing bank rate being the standard rate made public under section 49 of the Reserve Bank of India Act, 1934.

(7) No company which is in default in the repayment of any deposits accepted before the commencement of this Act or payment of interest thereon even after such commencement, shall give any loan or give any guarantee or provide any security or make an acquisition till such default is subsisting.

(8) Every company giving loan or giving a guarantee or providing security or making an acquisition under this section shall keep a register which shall contain such particulars and shall be maintained in such manner as may be prescribed.

(9) The register referred to in sub-section (8) shall be kept at the registered office of the company and —

(a) shall be open to inspection at such office; and

(b) extracts may be taken therefrom by any member, and copies thereof may be furnished to any member of the company on payment of such fee as may be prescribed.

(10) Nothing contained in this section shall apply —

(a) to a loan made, guarantee given or security provided by —

(i) a banking company or an insurance company or a housing finance company in the ordinary course of its business or a company engaged in the business of financing of companies providing infrastructural facilities;

(ii) a holding company to its wholly-owned subsidiary; or

(iii) a private company unless it is a subsidiary of a public company;

(b) to any acquisition —

(i) made by a non-banking financial company registered under Chapter III-B of the Reserve Bank of India Act, 1934 and whose principal business is acquisition of securities; 2 of 1934.

(ii) made by a holding company by way of subscription, purchase or otherwise, the securities of its wholly owned subsidiary; or

(iii) of shares allotted in pursuance of sub-section (1) of section 56.

(11) Where a company contravenes the provisions of this section, it shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to two years or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

Investments of company to be held in its own name.

165. (1) All investments made or held by a company in any property, security or other asset shall be made and held by it in its own name:

Provided that the company may hold any shares in its subsidiary company in the name of any nominee or nominees of the company, if and in so far as it is necessary to do so, to ensure that the number of members of the subsidiary company is not reduced below the statutory limit.

(2) Nothing in this section shall be deemed to prevent a company from holding investments in the name of a depository when such investments are in the form of securities held by the company as a beneficial owner.

(3) Where in pursuance of sub-section (2), any shares or securities in which investments have been made by a company are not held by it in its own name, the company shall maintain a register which shall contain such particulars as may be prescribed and such register shall be open to the inspection by any member or debenture holder of the company without any charge during business hours subject to such reasonable restrictions as the company may by its articles or in general meeting impose.

(4) Where a company contravenes the provisions of this section, it shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to twenty-five lakh rupees and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

Related party transactions.

166. (1) Except with the consent of the Board of Directors of a public company accorded by a resolution passed at a meeting of the Board and subject to such conditions as may be prescribed, no such company shall enter into any contract or arrangement with a related party with respect to—

(a) sale, purchase or supply of any goods or materials;

- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agents for purchase or sale of goods, materials, services or property;
- (f) appointment to any office or place of profit in the company or its subsidiary company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a special resolution:

Provided further that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Explanation.—For the purposes of this sub-section, arm's length transaction means a transaction between two related parties that is conducted on terms as if they were unrelated, so that there is no question of a conflict of interest.

(2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the report of the directors to the shareholders along with the justification for entering into such contract or arrangement.

(3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

(4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or other employee who had authorised for entering into such contract or arrangement in contravention of the provisions of this section for recovery of any loss or damage sustained by it as a result of such contract or arrangement.

(5) Any director or other employee of a public company, who had authorised the contract or arrangement in violation of the provisions of this section shall,—

(i) in case of public company whose shares are not listed in any stock exchange, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees; and

(ii) in case of listed public company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both.

Explanation.— For the purposes of this section, “office or place of profit” means any office or place —

(a) in case the office or place is held by a director, if the director holding it obtains from the company anything by way of remuneration over and above the remuneration to which he is entitled as such director, whether as salary, fee, commission,

perquisites, the right to occupy any rent-free premises as a place of residence, or otherwise;

(b) in case the office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it obtains from the company anything by way of remuneration, whether as salary, fee, commission, perquisites, the right to occupy any rent-free premises as a place of residence, or otherwise.

Register of contracts or arrangements in which directors are interested.

167. (1) Every company shall keep one or more registers giving separately the particulars of all contracts or arrangements to which sub-section (2) of section 162 applies, including such particulars and in such manner as may be prescribed.

(2) Every director, including a deemed director, or key managerial personnel shall, within thirty days of his appointment, or relinquishment of, his office, as the case may be, disclose to the company the particulars specified in sub-section (1) of section 162 relating to his concern or interest in the other associations which are required to be included in the register under sub-section (1).

(3) Every director, including a deemed director, shall give notice in writing to the company at a meeting of the Board, of such matters relating to himself as may be necessary for the purpose of enabling the company to comply with the provisions of this section.

(4) The register kept pursuant to sub-section (1) shall be kept at the registered office of the company and it shall be open for inspection at such office during business hours and extracts may be taken therefrom, and copies thereof as may be required by any member of the company shall be furnished by the company to such extent, in such manner, and on payment of such fee as may be prescribed.

(5) The registers to be kept under this section shall also be produced at the commencement of every annual general meeting of the company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

(6) Nothing in sub-section (1) shall apply to any contract or arrangement —

(a) for the sale, purchase or supply of any goods, materials or services if the value of such goods and materials or the cost of such services does not exceed five lakh rupees in the aggregate in any year; or

(b) by a banking company for the collection of bills in the ordinary course of its business.

(7) Every director who fails to comply with the provisions of this section and the rules made thereunder shall be liable to a penalty of twenty-five thousand rupees.

Contract of employment with managing or whole-time directors.

168. (1) Every company shall keep at its registered office,—

(a) where a contract of service with a managing or whole-time director is in writing, a copy of the contract; or

(b) where such a contract is not in writing, a written memorandum setting out its terms.

(2) Copies of the contract or the memorandum kept under sub-section (1) shall be open to inspection by any member of the company without payment of fee.

(3) If any default is made in complying with the provisions of sub-section (1) or sub-section (2), the company shall be liable to a penalty of twenty-five thousand rupees and every officer of the company who is in default shall be liable to a penalty of five thousand rupees for each default.

(4) The provisions of this section shall not apply to a private company.

169. (1) No director of a company shall, in connection with—

(a) the transfer of the whole or any part of any undertaking or property of the company, or

(b) the transfer to any person of all or any of the shares in a company being a transfer resulting from —

(i) an offer made to the general body of shareholders;

(ii) an offer made by or on behalf of some other body corporate with a view to a company becoming a subsidiary company of such body corporate or a subsidiary company of its holding company;

(iii) an offer made by or on behalf of an individual with a view to his obtaining the right to exercise, or control the exercise of, not less than one-third of the total voting power at any general meeting of the company; or

(iv) any other offer which is conditional on acceptance to a given extent,

receive any payment by way of compensation for loss of office or as consideration for retirement from office, or in connection with such loss or retirement from such company or from the transferee of such undertaking or property, or from the transferees of shares or from any other person, not being such company, unless particulars as may be prescribed with respect to the payment proposed to be made by such transferee or person, including the amount thereof, have been disclosed to the members of the company and the proposal has been approved by the company in general meeting.

(2) Nothing in sub-section (1) shall affect any payment made by a company to a managing director or whole-time director or manager of the company by way of compensation for loss of office or as consideration for retirement from office or in connection with such loss or retirement subject to limits or priorities, as may be prescribed.

(3) If the payment under sub-section (1) or sub-section (2) is not approved for want of quorum either in a meeting or an adjourned meeting, the proposal shall not be deemed to have been approved.

(4) Where a director of a company receives payment of any amount in contravention of sub-section (1) or the proposed payment is made before it is approved in the meeting, the amount so received by the director shall be deemed to have been received by him in trust for the company.

(5) Where any director contravenes any of the provisions of this section, he shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.

(6) Nothing in this section shall be taken to prejudice the operation of any rule of law requiring disclosure to be made with respect to any payment received under this section or any other like payments made to a director.

170. (1) No company shall enter into an arrangement by which —

(a) a director of the company or its holding company or a person connected with him acquires or is to acquire assets for consideration other than cash, from the company; or

(b) the company acquires or is to acquire assets for consideration other than cash, from such a director or person so connected,

unless prior approval for such arrangement is accorded by a resolution of the company in general meeting and if the director or connected person is a director of its holding company, approval under this sub-section shall also be required to be obtained by passing a resolution in general meeting of the holding company.

Payment to director for loss of office, etc., in connection with transfer of undertaking, property or shares.

Restriction on non-cash transactions involving directors.

(2) The notice for approval of the resolution by the company or holding company in general meeting under sub-section (1) shall include the particulars of the arrangement along with the value of the assets involved in such arrangement duly calculated by a registered valuer.

(3) Any arrangement entered into by a company or its holding company in contravention of the provisions of this section shall be voidable at the instance of the company unless—

(a) the restitution of any money or other consideration which is the subject-matter of the arrangement is no longer possible and the company has been indemnified by any other person for any loss or damage caused to it; or

(b) any rights are acquired *bona fide* for value and without notice of the contravention of the provisions of this section by any other person.

Contract by
One Person
Company.

171. (1) Where a One Person Company limited by shares or by guarantee enters into a contract with the sole member of the company who is also director of the company, the company shall, unless the contract is in writing, ensure that the terms of the contract or offer are contained in a memorandum or are recorded in the minutes of the first meeting of the Board of Directors of the company held next after the entering into the contract:

Provided that nothing in this sub-section shall apply to contracts entered into by the company in the ordinary course of its business.

(2) The company shall inform the Registrar about every contract entered into by the company and recorded in the minutes of the meeting of its Board of Directors under sub-section (1) within fifteen days of the date of approval by the Board of Directors with such fee as may be prescribed, or with such additional fee as may be prescribed within the time specified, under section 364.

(3) Where the company fails to inform the Registrar under sub-section (2) before the expiry of the period specified under section 364 with additional fee, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

Prohibition on
forward
dealings in
securities of
company by a
key
managerial
personnel.

172. (1) No director of a company or any of its key managerial personnel shall buy —

(a) a right to call for delivery at a specified price and within a specified time, of a specified number of relevant shares or a specified amount of relevant debentures,

(b) a right to make delivery at a specified price and within a specified time, of a specified number of relevant shares or a specified amount of relevant debentures, or

(c) a right, as he may elect, to call for delivery at a specified price and within a specified time, or to make delivery at a specified price and within a specified time, of a specified number of relevant shares or a specified amount of relevant debentures.

(2) Where a director or any key managerial personnel contravenes the provisions of sub-section (1), he shall be punishable with imprisonment for a term which may extend to two years or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

(3) Where a director or other key managerial personnel acquires any securities in contravention of sub-section (1), he shall, without prejudice to any punishment which may be imposed under sub-section (2), be liable to surrender the same to the company and the company shall not register the securities so acquired in his name in the register, and if they are in dematerialised form, it shall inform the depository not to record such acquisition.

Explanation.—For the purposes of this section, relevant shares and relevant debentures mean shares and debentures of the company in which the concerned person is

a whole-time director or other key managerial person or shares and debentures of its holding and subsidiary companies.

173. (1) No director or key managerial personnel shall either on his own behalf or on behalf of any other person, deal in securities of a company, or counsel, procure or communicate, directly or indirectly, about any non-public price-sensitive information to any person:

Prohibition on insider trading of securities.

Provided that nothing contained in this sub-section shall apply to any communication required in the ordinary course of business or profession or employment or under any law.

Explanation.—For the purposes of this section, “price-sensitive information” means any information which relates, directly or indirectly, to a company and which if published is likely to materially affect the price of securities of the company.

(2) If any director or key managerial personnel contravenes the provisions of this section, he shall be punishable with imprisonment for a term which may extend to five years or with fine which shall not be less than five lakh rupees but which may extend to one crore rupees, or with both.

CHAPTER XIII

APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL

174. (1) No company shall appoint or employ at the same time a managing director and manager.

Appointment of managing director, whole-time director or manager.

(2) No company shall appoint or re-appoint any person as its managing director, whole-time director or manager for a term exceeding five years at a time:

Provided that no re-appointment shall be made earlier than one year before the expiry of his term.

(3) No company shall appoint any firm, body corporate or other association as its manager.

(4) No company shall appoint or continue the employment of any person as its key managerial personnel who —

(a) is below the age of twenty-one years or has attained the age of seventy years:

Provided that appointment of a person who has attained the age of seventy years may be made by passing a special resolution;

(b) is an undischarged insolvent or has at any time been adjudged an insolvent;

(c) has at any time suspended payment to his creditors or makes, or has at any time made, a composition with them; or

(d) has at any time been convicted by a court of an offence involving moral turpitude.

(5) A managing director, whole-time director or manager shall be appointed by the Board of Directors at a meeting with the consent of all the directors present at such meeting, which shall be subject to approval by a special resolution at the next general meeting of the company:

Provided that a notice convening Board or general meeting for considering such appointment shall include the terms and conditions of such appointment, remuneration payable and such other matters including interest, if any, of a director or directors in such appointments, if any.

(6) Subject to the provisions of this Act, where an appointment of a managing director, whole-time director or manager is not approved by the company at a general meeting, any act done by him before such approval shall not be deemed to be invalid.

Remuneration of managerial personnel.

175. (1) A managing or whole-time director or a manager of a company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the company, computed in the manner prescribed, or partly by monthly payment and partly by the percentage of net profits.

(2) Where any insurance is taken by a company on behalf of its managing director, whole-time director, manager, Chief Executive Officer, Chief Financial Officer or Company Secretary for indemnifying any of them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust for which they may be guilty in relation to the company, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

(3) Any director who is in receipt of any commission from the company and who is a managing or whole-time director of the company shall not be disqualified from receiving any remuneration or commission from any holding company or subsidiary company of such company subject to its disclosure by the company in the Board's report.

(4) Every person who contravenes the provisions of this section shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

Remuneration payable to directors.

176. (1) A director who is neither a whole-time director nor a managing director of a company may be paid remuneration in the form of —

(a) fee for attending meetings of the Board or committees thereof in accordance with the articles; and

(b) profit-related commission with the prior approval of members by a special resolution.

(2) If any director draws or receives directly or indirectly by way of remuneration any sum in excess of the amount under sub-section (1), he shall refund such sum to the company within thirty days.

Compensation for loss of office of managing or whole-time director or manager.

177. (1) Payment may be made by a company to a managing or whole-time director or manager, but not to any other director by way of compensation for loss of office, or as consideration for retirement from office or in connection with such loss or retirement.

(2) No payment shall be made under sub-section (1) in the following cases, namely:—

(a) where the director resigns from his office as a result of the reconstruction of the company, or of its amalgamation with any other body corporate or bodies corporate, and is appointed as the managing director, manager or other officer of the reconstructed company or of the body corporate resulting from the amalgamation;

(b) where the director resigns from his office otherwise than on the reconstruction of the company or its amalgamation as aforesaid;

(c) where the office of the director is vacated under sub-section (1) of section 148;

(d) where the company is being wound up, whether by an order of the Tribunal or voluntarily, provided the winding up was due to the negligence or default of the director;

(e) where the director has been guilty of fraud or breach of trust in relation to, or of gross negligence in or gross mismanagement of, the conduct of the affairs of the company or any subsidiary company or holding company thereof; and

(f) where the director has instigated, or has taken part directly or indirectly in bringing about, the termination of his office.

(3) Any payment made to a managing or whole-time director or manager in pursuance of sub-section (1) shall not exceed the remuneration which he would have earned if he had

been in office for the remainder of his term or for three years, whichever is shorter, calculated on the basis of the average remuneration actually earned by him during a period of three years immediately preceding the date on which he ceased to hold office, or where he held the office for a lesser period than three years, during such period:

Provided that no such payment shall be made to the director in the event of the commencement of the winding up of the company, whether before or at any time within twelve months after, the date on which he ceased to hold office, if the assets of the company on the winding up, after deducting the expenses thereof, are not sufficient to repay to the shareholders the share capital, including the premiums, if any, contributed by them.

(4) Nothing in this section shall be deemed to prohibit the payment to a managing or whole-time director, or manager, of any remuneration for services rendered by him to the company in any other capacity.

178. (1) Every company belonging to such class or description of companies as may be prescribed shall have whole-time key managerial personnel.

Appointment of key managerial personnel.

(2) Every whole-time key managerial personnel of a company shall be appointed by means of a resolution of the Board containing the terms and conditions of the appointment including the remuneration.

(3) A whole-time key managerial personnel shall not hold office in more than one company at the same time:

Provided that nothing contained in this sub-section shall disentitle a key managerial personnel from being a director of any company with the permission of the company.

(4) If the office of any key managerial personnel is vacated, the resulting vacancy shall be filled up by the Board at a meeting of the Board within a period of six months from the date of such vacancy.

(5) Where a company fails to comply with any of the provisions of this section, it shall be liable to a penalty of one lakh rupees and every director and key managerial personnel who is in default shall be liable to a penalty of twenty-five thousand rupees, for each such default.

CHAPTER XIV

INSPECTION, INQUIRY AND INVESTIGATION

179. (1) Where on a scrutiny of any document filed by a company or on any information received by him, the Registrar is of the opinion that any further information or explanation or any further documents relating to the company is necessary, he may by a written notice require the company—

Power to call for information, inspect books and conduct inquiries.

(a) to furnish in writing such information or explanation; or

(b) to produce such documents,

within such reasonable time, as may be specified in the notice.

(2) On the receipt of a notice under sub-section (1), it shall be the duty of the company and of its officers concerned to furnish such information or explanation to the best of their knowledge and power and to produce the documents to the Registrar within the time specified or extended by the Registrar:

Provided that where such information or explanation relates to any past period, the officers who had been in the employment of the company for such period, if so called upon by the Registrar through a notice served on them in writing, shall also furnish such information or explanation to the best of their knowledge.

(3) If no information or explanation is furnished to the Registrar within the time specified under sub-section (1) or if the Registrar on an examination of the documents

furnished is of the opinion that the information or explanation furnished is inadequate or does not disclose a full and fair statement of the information required or if the Registrar is satisfied on a scrutiny of the documents furnished that an unsatisfactory state of affairs exists in the company with regard to compliance with the provisions of this Act, he may, by another written notice, call on the company to produce for his inspection such further books of account, books, papers and explanations as he may require at such place and at such time as he may specify in the notice:

Provided that before any notice is served under this sub-section, the Registrar shall record his reasons in writing for issuing such notice.

(4) If the Registrar is satisfied on the basis of information available with or furnished to him or on a representation made to him by any person that the business of a company is being carried on for a fraudulent or unlawful purpose, the Registrar may, after informing the company of the allegations made against it by a written order, call on the company to furnish in writing any information or explanation on matters specified in the order within such time as he may specify therein and carry out such inquiry as he deems fit providing the company a reasonable opportunity of being heard:

Provided that the Central Government may, if it is satisfied that circumstances so warrant, direct the Registrar or a competent inspector appointed by it for the purpose to carry out the inquiry under this sub-section.

(5) Without prejudice to the foregoing provisions of this section, the Central Government may, if it is satisfied that circumstances so warrant, direct inspection of books and papers of a company by an inspector appointed by it for the purpose.

(6) Where a company fails to furnish any information called for under this section within the time or extended time provided for the purpose, the company shall be punishable with a fine of five hundred rupees per day during the period for which the default continues and shall also be liable to a further fine of rupees one lakh for each offence.

Conduct of
inspection and
inquiry.

180. (1) Where a Registrar or inspector calls for the books of account and other books and papers under section 179, it shall be the duty of every director, officer or other employee of the company to produce all such documents to the Registrar or inspector and furnish him with such statements, information or explanations in such form as the Registrar or inspector may require and shall render all assistance to the Registrar or inspector in connection with such inspection.

(2) The Registrar or inspector, making an inspection or inquiry under section 179 may, during the course of such inspection or inquiry, as the case may be,—

(a) make or cause to be made copies of books of account and other books and papers, or

(b) place or cause to be placed any marks of identification in such books in token of the inspection having been made.

(3) Notwithstanding anything contained in any other law for the time being in force or in any contract to the contrary, the Registrar or inspector making an inspection or inquiry shall have all the powers as are vested in a civil court under the Code of Civil Procedure, 1908, while trying a suit in respect of the following matters, namely:—

5 of 1908.

(a) summoning and enforcing the attendance of persons and examining them on oath; and

(b) inspection of any books, registers and other documents of the company at any place.

(4) Where any default is made in complying with the directions issued by the Registrar or the inspector in exercise of the powers under the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees and every officer who is in default shall be punishable

with imprisonment which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

(5) Where a director or other officer of the company has been convicted of an offence under this section, he shall, on and from the date of his conviction, be deemed to have vacated his office as such and shall be disqualified from holding the office of a director or any other employee in the company or any other company for a period of five years from such date.

181. The Registrar or inspector shall, after the inspection of the books of account or an inquiry under section 179 and other books and papers of the company under section 180, submit a report in writing to the Central Government along with such documents, if any, and such report may, if necessary, include a recommendation that further investigation into the affairs of the company is necessary giving his reasons in support.

Report on inspection made.

182. (1) Where, upon information in his possession or otherwise, the Registrar or inspector has reasonable ground to believe that the books and papers of a company, or relating to the managing director or manager thereof, are likely to be destroyed, mutilated, altered, falsified or secreted, he may, after obtaining an order from the special court for the seizure of such books and papers,—

Search and seizure.

(a) enter, with such assistance as may be required, and search, the place or places where such books or papers are kept, and

(b) seize such books and papers as he considers necessary after allowing the company to take copies of, or extracts from, such books or papers at its cost.

(2) The Registrar or inspector shall return the books and papers seized under sub-section (1), as soon as may be, and in any case not later than the one hundred and eightieth day after such seizure, to the company from whose custody or power such books or papers were seized:

Provided that the books and papers may be called for by the Registrar or inspector for a further period of one hundred and eighty days by an order in writing if they are needed again:

Provided further that the Registrar or inspector may, before returning such books and papers as aforesaid, take copies of, or extracts from them or place identification marks on them or any part thereof or deal with the same in such other manner as he considers necessary.

2 of 1974.

(3) The provisions of the Code of Criminal Procedure, 1973 relating to searches or seizures shall apply *mutatis mutandis* to every search and seizure made under this section.

183. (1) **Where the Central Government is of the opinion, for reasons to be recorded in writing, that it is necessary to investigate into the affairs of a company,—**

Investigation into affairs of company.

(a) on the receipt of a report of the Registrar or inspector under section 181;

(b) on intimation of a special resolution passed by a company that the affairs of the company ought to be investigated; or

(c) in public interest,

it may order an investigation into the affairs of the company.

(2) Where an order is passed by a Court or the Tribunal in any proceedings before it that the affairs of a company ought to be investigated, the Central Government shall order an investigation into the affairs of that company.

(3) For the purposes of this section, the Central Government may appoint one or more competent persons as inspectors to investigate into the affairs of the company and to report thereon in such manner as the Central Government may direct.

Investigation into company's affairs in other cases.

184. The Tribunal may, —

(a) on an application made by —

(i) not less than one hundred members or members holding not less than one-tenth of the total voting power in the case of a company having a share capital; or

(ii) not less than one-fifth of the persons on the company's register of members, in the case of a company having no share capital,

and supported by such evidence as may be necessary for the purpose of showing that the applicants have good reasons for seeking an order for conducting an investigation into the affairs of the company; or

(b) on an application made to it by any other person or otherwise, if it is satisfied that there are circumstances suggesting that —

(i) the business of the company is being conducted with intent to defraud its creditors, members or any other persons or otherwise for a fraudulent or unlawful purpose, or in a manner oppressive of any of its members or that the company was formed for any fraudulent or unlawful purpose;

(ii) persons concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud, misfeasance or other misconduct towards the company or towards any of its members; or

(iii) the members of the company have not been given all the information with respect to its affairs which they might reasonably expect, including information relating to the calculation of the commission payable to a managing or other director, or the manager, of the company,

order, after giving a reasonable opportunity to the parties concerned, that the affairs of the company ought to be investigated by an inspector or inspectors appointed by the Central Government and where such an order is passed, the Central Government shall appoint one or more competent persons as inspectors to investigate into the affairs of the company in respect of such matters and to report thereupon to it in such manner as the Central Government may direct.

Security for payment of costs and expenses of investigation.

185. (1) Where an investigation is ordered by the Central Government in pursuance of sub-section (1) of section 183, or in pursuance of an order made by the Tribunal under section 184, the Central Government may before appointing an inspector require the company or the applicants to give security for such amount not exceeding twenty-five lakh rupees as it may think fit, for payment of the costs and expenses of the investigation.

(2) After the completion of any investigation, the costs and expenses of such investigation shall be worked out and a notice shall be served on the company concerned for payment of the said amount within a certain period specified in the notice and if the amount is not paid within the time specified by the Central Government or such extension of time as may be given by it, the amount shall be a charge on the property and assets of the company and shall be recoverable as such under this Act.

Firm, body corporate or association not to be appointed as inspector.

186. No firm, body corporate or other association shall be appointed as an inspector.

Investigation of ownership of company.

187. (1) Where it appears to the Central Government that there is good reason so to do, it may appoint one or more inspectors to investigate and report on the membership of any company and other matters relating to the company, for the purpose of determining the true persons—

(a) who are or have been financially interested in the success or failure, whether real or apparent, of the company; or

(b) who are or have been able to control or to materially influence the policy of the company.

(2) Without prejudice to its powers under sub-section (1), the Central Government shall appoint one or more inspectors under that sub-section, if the Tribunal, in the course of any proceedings before it, directs by an order that the affairs of the company ought to be investigated as regards the membership of the company and other matters relating to the company, for the purposes specified in sub-section (1).

(3) While appointing an inspector under sub-section (1), the Central Government may define the scope of the investigation, whether as respects the matters or the period to which it is to extend or otherwise, and in particular, may limit the investigation to matters connected with particular shares or debentures.

(4) Subject to the terms of appointment of an inspector, his powers shall extend to the investigation of any circumstances suggesting the existence of any arrangement or understanding which, though not legally binding, is or was observed or is likely to be observed in practice and which is relevant for the purposes of his investigation.

188. (1) It shall be the duty of all officers and other employees and agents of a company which is under investigation under this Chapter, and where the affairs of any other body corporate or a person are investigated under section 189, of all officers and other employees including ex-employees and agents of such body corporate or a person—

Procedure,
powers, etc.,
of inspectors.

(a) to preserve and to produce to an inspector or any person authorised by him in this behalf all books and papers of, or relating to, the company or, as the case may be, relating to the other body corporate or the person, which are in their custody or power; and

(b) otherwise to give to the inspector all assistance in connection with the investigation which they are reasonably able to give.

(2) The inspector may require any body corporate, other than a body corporate referred to in sub-section (1), to furnish such information to, or produce such books and papers before, him or any person authorised by him in this behalf as he may consider necessary if the furnishing of such information or the production of such books and papers is relevant or necessary for the purposes of his investigation.

(3) The inspector shall not keep in his custody any books and papers produced under sub-section (1) or sub-section (2) for more than one hundred and eighty days and return the same to the company, body corporate, firm or individual by whom or on whose behalf the books and papers were produced:

Provided that the books and papers may be called for by the inspector if they are needed again for a further period of one hundred and eighty days by an order in writing.

(4) An inspector may examine on oath—

(a) any of the persons referred to in sub-section (1); and

(b) with the prior approval of the Central Government, any other person,

in relation to the affairs of the company, or other body corporate or person, as the case may be, and for that purpose may require any of those persons to appear before him personally.

(5) Notes of any examination under sub-section (4) shall be taken down in writing and shall be read over to, or by, and signed by, the person examined, and may thereafter be used in evidence against him.

(6) If any person fails without reasonable cause or refuses—

(a) to produce to an inspector or any person authorised by him in this behalf any book or paper which it is his duty under sub-section (1) or sub-section (2) to produce;

(b) to furnish any information which is his duty under sub-section (2) to furnish;

(c) to appear before the inspector personally when required to do so under sub-section (4) or to answer any question which is put to him by the inspector in pursuance of that sub-section; or

(d) to sign the notes of any examination referred to in sub-section (5),

he shall be punishable with imprisonment for a term which may extend to six months and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, and also with a further fine which may extend to two thousand rupees for every day after the first during which the failure or refusal continues.

(7) Officers of the Central Government, any State Government or statutory authority shall provide reasonable assistance to the inspector for the purpose of the inspection, inquiry or investigation, which the inspector may, with the prior approval of the Central Government, require.

(8) The Central Government may enter into an agreement with the Government of a foreign State for reciprocal arrangements to assist in any inspection, inquiry or investigation under this Act or under the corresponding law in force in that State. The Central Government may, by notification, render the application of this Chapter in relation to a foreign State with which reciprocal arrangements have been made subject to such modifications, exceptions, conditions and qualifications as may be deemed expedient for implementing the agreement with that State.

Power of inspectors to conduct investigation into affairs of related companies, etc.

189. If an inspector appointed under section 183 or section 184 or section 187 to investigate into the affairs of a company considers it necessary for the purposes of the investigation, to investigate also the affairs of —

(a) any other body corporate which is, or has at any relevant time been the company's subsidiary company or holding company, or a subsidiary company of its holding company;

(b) any other body corporate which is, or has at any relevant time been managed by any person as managing director or as manager, who is, or was, at the relevant time, the managing director or the manager of the company;

(c) any other body corporate whose Board of Directors comprises nominees of the company or is accustomed to act in accordance with the directions or instructions of the company or any of its directors; or

(d) any person who is or has at any relevant time been the company's managing director or manager or employee,

he shall, subject to the prior approval of the Central Government, investigate into and report on the affairs of the other body corporate or of the managing director or manager, in so far as he considers that the results of his investigation are relevant to the investigation of the affairs of the company for which he is appointed:

Provided that the Central Government shall, before according approval under this section give the body corporate or person a reasonable opportunity to show cause why such approval shall not be given.

Seizure of documents by inspector.

190. (1) Where in the course of an investigation under this Chapter, the inspector has reasonable grounds to believe that the books and papers of, or relating to, any company or other body corporate or managing director or manager of such company are likely to be destroyed, mutilated, altered, falsified or secreted, the inspector may —

(a) enter, with such assistance as may be required, the place or places where such books and papers are kept in such manner as may be required; and

(b) seize books and papers as he considers necessary after allowing the company to take copies of, or extracts from, such books, papers at its cost for the purposes of his investigation.

(2) The inspector shall keep in his custody the books and papers seized under this section for such a period not later than the conclusion of the investigation as he considers necessary and thereafter shall return the same to the company or the other body corporate, or, as the case may be, to the managing director or the manager or any other person from whose custody or power they were seized:

Provided that the inspector may, before returning such books and papers as aforesaid, take copies of, or extracts from them or place identification marks on them or any part thereof or deal with the same in such manner as he considers necessary.

2 of 1974.

(3) The provisions of the Code of Criminal Procedure, 1973, relating to searches or seizures shall apply *mutatis mutandis* to every search or seizure made under this section.

191. (1) Where it appears to the Tribunal, on a reference made to it by the Central Government or in connection with any inquiry or investigation into the affairs of a company under sections 180 and 183 or on any complaint made by any person in this behalf that the removal, transfer or disposal of funds, assets, properties of the company is likely to take place in a manner that is prejudicial to the interests of the company or its shareholders or creditors or in public interest, it may by order direct that such transfer, removal or disposal shall not take place during such period not exceeding three years as may be specified in the order or may take place subject to such conditions and restrictions as the Tribunal may deem fit.

Freezing of assets on an inquiry and investigation of a company.

(2) In case of any removal, transfer or disposal of funds, assets, properties of the company in contravention of the order of the Tribunal under sub-section (1), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both.

192. (1) Where it appears to the Tribunal, in connection with any investigation under section 187 or on a complaint made by any person in this behalf, that there is good reason to find out the relevant facts about any securities issued or to be issued by a company and the Tribunal is of the opinion that such facts cannot be found out unless certain restrictions, as it may deem fit, are imposed, the Tribunal may, by order, direct that the securities shall be subject to such restrictions as it may deem fit for such period not exceeding three years as may be specified in the order.

Imposition of restrictions upon securities.

(2) Where securities in any company are issued or transferred or acted upon in contravention of an order of the Tribunal under sub-section (1), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both.

193. (1) An inspector appointed under this Chapter may, and if so directed by the Central Government shall, submit interim reports to that Government, and on the conclusion of the investigation, shall submit a final report to the Central Government.

Inspector's report.

(2) Every report made under sub-section (1) shall be in writing or printed as the Central Government may direct.

(3) The Central Government —

(a) shall forward a copy of final report, other than an interim report, made by any inspector, to the company at its registered office and also to any body corporate or person dealt with in the report by virtue of section 189;

(b) may, if it thinks fit, furnish a copy of the final report, on request and on payment of the prescribed fee, to any person —

(i) who is a member of the company or other body corporate dealt with in the report under section 183 or section 189; or

(ii) whose interest as a creditor of the company or other body corporate appears to the Central Government to be affected;

(c) shall, where the inspectors are appointed under section 183 in pursuance of an order of a Court or the Tribunal, forward a copy of any report to that Court or the Tribunal;

(d) shall, where the inspectors are appointed in pursuance of the provisions of section 184, furnish a copy of the final report to the Tribunal or to the applicants who requested investigation;

(e) may also cause the final report to be published.

(4) The report of any inspector appointed under this Chapter and authenticated in such manner, as may be prescribed, shall be admissible in any legal proceeding as evidence in relation to any matter contained in the report.

No suit or proceeding till submission of final report.

194. No suit or other proceeding shall lie in any court, tribunal or other authority in respect of any action initiated by the Central Government for making an investigation under this Chapter or for the appointment of an inspector thereunder and no proceedings of an inspector shall be called in question or stayed by any court, tribunal or other authority on any ground whatsoever until the conclusion of the investigation and the submission of a report by the inspector.

Actions to be taken in pursuance of inspector's report.

195. (1) If, from an inspector's report, made under section 193, it appears to the Central Government that any person has, in relation to the company or in relation to any other body corporate or other person whose affairs have been investigated under section 183 or section 184 or section 189, been guilty of any offence for which he is criminally liable, the Central Government may prosecute such person for the offence and it shall be the duty of all officers and other employees of the company or body corporate to give the Central Government the necessary assistance in connection with the prosecution.

(2) If any company or other body corporate is liable to be wound up under this Act and it appears to the Central Government from any such report made under section 193 that it is expedient so to do by reason of any such circumstances as are referred to in section 184, the Central Government may, unless the company or body corporate is already being wound up by the Tribunal, cause to be presented to the Tribunal by any person authorised by the Central Government in this behalf—

(a) a petition for the winding up of the company or body corporate on the ground that it is just and equitable that it should be wound up, or

(b) an application under section 212, or

(c) both.

(3) If from any such report as aforesaid, it appears to the Central Government that proceedings ought, in the public interest, to be brought by the company or any body corporate whose affairs have been investigated under section 183 —

(a) for the recovery of damages in respect of any fraud, misfeasance or other misconduct in connection with the promotion or formation, or the management of the affairs, of such company or body corporate; or

(b) for the recovery of any property of such company or body corporate which has been misapplied or wrongfully retained,

the Central Government may itself bring proceedings for winding up in the name of such company or body corporate.

(4) The Central Government shall be indemnified by such company or body corporate against any costs or expenses incurred by it in, or in connection with, any proceedings brought by virtue of sub-section (3).

196. (1) The expenses of, and incidental to, an investigation by an inspector appointed by the Central Government under this Chapter other than expenses of inspection under section 185 shall be defrayed in the first instance by the Central Government, but shall be reimbursed by the following persons to the extent mentioned below, namely:—

Expenses of investigation.

(a) any person who is convicted on a prosecution instituted, or who is ordered to pay damages or restore any property in proceedings brought, under section 195, to the extent that he may in the same proceedings be ordered to pay the said expenses as may be specified by the court convicting such person, or ordering him to pay such damages or restore such property, as the case may be;

(b) any company or body corporate in whose name proceedings are brought as aforesaid, to the extent of the amount or value of any sums or property recovered by it as a result of such proceedings;

(c) unless, as a result of the investigation, a prosecution is instituted under section 195, —

(i) any company, body corporate, managing director or manager dealt with by the report of the inspector, and

(ii) the applicants for the investigation, where the inspector was appointed under section 184,

to such extent as the Central Government may direct.

(2) Any amount for which a company or body corporate is liable under clause (b) of sub-section (1) shall be a first charge on the sums or property mentioned in that clause.

197. An investigation under this Chapter may be initiated notwithstanding, and no such investigation shall be stopped or suspended by reason only of, the fact that—

Voluntary winding up of company, etc., not to stop investigation proceedings.

(a) an application has been made under section 212;

(b) the company has passed a special resolution for voluntary winding up; or

(c) any other proceeding for the winding up of the company is pending before the Tribunal :

Provided that where a winding up order is passed by the Tribunal in a proceeding referred to in clause (c), the inspector shall inform the Tribunal about the pendency of the investigation proceedings before him and the Tribunal shall pass such order as it may deem fit:

Provided further that nothing in the winding up order shall absolve any director or other employee of the company from participating in the proceedings before the inspector or any liability as a result of the finding by the inspector.

198. Nothing in this Chapter shall require the disclosure to the Tribunal or to the Central Government or to the Registrar or to an inspector appointed by the Central Government—

Legal advisers and bankers not to disclose.

(a) by a legal adviser, of any privileged communication made to him in that capacity, except as respects the name and address of his client; or

(b) by the bankers of any company, body corporate, or other person, of any information as to the affairs of any of their customers, other than such company, body corporate, or person.

Investigation,
etc., of
foreign
companies.
Penalty for
furnishing
false
statement,
mutilation,
destruction of
documents.

199. The provisions of this Chapter shall apply *mutatis mutandis* to inspection, inquiry or investigation in relation to foreign companies.

200. Where a person who is required to provide an explanation or make a statement during the course of inspection, inquiry or investigation, or an officer or other employee of a company or other body corporate which is also under investigation, —

(a) destroys, mutilates or falsifies, or is a party to the destruction, mutilation or falsification of, documents relating to the property, assets or affairs of the company or the body corporate;

(b) makes, or is a party to the making of, a false entry in any document concerning the company or body corporate; or

(c) provides an explanation which is false or which he knows to be false,

he shall be punishable with imprisonment for a term which may extend to three years and with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

CHAPTER XV

COMPROMISES, ARRANGEMENTS AND AMALGAMATIONS

Power to
compromise
or make
arrangements
with creditors
and members.

201. (1) Where a compromise or arrangement is proposed—

(a) between a company and its creditors or any class of them, or

(b) between a company and its members or any class of them,

the Tribunal may, on the application of the company or of any creditor or member of the company, or in the case of a company which is being wound up, of the liquidator, order a meeting of the creditors or class of creditors, or of the members or class of members, as the case may be, to be called, held and conducted in such manner as the Tribunal directs.

Explanation.—For the purposes of this sub-section, arrangement includes a reorganisation of the company's share capital by the consolidation of shares of different classes or by the division of shares into shares of different classes, or by both of those methods.

(2) The company or any other person, by whom an application is made under sub-section (1), shall disclose to the Tribunal by affidavit—

(a) all material facts relating to the company, such as the latest financial position of the company, the latest auditor's report on the accounts of the company and the pendency of any investigation or proceedings against the company;

(b) reduction of share capital of the company, if any, included in the compromise or arrangement;

(c) any scheme of corporate debt restructuring consented to by not less than seventy-five per cent. of the secured creditors in value, including—

(i) a creditor's responsibility statement,

(ii) safeguards for the protection of other secured and unsecured creditors,

(iii) report by the auditor that the fund requirements of the company after the corporate debt restructuring as approved shall conform to the liquidity test based upon the estimates provided to them by the Board,

(iv) where the company proposes to adopt the corporate debt restructuring guidelines specified by the Reserve Bank of India, a statement to that effect, and

(v) a valuation report in respect of the shares and the property and all assets, tangible and intangible, movable and immovable, of the company by a registered valuer.

(3) Where a meeting is proposed to be called in pursuance of an order of the Tribunal under sub-section (1), a notice of such meeting shall be sent to all the creditors or class of creditors and to all the members or class of members and the debenture holders of the company, either individually or by an advertisement, which shall be accompanied by a statement disclosing the details of the compromise or arrangement, the valuation report, if any, and explaining their effect on creditors, members and the debenture holders and the effect of the compromise or arrangement on any material interests of the directors of the company or the debenture trustees, and such other matters as may be prescribed:

Provided that where an advertisement is issued under this sub-section, it shall indicate the time within which copies of the compromise or arrangement shall be made available to the concerned persons free of charge from the registered office of the company.

(4) A notice under sub-section (3) shall provide that the persons to whom the notice is sent shall intimate in writing their consent to the adoption of the compromise or arrangement within one month from the date of receipt of such notice:

Provided that any objection to the compromise or arrangement shall be made only by persons holding not less than ten per cent. of the shareholding or having outstanding debt amounting to not less than five per cent. of the total outstanding debt as per the latest audited financial statement.

(5) A notice under sub-section (3) along with all the documents in such form as may be prescribed shall also be sent to the Central Government, the Reserve Bank of India, the Securities and Exchange Board, the Registrar, the respective stock exchanges, the Official Liquidator, the Competition Commission of India established under sub-section (1) of section 7 of the Competition Act, 2002, if necessary, and such other authorities which are likely to be affected by the compromise or arrangement and shall require that representations, if any, to be made by them shall be made within one month from the date of receipt of such notice, failing which, it shall be presumed that they have no representations to make on the proposals.

(6) Where, at a meeting held in pursuance of sub-section (1), a majority representing three-fourths in value of the creditors, or class of creditors or members or class of members, as the case may be, present and voting in person or by proxy or by postal ballot, agree to any compromise or arrangement and if such compromise or arrangement is sanctioned by the Tribunal by an order, the same shall be binding on the company, all the creditors, or class of creditors or members or class of members, as the case may be, or, in case of a company being wound up, on the liquidator and the contributories of the company.

(7) An order made by the Tribunal under sub-section (6) shall provide for all or any of the following matters, namely:—

(a) where the compromise or arrangement provides for conversion of preferential shares into equity shares, such preference shareholders shall be given an option to either obtain arrears of dividend in cash or accept equity shares equal to the value of the dividend payable;

(b) the protection of any class of creditors;

(c) if the compromise or arrangement results in the variation of the shareholders' rights, it shall be given effect to under the provisions of section 42;

(d) if the compromise or arrangement is agreed to by the creditors under sub-section (6), any proceedings pending before the Board for Industrial and Financial

Reconstruction established under section 4 of the Sick Industrial Companies (Special Provisions) Act, 1985 shall abate; 1 of 1986.

(e) such other matters as are in the opinion of the Tribunal necessary to effectively implement the terms of the compromise or arrangement.

(8) The order of the Tribunal shall be filed with the Registrar by the Company within thirty days of the receipt of the order.

(9) No compromise or arrangement under this section shall include any buy-back of securities as is provided under section 61.

(10) Any compromise or arrangement may include takeover offer made in such manner as may be prescribed:

Provided that in case of listed companies, takeover offer shall be as per the guidelines issued by the Securities and Exchange Board.

Explanation.—For the purposes of this section, “takeover offer” means an offer to acquire all the shares in a company or where there is more than one class of shares, all the shares of one or more classes, other than shares that at the date of the offer are already held by the offeror, and the terms of the offer are the same in relation to all the shares to which the offer relates or where the shares to which the offer relates include shares of different classes, in relation to all the shares of each class.

(11) An aggrieved party may make an application to the Tribunal in the event of any grievances with respect to the takeover offer of companies other than listed companies in such manner as may be prescribed and the Tribunal may, on application, pass such order as it may deem fit.

Explanation.—For the removal of doubts, it is hereby declared that the provisions of section 59 shall not apply to the reduction of share capital effected in pursuance of the order of the Tribunal under this section.

Power of
Tribunal to
enforce
compromise
or
arrangement.

202. (1) Where the Tribunal makes an order under section 201 sanctioning a compromise or an arrangement in respect of a company, it—

(a) shall have power to supervise the implementation of the compromise or arrangement; and

(b) may, at the time of making such order or at any time thereafter, give such directions in regard to any matter or make such modifications in the compromise or arrangement as it may consider necessary for the proper implementation of the compromise or arrangement.

(2) If the Tribunal is satisfied that the compromise or arrangement sanctioned under section 201 cannot be implemented satisfactorily with or without modifications, and the company is unable to pay its debts as per the scheme, it may make an order for winding up the company and such an order shall be deemed to be an order made under section 248.

(3) The provisions of this section shall, so far as may be, also apply to a company in respect of which an order has been made before the commencement of this Act sanctioning a compromise or an arrangement.

Merger and
amalgamation
of companies.

203. (1) Where an application is made to the Tribunal under section 201 for the sanctioning of a compromise or an arrangement proposed between a company and any such persons as are mentioned in that section, and it is shown to the Tribunal—

(a) that the compromise or arrangement has been proposed for the purposes of, or in connection with, a scheme for the reconstruction of the company or companies involving merger or the amalgamation of any two or more companies; and

(b) that under the scheme, the whole or any part of the undertaking, property or liabilities of any company (hereinafter referred to as the transferor company) is required

to be transferred to another company (hereinafter referred to as the transferee company), or is proposed to be divided among and transferred to two or more companies,

the Tribunal may on such application, order a meeting of the creditors or class of creditors or the members or class of members, as the case may be, to be called, held and conducted in such manner as the Tribunal may direct and the provisions of sub-sections (3) to (6) of section 201 shall apply *mutatis mutandis*.

(2) Where an order has been made by the Tribunal under sub-section (1), merging companies or the companies in respect of which a division is proposed, shall also be required to circulate the following for the meeting so ordered by the Tribunal, namely:—

(a) the draft of the proposed terms of the scheme drawn up and adopted by the directors of the merging company;

(b) confirmation that a copy of the draft scheme has been filed with the Registrar;

(c) a report adopted by the directors of the merging companies explaining effect of compromise on each class of shareholders laying out in particular the share exchange ratio, specifying any special valuation difficulties;

(d) the report of the expert with regard to valuation, if any;

(e) a supplementary accounting statement if the last annual accounts of any of the merging company relate to a financial year ending more than six months before the first meeting of the company summoned for the purposes of approving the scheme;

(f) approval of the draft of the proposed terms by an ordinary resolution of the transferor company or, as the case may be, each of the transferor companies, in the case of merger by formation of a new company.

(3) The Tribunal, after satisfying itself that the procedure specified in sub-sections (1) and (2) has been complied with, may, by order, sanction the compromise or arrangement or by a subsequent order, make provision for the following matters, namely:—

(a) the transfer to the transferee company of the whole or any part of the undertaking, property or liabilities of the transferor company from a date to be determined by the parties unless the Tribunal, for reasons to be recorded by it in writing, decides otherwise;

(b) the allotment or appropriation by the transferee company of any shares, debentures, policies or other like instruments in the company which, under the compromise or arrangement, are to be allotted or appropriated by that company to or for any person;

(c) the continuation by or against the transferee company of any legal proceedings pending by or against any transferor company on the date of transfer;

(d) dissolution, without winding up, of any transferor company;

(e) the provision to be made for any persons who, within such time and in such manner as the Tribunal directs, dissent from the compromise or arrangement;

(f) where there is an allotment of any foreign direct investment, such allotment to the transferor company and the transferee company at such percentage as may be specified in the order;

(g) the transfer of the employees of the transferor company to the transferee company;

(h) where the transferor company is a listed company and the transferee company is an unlisted company,—

(i) the transferee company shall continue to be an unlisted company;

(ii) if shareholders of the transferor company decide to opt out of the transferee company, provision shall be made for payment of the value of shares held by them and other benefits in accordance with a pre-determined price formula or after a valuation is made, and the arrangements under this provision may be made by the Tribunal;

(iii) if the transferor company is not dissolved, it shall become an unlisted company and if it is left with a small portion of the assets, the public shareholders may decide to opt out of the company and provision shall be made for the payment of the value of shares and other benefits in accordance with a pre-determined price formula or after a valuation is made;

(i) where the transferor company is dissolved, the fee, if any, paid by the transferor company on its authorised capital shall be set-off against any fees payable by the transferee company on its authorised capital subsequent to the amalgamation; and

(j) such incidental, consequential and supplemental matters as are deemed necessary to secure that the merger or amalgamation is fully and effectively carried out.

(4) Where an order under this section provides for the transfer of any property or liabilities, then, by virtue of the order, that property shall be transferred to the transferee company and the liabilities shall be transferred to and become the liabilities of the transferee company and any property may, if the order so directs, be freed from any charge which shall by virtue of the compromise or arrangement, cease to have effect.

(5) Within thirty days after the making of an order under this section, every company in relation to which the order is made shall cause a certified copy thereof to be filed with the Registrar for registration.

(6) Where any default is made in complying with the provisions of this section, the transferor company or the transferee company or both shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of such companies who is in default, shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees, or with both.

Explanation.—For the purposes of this section,—

(i) in a scheme involving a merger, where under the scheme the undertaking, property and liabilities of one or more companies, including the company in respect of which the compromise or arrangement is proposed, are to be transferred to another existing company, it is a merger by absorption, or where the undertaking, property and liabilities of two or more companies, including the company in respect of which the compromise or arrangement is proposed, are to be transferred to a new company, whether or not a public company, it is a merger by formation of a new company;

(ii) references to merging companies are in relation to a merger by absorption, to the transferor and transferee companies, and, in relation to a merger by formation of a new company, to the transferor companies;

(iii) a scheme involves a division, where under the scheme the undertaking, property and liabilities of the company in respect of which the compromise or arrangement is proposed are to be divided among and transferred to two or more companies each of which is either an existing company or a new company; and

(iv) property includes assets, rights and interests of every description and liabilities include debts and obligations of every description.

204. (1) Notwithstanding the provisions of section 203, a scheme of merger or amalgamation may be entered into between two small companies or between a holding company and its wholly-owned subsidiary company, subject to the following, namely:—

Merger or amalgamation of certain companies.

(a) a notice of the proposed scheme inviting comments or objections, if any, from any persons affected by the scheme within thirty days is issued by both the transferor and the transferee company;

(b) the objections received are considered by the companies in their respective general meetings and the scheme is approved by the respective members or class of members at a general meeting by passing a special resolution; and

(c) the scheme is approved by three-fourths in value of the creditors or class of creditors of respective companies indicated in a meeting convened by the company by giving a notice of twenty-one days along with the scheme to its creditors for the purpose or otherwise approved in writing.

(2) The transferee company shall file a copy of the scheme so approved in the manner as may be prescribed, with the Registrar and the Official Liquidator.

(3) On the receipt of the scheme, if the Registrar or the Official Liquidator has no objections or comments to the scheme, the Registrar shall register the same and issue a confirmation thereof to the companies.

(4) If the Official Liquidator has any objections or comments, he may communicate the same in writing to the Registrar within a period of thirty days:

Provided that if no such communication is made by the Official Liquidator, it shall be presumed that he has no objection to the scheme.

(5) If the Registrar after receiving the comments of the Official Liquidator or for any reason is of the opinion that such a scheme is not in public interest or in interest of the creditors, he may file an application before the Tribunal within ninety days of the receipt of the scheme under sub-section (2) stating his objections and requesting that Tribunal may consider the scheme under section 203.

(6) On receipt of an application from the Registrar or from any person, if the Tribunal, for reasons to be recorded in writing, is of the opinion that the scheme should be considered as per the procedure laid down in section 203, the Tribunal may direct accordingly or it may confirm the scheme by passing such order as it deems fit:

Provided that if the Registrar or the Official Liquidator does not have any objections to the scheme or they do not file any application under this section before the Tribunal, it shall be deemed that they have no objection to the scheme.

(7) A copy of the order under sub-section (6) shall be communicated to the Registrar and the persons concerned and the Registrar shall register the scheme and issue a confirmation thereof to the companies.

(8) The registration of the scheme shall be deemed to have the effect of dissolution of the transferor company without process of winding up.

(9) The registration of the scheme shall have the following effects, namely:—

(a) transfer of property or liabilities of the transferor company to the transferee company so that the property becomes the property of the transferee company and the liabilities become the liabilities of the transferee company;

(b) the charges, if any, on the property of the transferor company shall be applicable and enforceable as if the charges were on the property of the transferee company;

(c) legal proceedings by or against the transferor company pending before any court of law shall be continued by or against the transferee company; and

(d) where the scheme provides for purchase of shares held by the dissenting shareholders or settlement of debt due to dissenting creditors, such amount, to the extent it is unpaid, shall become the liability of the transferee company.

(10) The transferee company shall file an application with the Registrar along with the scheme registered, indicating the revised authorised capital and pay the prescribed fee due on revised capital:

Provided that the fee, if any, paid by the transferor company on its authorised capital prior to its merger or amalgamation with the transferee company shall be set-off against the fees payable by the transferee company on its authorised capital enhanced by the merger or amalgamation.

Amalgamation
by mutual
agreement.

205. (1) The provisions of this Chapter shall apply *mutatis mutandis* to schemes of mergers and amalgamations between companies registered under this Act and companies incorporated in the jurisdictions of such countries as may be notified from time to time by the Central Government.

(2) A foreign company may merge or amalgamate into a company registered under this Act or *vice versa* and the terms and conditions of the scheme of merger or amalgamation may provide, among other things, for the payment of consideration to the shareholders of the merging company in cash, or in Indian Depository Receipts, or partly in cash and partly in Indian Depository Receipts, as the case may be, as per the scheme to be drawn up for the purpose.

Power to
acquire shares
of
shareholders
dissenting
from scheme
or contract
approved by
majority.

206. (1) Where a scheme or contract involving the transfer of shares or any class of shares in a company (the transferor company) to another company (the transferee company) has, within four months after the making of an offer in that behalf by the transferee company, been approved by the holders of not less than nine-tenths in value of the shares whose transfer is involved, other than shares already held at the date of the offer by, or by a nominee of the transferee company or its subsidiary companies, the transferee company may, at any time within two months after the expiry of the said four months, give notice in the prescribed manner to any dissenting shareholder that it desires to acquire his shares.

(2) Where a notice under sub-section (1) is given, the transferee company shall, unless on an application made by the dissenting shareholder to the Tribunal, within one month from the date on which the notice was given and the Tribunal thinks fit to order otherwise, be entitled to and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee company.

(3) Where a notice has been given by the transferee company under sub-section (1) and the Tribunal has not, on an application made by the dissenting shareholder, made an order to the contrary, the transferee company shall, on the expiry of one month from the date on which the notice has been given, or, if an application to the Tribunal by the dissenting shareholder is then pending, after that application has been disposed of, send a copy of the notice to the transferor company together with an instrument of transfer, to be executed on behalf of the shareholder by any person appointed by the transferee company and on its own behalf by the transferor company, and pay or transfer to the transferor company the amount or other consideration representing the price payable by the transferee company for the shares which, by virtue of this section, that company is entitled to acquire, and the transferor company shall—

(a) thereupon register the transferee company as the holder of those shares, and

(b) within one month of the date of such registration, inform the dissenting shareholders of the fact of such registration and of the receipt of the amount or other consideration representing the price payable to them by the transferee company.

(4) Any sum received by the transferor company under this section shall be paid into a separate bank account, and any such sum and any other consideration so received shall

be held by that company in trust for the several persons entitled to the shares in respect of which the said sum or other consideration were respectively received and shall be disbursed to the entitled shareholders within sixty days.

(5) In relation to an offer made by a transferee company to shareholders of a transferor company before the commencement of this Act, this section shall have effect with the following modifications, namely:—

(a) in sub-section (1), for the words “the shares whose transfer is involved other than shares already held at the date of the offer by, or by a nominee of, the transferee company or its subsidiaries,”, the words “the shares affected” shall be substituted; and

(b) in sub-section (3), the words “together with an instrument of transfer, to be executed on behalf of the shareholder by any person appointed by the transferee company and on its own behalf by the transferor company” shall be omitted.

Explanation.—For the purposes of this section, “dissenting shareholder” includes a shareholder who has not assented to the scheme or contract and any shareholder who has failed or refused to transfer his shares to the transferee company in accordance with the scheme or contract.

207. (1) In the event of an acquirer, or a person acting in concert with such acquirer, becoming registered holder of ninety per cent. or more of the issued equity share capital of a company, or in the event of any person or group of persons becoming ninety per cent. majority or holding ninety per cent. of the issued equity share capital of a company, by virtue of an amalgamation, share exchange, conversion of securities or for any other reason, such acquirer, person or group of persons, as the case may be, shall notify the company of their intention to buy the remaining equity shares.

Purchase of
minority
shareholding.

(2) The acquirer, person or group of persons under sub-section (1) may offer to the minority shareholders of equity shares of the company for buying the equity shares held by such shareholders at a price determined on the basis of valuation by a registered valuer in accordance with such rules as may be prescribed.

(3) Without prejudice to the provisions of sub-sections (1) and (2), the minority shareholders of the company may offer to the majority shareholders to purchase the minority equity shareholding of the company at the price determined in accordance with such rules as may be prescribed under sub-section (2).

(4) The majority shareholders shall deposit an amount equal to the value of shares to be acquired by them under sub-section (2) or sub-section (3), as the case may be, in a separate bank account to be operated by the transferor company for payment to the minority shareholders and such amount shall be disbursed to the entitled shareholders within sixty days.

(5) In the event of a purchase under this section, whether wholly or partially, the transferor company shall act as a transfer agent for receiving and paying the price to the minority shareholders and as an agent for taking delivery of the shares and delivering such shares to the majority, as the case may be.

(6) In the absence of a physical delivery of shares by the shareholders within the time specified by the company, the share certificates shall be deemed to be cancelled, and the transferor company shall be authorised to issue shares in lieu of the cancelled shares and complete the transfer in accordance with law and make payment of the price out of deposit made under sub-section (4) by the majority in advance to the minority by dispatch of such payment.

(7) In the event of a majority shareholder or shareholders requiring a full purchase and making payment of price by deposit with the company for any shareholder or shareholders who have died or ceased to exist, or whose heirs, successors, administrators

or assignees have not been brought on record by transmission, the right of such shareholders to make an offer for sale of minority equity shareholding shall continue and be available for a period of three years from the date of majority acquisition or majority shareholding.

(8) Where the shares of minority shareholders have been acquired in pursuance of this section and as on or prior to the date of transfer following such acquisition, the shareholders holding seventy-five per cent. or more minority equity shareholding negotiate or reach an understanding on a higher price for any transfer, proposed or agreed upon, of the shares held by them without disclosing the fact or likelihood of transfer taking place on the basis of such negotiation, understanding or agreement, the majority shareholders shall share the additional compensation so received by them with such minority shareholders on a *pro rata* basis.

Explanation.—For the purposes of this section, the expressions “acquirer” and “person acting in concert” shall have the meanings respectively assigned to them in clause (b) and clause (e) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Power of Central Government to provide for amalgamation of companies in public interest.

208. (1) Where the Central Government is satisfied that it is essential in public interest that two or more companies should amalgamate, the Central Government may, by order notified in the Official Gazette, provide for the amalgamation of those companies into a single company with such constitution, with such property, powers, rights, interests, authorities and privileges, and with such liabilities, duties, and obligations, as may be specified in the order.

(2) The order under sub-section (1) may also provide for the continuation by or against the transferee company of any legal proceedings pending by or against any transferor company and such consequential, incidental and supplemental provisions as may, in the opinion of the Central Government, be necessary to give effect to the amalgamation.

(3) Every member or creditor, including a debenture holder, of each of the transferor companies before the amalgamation shall have, as nearly as may be, the same interest in or rights against the transferee company as he had in the company of which he was originally a member or creditor, and in case the interest or rights of such member or creditor in or against the transferee company are less than his interest in or rights against the original company, he shall be entitled to compensation to that extent, which shall be assessed by such authority as may be prescribed and every such assessment shall be published in the Official Gazette, and the compensation so assessed shall be paid to the member or creditor concerned by the transferee company.

(4) Any person aggrieved by any assessment of compensation made by the prescribed authority under sub-section (3) may, within thirty days from the date of publication of such assessment in the Official Gazette, prefer an appeal to the Tribunal and thereupon the assessment of the compensation shall be made by the Tribunal.

(5) No order shall be made under this section unless—

(a) a copy of the proposed order has been sent in draft to each of the companies concerned;

(b) the time for preferring an appeal under sub-section (4) has expired, or where any such appeal has been preferred, the appeal has been finally disposed of; and

(c) the Central Government has considered, and made such modifications, if any, in the draft order as it may deem fit in the light of any suggestions and objections which may be received by it from any such company within such period as the Central Government may fix in that behalf, not being less than two months from the date on which the copy aforesaid is received by that company, or from any class of shareholders therein, or from any creditors or any class of creditors thereof.

(6) Copies of every order made under this section shall, as soon as may be after it has been made, be laid before each House of Parliament.

209. (1) In relation to every offer of a scheme or contract involving the transfer of shares or any class of shares in the transferor company to the transferee company under this Chapter,—

Registration of offer of schemes involving transfer of shares.

(a) every circular containing such offer and recommendation to the members of the transferor company by its directors to accept such offer shall be accompanied by such information and in such manner as may be prescribed;

(b) every such offer shall contain a statement by or on behalf of the transferee company, disclosing the steps it has taken to ensure that necessary cash will be available; and

(c) every such circular shall be presented to the Registrar for registration and no such circular shall be issued until it is so registered:

Provided that the Registrar may refuse, for reasons to be recorded in writing, to register any such circular which does not contain the information required to be given under clause (a) or which sets out such information in a manner likely to give a false impression, and communicate such refusal to the parties within thirty days of the application.

(2) An appeal shall lie to the Tribunal against an order of the Registrar refusing to register any circular under sub-section (1).

(3) The director who issues a circular which has not been presented for registration and registered under clause (c) of sub-section (1), shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

210. The books and papers of a company, which has been amalgamated with, or whose shares have been acquired by another company under this Chapter, shall not be disposed of without the prior permission of the Central Government and before granting such permission, that Government may appoint a person to examine the books and papers or any of them for the purpose of ascertaining whether they contain any evidence of the commission of an offence in connection with the promotion or formation, or the management of the affairs, of the transferor company or its amalgamation or the acquisition of its shares.

Preservation of books and papers of amalgamated company.

211. Notwithstanding anything contained in any other Act, the liability in respect of offences committed under this Act by the officers in default of the transferor company prior to its merger, amalgamation or acquisition shall continue after such merger amalgamation or acquisition.

Liability of officers in respect of offences committed prior to merger, amalgamation, etc.

CHAPTER XVI

PREVENTION OF OPPRESSION AND MISMANAGEMENT

212. (1) Any member of a company who complains that—

(a) the affairs of the company have been or are being conducted in a manner prejudicial to public interest or in a manner prejudicial or oppressive to him or any other member or members; or

(b) the material change, not being a change brought about by, or in the interests of, any creditors, including debenture holders or any class of shareholders of the company, has taken place in the management or control of the company, whether by an alteration in the Board of Directors, or manager, or in the ownership of the company's shares, or if it has no share capital, in its membership, or in any other manner whatsoever, and that by reason of such change, it is likely that the affairs of the company will be conducted in a manner prejudicial to its interests or its members or any class of members,

Application to Tribunal for relief in cases of oppression, etc.

may apply to the Tribunal, provided such member has a right to apply under section 215 for an order under this Chapter.

(2) The Central Government, if it is of the opinion that the affairs of the company are being conducted in a manner prejudicial to public interest, it may itself apply to the Tribunal for an order under this Chapter.

Powers of
Tribunal.

213. (1) If, on any application made under section 212, the Tribunal is of the opinion—

(a) that the company's affairs have been or are being conducted in a manner prejudicial or oppressive to any member or members or prejudicial to public interest; and

(b) that to wind up the company would unfairly prejudice such member or members, but that otherwise the facts would justify the making of a winding up order on the ground that it was just and equitable that the company should be wound up, the Tribunal may, with a view to bringing to an end the matters complained of, make such order as it thinks fit.

(2) Without prejudice to the generality of the powers under sub-section (1), an order under that sub-section may provide for —

(a) the regulation of the conduct of the affairs of the company in future;

(b) the purchase of the shares or interests of any members of the company by other members thereof or by the company;

(c) in the case of a purchase of its shares by the company as aforesaid, the consequent reduction of its share capital;

(d) restrictions on the transfer of the shares of the company;

(e) the termination, setting aside or modification, of any agreement, howsoever arrived at, between the company and the managing director, any other director or manager, upon such terms and conditions as may, in the opinion of the Tribunal, be just and equitable in the circumstances of the case;

(f) the termination, setting aside or modification of any agreement between the company and any person other than those referred to in clause (e):

Provided that no such agreement referred to in clause (e) or clause (f) shall be terminated, set aside or modified except after due notice and after obtaining the consent of the party concerned;

(g) the setting aside of any transfer, delivery of goods, payment, execution or other act relating to property made or done by or against the company within three months before the date of the application under this section, which would, if made or done by or against an individual, be deemed in his insolvency to be a fraudulent preference;

(h) removal of the managing director, manager or any of the directors of the company;

(i) the manner in which the managing director or manager of the company may be appointed subsequent to an order removing the existing managing director or manager of the company made under clause (h);

(j) appointment of such number of persons as directors, who may be required by the Tribunal to report to the Tribunal on such matters as the Tribunal may direct;

(k) imposition of costs as may be deemed fit by the Tribunal;

(l) any other matter for which, in the opinion of the Tribunal, it is just and equitable that provision should be made.

(3) A certified copy of the order of the Tribunal under sub-section (1) shall be filed by the company with the Registrar within thirty days of the order of the Tribunal.

(4) The Tribunal may, on the application of any party to the proceeding, make any interim order which it thinks fit for regulating the conduct of the company's affairs upon such terms and conditions as appear to it to be just and equitable.

(5) Where an order of the Tribunal under sub-section (1) makes any alteration in the memorandum or articles of a company, then, notwithstanding any other provision of this Act, the company shall not have power, except to the extent, if any, permitted in the order, to make without the leave of the Tribunal, any alteration whatsoever which is inconsistent with the order, either in the memorandum or in the articles.

(6) Subject to the provisions of sub-section (1), the alterations made by the order in the memorandum or articles of a company shall, in all respects, have the same effect as if they had been duly made by the company in accordance with the provisions of this Act and the said provisions shall apply accordingly to the memorandum or articles so altered.

(7) A certified copy of every order altering, or giving leave to alter, a company's memorandum or articles shall, within thirty days after the making thereof, be filed by the company with the Registrar who shall register the same.

(8) Where any default is made in complying with the provisions of sub-section (5), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

214. (1) Where an order made under section 213 terminates, sets aside or modifies an agreement such as is referred to in sub-section (2) of that section, —

Consequence of termination or modifications of certain agreements.

(a) such order shall not give rise to any claims whatever against the company by any person for damages or for compensation for loss of office or in any other respect either in pursuance of the agreement or otherwise;

(b) no managing director or other director or manager whose agreement is so terminated or set aside shall, for a period of five years from the date of the order terminating or setting aside the agreement, without the leave of the Tribunal, be appointed, or act, as the managing director or other director or manager of the company:

Provided that the Tribunal shall not grant leave under this clause unless notice of the intention to apply for leave has been served on the Central Government and that Government has been given a reasonable opportunity of being heard in the matter.

(2) Any person who knowingly acts as a managing director or other director or manager of a company in contravention of clause (b) of sub-section (1), and every other director who is knowingly a party to such contravention, shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to five lakh rupees, or with both.

215. (1) The following members of a company shall have the right to apply under section 212, namely:—

Right to apply under section 212.

(a) in the case of a company having a share capital, not less than one hundred members of the company or not less than one-tenth of the total number of its members, whichever is less, or any member or members holding not less than one-tenth of the issued share capital of the company, subject to the condition that the applicant or applicants has or have paid all calls and other sums due on his or their shares;

(b) in the case of a company not having a share capital, not less than one-fifth of the total number of its members:

Provided that the Tribunal may, on an application made to it in this behalf, waive all or any of the requirements specified in clause (a) or clause (b) so as to enable the members to apply under section 212.

Explanation.—For the purposes of this sub-section, where any share or shares are held by two or more persons jointly, they shall be counted only as one member.

(2) Where members of a company are entitled to make an application under sub-section (1), any one or more of them having obtained the consent in writing of the rest, may make the application on behalf, and for the benefit, of all of them.

Class action.

216. (1) Any one or more members or class of members or one or more creditors or any class of creditors may, if they are of the opinion that the management or control of the affairs of the company are being conducted in a manner prejudicial to the interests of the company or its members or creditors, file an application before the Tribunal on behalf of the members and creditors for seeking all or any of the following orders, namely:—

(a) to restrain the company from committing an act which is *ultra vires* the articles or memorandum of the company;

(b) to restrain the company from committing breach of any provision of the company's memorandum or articles;

(c) to declare a resolution altering the memorandum or articles of the company as void if the resolution was passed by suppression of material facts or obtained by misstatement to the members or creditors;

(d) to restrain the company and its directors from acting on such resolution;

(e) to restrain the company from doing an act which is contrary to the provisions of this Act or any other law for the time being in force;

(f) to restrain the company from taking action contrary to any resolution passed by the members.

(2) Any order passed by the Tribunal shall be binding on the company and all its members and creditors.

(3) Any company which fails to comply with an order passed by the Tribunal under this section shall be punishable with fine which shall not be less than five lakh rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

Application of certain provisions to proceedings under section 212 or 216.

217. The provisions of sections 312 to 316(both inclusive) shall apply *mutatis mutandis* in relation to a fraudulent application made to the Tribunal under section 212 or section 216.

CHAPTER XVII

REGISTERED VALUERS

Valuation by registered valuers.

218. Where under any provision of this Act, valuation is required to be made in respect of any property, stocks, shares, debentures, securities or goodwill (hereinafter in this Chapter referred to as the assets) or net worth of a company or its assets, it shall be valued by a person registered as a valuer under this Chapter and appointed by the audit committee or in its absence by the Board of Directors of that company.

Registration of valuers.

219. (1) The Central Government shall maintain a register to be called as the register of valuers in which it shall enter the names and addresses of persons registered under sub-section (2) as valuers.

(2) Any chartered accountant, cost and works accountant, Company Secretary or any other person possessing such qualifications, as may be prescribed, may apply to the Central Government in the prescribed form for being registered as a valuer under this section:

Provided that no company or body corporate shall be eligible to apply.

(3) Every application under sub-section (2) shall be accompanied by such fee as may be prescribed, containing a declaration to the effect that the applicant shall—

(a) make an impartial and true valuation of any assets which may be required to be valued;

(b) make the valuation in accordance with such rules as may be prescribed, and

(c) shall not undertake valuation of any assets in which he has a direct or indirect interest or becomes so interested at any time during the valuation of the assets.

220. (1) The Central Government may, for the purposes of section 219, by an order, appoint a committee of experts consisting of such number of qualified persons holding such qualifications as may be prescribed. Appointment of committee of experts.

(2) The committee appointed under sub-section (1) shall scrutinise the applications received under sub-section (2) of section 219 and recommend suitable names for the purpose of inclusion in the register of valuers.

221. (1) No person, either alone or in partnership with any other person, shall practise, describe or project himself as a registered valuer for the purposes of this Act or permit himself to be so described or projected unless he is registered as a valuer, or, as the case may be, he and all his partners are so registered under this Chapter. Practice as registered valuers.

(2) The report of valuation of any assets by a registered valuer shall be submitted in the prescribed form and be verified in the prescribed manner.

(3) A registered valuer shall not charge at a rate exceeding the rate as may be prescribed in this behalf.

222. Where any person who is registered as a valuer under section 219 or who has made an application for registration as a valuer under that section is, at any time thereafter,— Furnishing of particulars in certain cases.

(a) sentenced to a term of imprisonment for any offence; or

(b) in a case where he is a member of any association or institute having as its object the control, supervision, regulation or encouragement of the profession of Chartered Accountant, cost and works accountants or Company Secretaries or such other profession as the Central Government may specify in this behalf by notification, found guilty of misconduct in his professional capacity, by such association or institute,

he shall immediately after such conviction or finding intimate the particulars thereof to the Central Government.

223. (1) The Central Government may remove the name of any person from the register of valuers where it is satisfied, after giving that person a reasonable opportunity of being heard and after such further inquiry, if any, as it thinks fit,— Removal and restoration of names of valuers from register.

(a) that his name has been entered in the register by error or on account of misrepresentation or suppression of a material fact; or

(b) that he has been convicted of any offence and sentenced to a term of imprisonment or has been guilty of misconduct in his professional capacity which, in the opinion of the Central Government, renders his name unfit to be kept in the register.

(2) The Central Government may on application and on sufficient cause being shown, restore in the register the name of any person removed therefrom.

(3) Without prejudice to the provisions of sub-sections (1) and (2), the Central Government shall, once in three years, review the performance of all the registered valuers and may remove the name of any person from the register of valuers where it is satisfied, after giving that person a reasonable opportunity of being heard and after such further inquiry, if any, as it thinks fit to make, that his performance is such that his name should not remain on the register of valuers.

(4) The inquiry to be made under this section shall be made by such officer and he shall, for the purpose of such inquiry, have such powers, as may be prescribed.

CHAPTER XVIII

REMOVAL OF NAMES OF COMPANIES FROM THE REGISTER

Power of Registrar to remove name of a company from register.

224. (1) Where the Registrar has reasonable cause to believe that —

(a) a company has failed to commence its business within one year of its incorporation;

(b) the subscribers to the memorandum have not paid the subscription which they had undertaken to pay within a period of one hundred and eighty days from the date of incorporation of a company and a declaration under sub-section (1) of section 10 to this effect has not been filed within one hundred and eighty days of its incorporation; or

(c) a company is not carrying on any business or operation for a period of one year and has not made any application within such period for obtaining the status of a dormant company under section 413,

he shall send a notice to the company and all the directors of the company, of his intention to remove the name of the company from the register and requesting them to send their representations along with copies of the relevant documents, if any, within a period specified in the notice.

(2) Without prejudice to the provisions of sub-section (1), a company by a special resolution or consent of seventy-five per cent. members in terms of share capital may also file an application in the prescribed manner to the Registrar for removing the name of the company from the register on all or any of the grounds specified in sub-section (1) and the Registrar shall, on receipt of such application, cause a public notice to be issued in the prescribed manner:

Provided that in the case of a company regulated under a special Act, approval of the regulatory body constituted or established under that Act shall also be obtained and enclosed with the application.

(3) Nothing in sub-section (2) shall apply to a company registered under section 4.

(4) A notice issued under sub-section (1) or sub-section (2) shall be published in the prescribed manner and also in the Official Gazette for the information of the general public.

(5) At the expiry of the time mentioned in the notice, the Registrar may, unless cause to the contrary is shown by the company, strike its name off the register, and shall publish notice thereof in the Official Gazette, and on the publication in the Official Gazette of this notice, the company shall stand dissolved.

(6) The Registrar, before passing an order under sub-section (5), shall satisfy himself that sufficient provision has been made for the realisation of all amount due to the company and for the payment or discharge of its liabilities and obligations by the company within a reasonable time and, if necessary, obtain necessary undertakings from the managing director, director or other persons in charge of the management of the company:

Provided that notwithstanding the undertakings referred to in this sub-section, the assets of the company shall be made available for the payment or discharge of all its

liabilities and obligations even after the date of the order removing the name of the company from the register.

(7) The liability, if any, of every director, manager or other officer who was exercising any power of management, and of every member of the company dissolved under sub-section (5), shall continue and may be enforced as if the company had not been dissolved.

(8) Nothing in this section shall affect the power of the Tribunal to wind up a company the name of which has been struck off the register.

225. (1) An application under sub-section (2) of section 224 on behalf of a company shall not be made if, at any time in the previous three months, the company—

No application under section 224 in certain situations.

(a) has changed its name;

(b) has traded or otherwise carried on business;

(c) has made a disposal for value of property or rights held by it, immediately before cesser of trade or otherwise carrying on of business, for the purpose of disposal for gain in the normal course of trading or otherwise carrying on of business;

(d) has engaged in any other activity except the one which is necessary or expedient for the purpose of making an application under that section, or deciding whether to do so or concluding the affairs of the company, or complying with any statutory requirement;

(e) has made an application to the Tribunal for the sanctioning of a compromise or arrangement and the matter has not been finally concluded; or

(f) is being wound up under Chapter XX, whether voluntarily or by the Tribunal.

(2) If a company files an application under sub-section (2) of section 224 in violation of sub-section (1), it shall be punishable with fine which may extend to one lakh rupees.

(3) An application filed under sub-section (2) of section 224 shall be withdrawn by the company or rejected by the Registrar as soon as conditions under sub-section (1) are brought to his notice.

226. Where a company stands dissolved under section 224, it shall on and from the date mentioned in the notice under sub-section (5) of that section cease to operate as a company and the Certificate of Incorporation issued to it shall be deemed to have been cancelled from such date except for the purpose of realising the amount due to the company and for the payment or discharge of the liabilities or obligations of the company.

Effect of a company notified as dissolved.

227. (1) Where it is found that an application by a company under sub-section (2) of section 224 has been made with the object of evading the liabilities of the company or with the intention to deceive the creditors or to defraud any other persons, the persons in charge of the management of the company shall, notwithstanding that the company has been notified as dissolved, be jointly and severally liable to any person or persons who had incurred loss or damage as a result of the company being notified as dissolved.

Fraudulent application for removal of name.

(2) Without prejudice to any action under sub-section (1), the Registrar may also recommend prosecution of the persons responsible for the filing of an application under sub-section(2) of Section 224.

228. (1) Any person aggrieved by an order of the Registrar, notifying a company as dissolved under section 224, may file an appeal to the Tribunal within a period of three years from the date of the order of the Registrar and if the Tribunal is of the opinion that the removal of the name of the company from the register is not justified in view of the absence of any of the grounds on which the order was passed by the Registrar, it may order restoration of the name of the company in the register:

Appeal to Tribunal.

Provided that before passing any order under this section, the Tribunal shall give a reasonable opportunity of making representations and of being heard to the Registrar, the company and all the persons concerned.

(2) A copy of the order passed by the Tribunal shall be filed by the company with the Registrar within thirty days from the date of the order and on receipt of the order, the Registrar shall cause the name of the company to be restored in the register and shall issue a fresh Certificate of Incorporation.

(3) If a company, or any member or creditor thereof feels aggrieved by the company having its name struck off the register, the Tribunal on an application made by the company, member or creditor before the expiry of twenty years from the publication in the Official Gazette of the notice under sub-section (5) of section 224 may, if satisfied that the company was, at the time of its name being struck off, carrying on business or in operation or otherwise it is just that the name of the company be restored to the register, order the name of the company to be restored to the register, and the Tribunal may, by the order, give such other directions and make such provisions as deemed just for placing the company and all other persons in the same position as nearly as may be as if the name of the company had not been struck off the register.

CHAPTER XIX

REVIVAL AND REHABILITATION OF SICK COMPANIES

Determination
of sickness.

229. (1) Where on a demand by the secured creditors of a company representing fifty per cent. or more of its outstanding amount of debt, the company has failed to pay the debt within thirty days of the service of the notice of demand or to secure or compound it to the reasonable satisfaction of the creditors, any secured creditor may file an application to the Tribunal in the prescribed manner along with the relevant evidence for such default, non-repayment or failure to offer security or compound it, for a determination that the company be declared as a sick company.

(2) The applicant under sub-section (1) may, along with an application under that sub-section or at any stage of the proceedings thereafter, make an application for the stay of any proceedings for the winding up of the company or for execution, distress or the like against any property and assets of the company or for the appointment of a receiver in respect thereof and that no suit for the recovery of any money or for the enforcement of any security against the company shall lie or be proceeded with.

(3) The Tribunal may pass an order in respect of an application under sub-section (2) which shall be operative for a period of one hundred and twenty days.

(4) The company referred to in sub-section (1) may also file an application to the Tribunal on one or more of the grounds specified in that sub-section.

(5) Where an application under sub-section (1) or sub-section (4) has been filed,—

(a) the company shall not dispose of or otherwise enter into any obligations with regard to, its properties or assets except as required in the normal course of business;

(b) the Board of Directors shall not take any steps likely to prejudice the interests of the creditors.

(6) The Tribunal shall, within sixty days of the receipt of an application under sub-section (1) or sub-section (4), determine whether the company is a sick company or not:

Provided that no such determination shall be made in respect of an application under sub-section (1) unless the company has been given notice of the application and a reasonable opportunity to reply to the notice within thirty days of the receipt thereof.

230. (1) On the determination of a company as a sick company by the Tribunal under section 229, any secured creditor of that company or the company may make an application to the Tribunal for the determination of the measures that may be adopted with respect to the revival and rehabilitation of such company:

Application for revival and rehabilitation.

Provided that where the financial assets of the sick company had been acquired by any securitisation company or reconstruction company under sub-section (1) of section 5 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, no such application shall be made without the consent of three-fourths of the secured creditors in value of the amount outstanding against financial assistance disbursed to the sick company.

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(2) An application under sub-section (1) shall be accompanied by —

(a) audited financial statements of the company relating to the immediately preceding financial year,

(b) such particulars and documents, duly authenticated in such manner, along with such fee as may be prescribed, and

(c) a draft scheme of revival and rehabilitation of the company in such manner as may be prescribed:

Provided that where the sick company has no draft scheme of revival and rehabilitation to offer, it shall file a declaration to that effect along with the application.

(3) An application under sub-section (1) shall be made to the Tribunal within sixty days from the date of determination of the company as a sick company by the Tribunal under section 229.

231. (1) On the receipt of an application under section 230, the Tribunal shall, not later than seven days from such receipt, —

Appointment of interim administrator.

(a) fix a date for hearing not later than ninety days from date of the receipt;

(b) appoint an interim administrator to convene a meeting of creditors of the company in accordance with the provisions of section 232 to be held not later than forty-five days from receipt of the order of the Tribunal appointing him to consider whether on the basis of the particulars and documents furnished with the application made under section 230, the draft scheme, if any, filed along with such application or otherwise and any other material available, it is possible to revive and rehabilitate the sick company and such other matters, which the interim administrator may consider necessary for the purpose and to submit his report to the Tribunal within sixty days from the date of the order:

Provided that where no draft scheme is filed by the company and a declaration has been made to that effect by the Board of Directors, the Tribunal may direct the interim administrator to take over the management of the company; and

(c) issue such other directions to the interim administrator as the Tribunal may consider necessary to protect and preserve the assets of the sick company and for its proper management.

(2) Where an interim administrator has been directed to take over the management of the company, the directors and the management of the company shall extend all possible assistance and cooperation to the interim administrator to manage the affairs of the company.

232. (1) The interim administrator shall appoint a committee of creditors with such number of members as he may determine, but not exceeding seven, and as far as possible a representative each of every class of creditors should be represented in the committee.

Committee of creditors.

(2) The holding of the meeting of the committee of creditors and the procedure to be followed at such meetings, including the appointment of its Chairman, shall be decided by the interim administrator.

(3) The interim administrator may direct any promoter, director or any key managerial personnel to attend any meeting of the committee of creditors and to furnish such information as may be considered necessary by the interim administrator.

Order of
Tribunal.

233. On the date of hearing fixed by the Tribunal and on consideration of the report of the interim administrator filed under sub-section (1) of section 231, if the Tribunal is satisfied that the creditors representing three-fourths in value of the amount outstanding against the sick company present and voting have resolved that—

(a) it is not possible to revive and rehabilitate such company, the Tribunal shall record such opinion and order that the proceedings for the winding up of the company be initiated; or

(b) by adopting certain measures the sick company may be revived and rehabilitated, the Tribunal shall appoint a company administrator for the company and cause such administrator to prepare a scheme of revival and rehabilitation of the sick company:

Provided that the Tribunal may, if it so thinks fit, appoint an interim administrator as the company administrator.

Appointment
of
administrator.

234. (1) The interim administrator or the company administrator, as the case may be, shall be appointed by the Tribunal from a panel maintained by the Central Government consisting of the names of advocates, company secretaries, chartered accountants, cost and works accountants and such other professionals as may, by notification, be specified by the Central Government.

(2) The terms and conditions of the appointment of interim and company administrators shall be such as may be ordered by the Tribunal.

(3) The Tribunal may direct the company administrator to take over the assets or management of the company and for the purpose of assisting him in the management of the company, the company administrator may, with the approval of the Tribunal, engage the services of suitable expert or experts.

Powers and
duties of
company
administrator.

235. (1) The company administrator shall perform such functions as the Tribunal may direct.

(2) Without prejudice to the provisions of sub-section (1), the company administrator may cause to be prepared with respect to the company —

(a) a complete inventory of —

(i) all assets and liabilities of whatever nature;

(ii) all books of account, registers, maps, plans, records, documents of title and all other documents of whatever nature;

(b) a list of shareholders and a list of creditors showing separately in the list of creditors, the secured creditors and unsecured creditors;

(c) a valuation report in respect of the shares and assets in order to arrive at the reserve price for the sale of any industrial undertaking of the company or for the fixation of the lease rent or share exchange ratio;

(d) an estimate of the reserve price, lease rent or share exchange ratio;

(e) *pro forma* accounts of the company, where no up-to-date audited accounts are available; and

(f) a list of workmen of the company and their dues referred to under sub-section (3) of section 300.

236. (1) The company administrator shall prepare or cause to be prepared a scheme of revival and rehabilitation of the sick company after considering the draft scheme filed along with the application under section 230.

Scheme of revival and rehabilitation.

(2) A scheme prepared in relation to any sick company under sub-section (1) may provide for any one or more of the following measures, namely:—

- (a) the financial reconstruction of such sick company;
- (b) the proper management of such sick company by any change in, or by taking over, the management of such sick company;
- (c) the amalgamation of —
 - (i) a sick company with any other company; or
 - (ii) any other company with the sick company;
- (d) takeover of the sick company by a solvent company;
- (e) the sale or lease of a part or whole of any asset or business of such sick company;
- (f) the rationalisation of managerial personnel, supervisory staff and workmen in accordance with law;
- (g) such other preventive, ameliorative and remedial measures as may be appropriate;
- (h) repayment or rescheduling or restructuring of the debts or obligations of the company to any of its creditors or class of creditors;
- (i) such incidental, consequential or supplemental measures as may be necessary or expedient in connection with or for the purposes of the measures specified in clauses (a) to (h).

237. (1) The scheme prepared by the company administrator under section 236 shall be placed before the creditors of the sick company in a meeting convened for their approval by the company administrator within the period of sixty days from his appointment, which may be extended by the Tribunal up to a period not exceeding one hundred twenty days.

Sanction of scheme.

(2) The company administrator shall convene separate meetings of secured and unsecured creditors of the sick company and if the scheme is approved by the unsecured creditors representing one-fourth in value of the amount owed by the company to such creditors and the secured creditors, representing three-fourths in value of the amount outstanding against financial assistance disbursed by such creditors to the sick company, the company administrator shall submit the scheme before the Tribunal for sanctioning the scheme:

Provided that where the scheme relates to amalgamation of the sick company with any other company, such scheme shall, in addition to the approval of the creditors of the sick company under this sub-section, be laid before the general meeting of both the companies for approval by their respective shareholders and no such scheme shall be proceeded with unless it has been approved, with or without modification, by a special resolution passed by the shareholders of that company.

(3) On the receipt of the scheme under sub-section (2), the Tribunal shall within sixty days therefrom, after satisfying that the scheme had been validly approved in accordance with this section, pass an order sanctioning such scheme.

(4) Where a sanctioned scheme provides for the transfer of any property or liability of the sick company to any other company or person or where such scheme provides for the transfer of any property or liability of any other company or person in favour of the sick company, then, by virtue of, and to the extent provided in, the scheme, on and from the date

of coming into operation of the sanctioned scheme or any provision thereof, the property shall be transferred to, and vest in, and the liability shall become the liability of, such other company or person or, as the case may be, the sick company.

(5) The sanction accorded by the Tribunal under sub-section (3) shall be conclusive evidence that all the requirements of the scheme relating to the reconstruction or amalgamation or any other measure specified therein have been complied with and a copy of the sanctioned scheme certified in writing by an officer of the Tribunal to be a true copy thereof shall in all legal proceedings be admitted as evidence.

(6) A copy of the sanctioned scheme referred to in sub-section (3) shall be filed with the Registrar by the sick company within a period of thirty days from the date of receipt of a copy thereof.

Scheme to be binding.

238. On and from the date of the coming into operation of the sanctioned scheme or any provision thereof, the scheme or such provision shall be binding on the sick company and the transferee company or, as the case may be, the other company and also on the shareholders, creditors and guarantors of the said companies.

Implementation of the scheme.

239. (1) The Tribunal shall, for the purpose of effective implementation of the scheme, have power to enforce, modify or terminate any contract or agreement or any obligation pursuant to such agreement or contract entered into by the company with any other person.

(2) The Tribunal may, if it deems necessary or expedient so to do, by order in writing, authorise the company administrator appointed under section 234 to implement a sanctioned scheme till its successful implementation on such terms and conditions as may be specified in the order and may for that purpose require him to file periodic reports on the implementation of the sanctioned scheme.

(3) Where the whole or substantial assets of the undertaking of the sick company are sold under a sanctioned scheme, the sale proceeds shall be applied towards implementation of the scheme in such manner as the Tribunal may direct.

(4) Where it is difficult to implement the scheme for any reason or the scheme fails due to non-implementation of obligations under the scheme by the parties concerned, the company administrator authorised to implement the scheme and where there is no such administrator, the company, the secured creditors, or the transferee company in a case of amalgamation, may make an application before the Tribunal for modification of the scheme or to declare the scheme as failed and that the company may be wound up.

(5) The Tribunal shall, within thirty days of presentation of an application under sub-section (4), pass an order for modification of the scheme or, as the case may be, declaring the scheme as failed and pass an order for the winding up of the company if three-fourths in value of the secured creditors consent to the modification of the scheme or winding up of the company.

(6) Where an application under sub-section (4) has been made before the Tribunal and such application is pending before it, such application shall abate, if the secured creditors representing not less than three-fourths in value of the amount outstanding against financial assistance disbursed to the sick company have taken any measures to recover their secured debt under sub-section (4) of section 13 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

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Winding up of company on report of company administrator.

240. (1) If the scheme is not approved by the creditors in the manner specified in sub-section (2) of section 237, the company administrator shall submit a report to the Tribunal and the Tribunal shall order for the winding up of the sick company.

(2) On the passing of an order under sub-section (1), the Tribunal shall conduct the proceedings for winding up of the sick company in accordance with the provisions of Chapter XX.

241. (1) If, in the course of the scrutiny or implementation of any scheme or proposal including the draft scheme or proposal, it appears to the Tribunal that any person who has taken part in the promotion, formation or management of the sick company or its undertaking, including any past or present director, manager or officer or employee of the sick company,—

Power of Tribunal to assess damages against delinquent directors, etc.

(a) has misapplied or retained, or become liable or accountable for, any money or property of the sick company; or

(b) has been guilty of any misfeasance, malfeasance or nonfeasance or breach of trust in relation to the sick company,

it may, by order, direct him to repay or restore the money or property, with or without interest, as it thinks just, or to contribute such sum to the assets of the sick company or the other person, entitled thereto by way of compensation in respect of the misapplication, retainer, misfeasance, malfeasance, nonfeasance or breach of trust as the Tribunal thinks just and proper:

Provided that such direction by the Tribunal shall be without prejudice to any other legal action that may be taken against the person.

(2) If the Tribunal is satisfied on the basis of the information and evidence in its possession with respect to any person who is or was a director or an officer or other employee of the sick company, that such person by himself or along with others had diverted the funds or other property of such company for any purpose other than the purposes of the company or had managed the affairs of the company in a manner highly detrimental to the interests of the company, the Tribunal shall, by order, direct the public financial institutions, scheduled banks and State level institutions not to provide, for a maximum period of ten years from the date of the order, any financial assistance to such person or any firm of which such person is a partner or any company or other body corporate of which such person is a director, by whatever name called, or to disqualify the said director, promoter, manager from being appointed as a director in any company registered under this Act for a maximum period of six years.

(3) No order shall be made by the Tribunal under this section against any person unless such person has been given a reasonable opportunity of being heard.

242. Whoever violates the provisions of this Chapter or any scheme, or any order, of the Tribunal or the Appellate Tribunal or makes a false statement or gives false evidence before the Tribunal or the Appellate Tribunal, or attempts to tamper the records of reference or appeal filed under this Act, he shall be punishable with imprisonment for a term which may extend to seven years and with fine which may extend to ten lakh rupees.

Punishment for certain offences.

243. No appeal shall lie in any court or other authority and no civil court shall have any jurisdiction in respect of any matter in respect of which the Tribunal or the Appellate Tribunal is empowered by or under this Chapter and no injunction shall be granted by any court or other authority in respect of any action taken or proposed to be taken in pursuance of any power conferred by or under this Chapter.

Bar of jurisdiction.

244. (1) There shall be formed for the purposes of rehabilitation, revival and liquidation of sick companies, a Fund to be called the Rehabilitation and Insolvency Fund.

Rehabilitation and Insolvency Fund.

(2) There shall be credited to the Fund—

(a) the amount given as grants by the Central Government for the purposes of this Fund;

(b) the amount given to the Fund from any other source;

(c) the income from investment of the amount in the Fund; and

(d) the amount deposited by the companies as contribution to the Fund.

(3) A company which has contributed any amount to the Fund shall, in the event of proceedings initiated in respect of such company under this Chapter or Chapter XX, may

make an application to the Tribunal for withdrawal of funds not exceeding the amount contributed by it, for making payments to workmen, protecting the assets of the company or meeting the incidental costs during proceedings.

(4) The Fund shall be managed by an independent administrator to be appointed by the Central Government in the manner as may be prescribed.

CHAPTER XX

WINDING UP

Modes of winding up.

245. (1) The winding up of a company may be either—

- (a) by the Tribunal, or
- (b) voluntary.

(2) Notwithstanding anything contained in any other Act, the provisions of this Act with respect to winding up shall apply to the winding up of a company in any of the modes specified under sub-section (1).

Part I

Winding up by the Tribunal

Circumstances in which a company may be wound up by Tribunal.

246. (1) A company may be wound up by the Tribunal,—

- (a) if the company is unable to pay its debts;
- (b) if the company has, by special resolution, resolved that the company be wound up by the Tribunal;
- (c) if the company has acted against the interests of the sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, decency or morality;
- (d) if the Tribunal has ordered the winding up of the company under Chapter XIX;
- (e) if on an application made by the Registrar or any other person authorised by the Central Government by notification under this Act, the Tribunal is of the opinion that the affairs of the company have been conducted in a fraudulent manner or the company was formed for fraudulent and unlawful purpose or the persons concerned in the formation or management of its affairs have been guilty of fraud, misfeasance or misconduct in connection therewith and that it is proper that the company be wound up;
- (f) if the company has made a default in filing with the Registrar its financial statements or annual returns for immediately preceding five consecutive financial years; or
- (g) if the Tribunal is of the opinion that it is just and equitable that the company should be wound up.

(2) A company shall be deemed to be unable to pay its debts,—

- (a) if a creditor, by assignment or otherwise, to whom the company is indebted for an amount exceeding one lakh rupees then due, has served on the company, by causing it to be delivered at its registered office, by registered post or otherwise, a demand requiring the company to pay the amount so due and the company has failed to pay the sum within twenty-one days after the receipt of such demand or to provide adequate security or re-structure or compound the debt to the reasonable satisfaction of the creditor;
- (b) if any execution or other process issued on a decree or order of any court or tribunal in favour of a creditor of the company is returned unsatisfied in whole or in part; or

(c) if it is proved to the satisfaction of the Tribunal that the company is unable to pay its debts, and, in determining whether a company is unable to pay its debts, the Tribunal shall take into account the contingent and prospective liabilities of the company.

247. (1) Subject to the provisions of this section, a petition to the Tribunal for the winding up of a company shall be presented by— Petition for winding up.

(a) the company,

(b) any creditor or creditors, including any contingent or prospective creditor or creditors,

(c) any contributory or contributories,

(d) all or any of the persons specified in clauses (a), (b) and (c) together,

(e) the Registrar,

(f) any person authorised by the Central Government in that behalf, or

(g) in a case falling under clause (d) of sub-section (1) of section 246, by the Central Government or a State Government.

(2) A secured creditor, the holder of any debentures, whether or not any trustee or trustees have been appointed in respect of such and other like debentures, and the trustee for the holders of debentures shall be deemed to be creditors within the meaning of clause (b) of sub-section (1).

(3) A contributory shall be entitled to present a petition for the winding up of a company, notwithstanding that he may be the holder of fully paid-up shares, or that the company may have no assets at all or may have no surplus assets left for distribution among the shareholders after the satisfaction of its liabilities, and shares in respect of which he is a contributory or some of them were either originally allotted to him or have been held by him, and registered in his name, for at least six months during the eighteen months immediately before the commencement of the winding up or have devolved on him through the death of a former holder.

(4) The Registrar shall be entitled to present a petition for winding up under sub-section (1) on any of the grounds specified in sub-section (1) of section 246, except on the ground specified in clause (d) of that sub-section:

Provided that the Registrar shall not present a petition on the ground that the company is unable to pay its debts unless it appears to him either from the financial condition of the company as disclosed in its balance sheet or from the report of an inspector appointed under section 183 that the company is unable to pay its debts:

Provided further that the Registrar shall obtain the previous sanction of the Central Government to the presentation of a petition:

Provided also that the Central Government shall not accord its sanction under the preceding proviso, unless the company concerned has been given a reasonable opportunity of making representations.

(5) A petition filed by the company for winding up before the Tribunal shall be admitted only if accompanied by a statement of affairs in such form and manner as may be prescribed.

(6) Before a petition for winding up of a company presented by a contingent or prospective creditor is admitted, the leave of the Tribunal shall be obtained for the admission of the petition and such leave shall not be granted, unless in the opinion of the Tribunal there is a *prima facie* case for the winding up of the company and until such security for costs has been given as the Tribunal thinks reasonable.

Powers of
Tribunal.

248. (1) The Tribunal may, on receipt of a petition for winding up under section 247 pass any of the following orders, namely:—

- (a) dismiss it, with or without costs;
- (b) make any interim order as it thinks fit;
- (c) appoint a provisional liquidator of the company till the making of a winding up order;
- (d) make an order for the winding up of the company with or without costs; or
- (e) any other order as it thinks fit:

Provided that an order under this sub-section shall be made within ninety days from the date of presentation of the petition:

Provided further that before appointing a provisional liquidator under clause (c), the Tribunal shall give notice to the company and afford a reasonable opportunity to it to make its representations, if any, unless for special reasons to be recorded in writing, the Tribunal thinks fit to dispense with such notice:

Provided also that the Tribunal shall not refuse to make a winding up order on the ground only that the assets of the company have been mortgaged for an amount equal to or in excess of those assets, or that the company has no assets.

(2) Where a petition is presented on the ground that it is just and equitable that the company should be wound up, the Tribunal may refuse to make an order of winding up, if it is of the opinion that some other remedy is available to the petitioners and that they are acting unreasonably in seeking to have the company wound up instead of pursuing that other remedy.

Directions for
filing
statement of
affairs.

249. (1) Where a petition for winding up is filed before the Tribunal by any person other than the company, the Tribunal shall, if satisfied that a *prima facie* case for winding up of the company is made out, by an order direct the company to file its objections along with a statement of its affairs in such form and manner as may be prescribed within thirty days of the order:

Provided that the Tribunal may direct the petitioner to deposit such security for costs as it may consider reasonable as a precondition to issue directions to the company.

(2) A company, which fails to file the statement of affairs as referred to in sub-section (1), shall forfeit the right to oppose the petition and such directors and officers of the company as found responsible for such non-compliance, shall be punishable as per the provision of sub-section (4).

(3) The directors and other officers of the company, in respect of which an order for winding up is passed by the Tribunal under clause (d) of sub-section (1) of section 248, shall, within sixty days of such order, submit, at the cost of the company, the books of account of the company completed and audited up to the date of the order, to such liquidator and in the manner specified by the Tribunal.

(4) Where a contravention of this section occurs, the directors and other officers of the company who are responsible for such contravention shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to five lakh rupees, or with both.

Company
Liquidators
and their
appointments.

250. (1) For the purposes of winding up of a company by the Tribunal, there shall be a Company Liquidator who shall be appointed by the Tribunal at the time of the passing of the order of winding up.

(2) The provisional liquidator or the Company Liquidator, as the case may be, shall be appointed from a panel maintained by the Central Government consisting of the names of chartered accountants, advocates, company secretaries, cost and works accountants or

firms or bodies corporate having such chartered accountants, advocates, company secretaries, cost and works accountants and such other professionals as may be notified by the Central Government or from a firm or a body corporate of persons having a combination of such professionals as may be prescribed and having at least ten years' experience in company matters and such other qualifications as may be prescribed.

(3) The Central Government may remove the name of any person or firm or body corporate from the panel maintained under sub-section (2) on the grounds of misconduct, fraud, misfeasance, breach of duties or professional incompetence:

Provided that the Central Government before removing him or it from panel shall give him or it a reasonable opportunity of being heard.

(4) The terms and conditions of appointment of a liquidator and the fee payable to him shall be specified by the Tribunal on the basis of task required to be performed, experience, qualification and size of the company.

(5) On appointment as provisional liquidator or Company Liquidator, as the case may be, such liquidator shall file a declaration in the prescribed form disclosing conflict of interest or lack of independence in respect of his appointment, if any, with the Tribunal and such obligation shall continue throughout the term of his or its appointment.

(6) While passing a winding up order, the Tribunal may appoint a provisional liquidator, if any, appointed under clause (c) of sub-section (1) of section 248, as the Company Liquidator for the conduct of the proceedings for the winding up of the company.

251. (1) The Tribunal may, on a reasonable cause being shown and for reasons to be recorded in writing, remove the provisional liquidator or the Company Liquidator, as the case may be, as liquidator of the company on any of the following grounds, namely:—

Removal and replacement of liquidator.

(a) misconduct,

(b) fraud or misfeasance,

(c) professional incompetence or failure to exercise due care and diligence in performance of the powers and functions;

(d) inability to act as liquidator,

(e) conflict of interest or lack of independence during the term of his appointment that would justify removal.

(2) In the event of death, resignation or removal of the liquidator under this section, the Tribunal may transfer the work assigned to him to another Company Liquidator for reasons to be recorded in writing.

(3) Where the Tribunal is of the opinion that any liquidator is responsible for causing any loss or damage to the company due to fraud or misfeasance or failure to exercise due care and diligence in the performance of his powers and functions, the Tribunal may recover or cause to be recovered such loss or damage from the liquidator and pass such other orders as it may think fit.

(4) The Tribunal shall, before passing any order under this section, provide a reasonable opportunity of hearing to the liquidator.

252. (1) Where the Tribunal makes an order for the winding up of a company, it shall, within a period not exceeding fifteen days from the date of passing of the order, cause intimation thereof to be sent to the Company Liquidator and the Registrar.

Winding up order to be communicated to Registrar.

(2) On receipt of the copy of the winding up order, the Registrar shall make an endorsement to that effect in his records relating to the company and notify in the Official Gazette that such an order has been made.

(3) The winding up order shall be deemed to be a notice of discharge to the officers, employees and workmen of the company, except when the business of the company is continued.

Effect of winding up order. **253.** The order for the winding up of a company shall operate in favour of all the creditors and all contributories of the company as if it had been made out on the joint petition of creditors and contributories.

Stay of suits, etc., on winding up order. **254.** (1) When a winding up order has been passed or a provisional liquidator has been appointed, no suit or other legal proceeding shall be commenced, or if pending at the date of the winding up order, shall be proceeded with, by or against the company, except with the leave of the Tribunal and subject to such terms as the Tribunal may impose:

Provided that any application to the Tribunal seeking leave under this section shall be disposed of by the Tribunal within sixty days.

(2) Nothing in sub-section (1) shall apply to any proceeding pending in appeal before the Supreme Court or a High Court.

Jurisdiction of Tribunal. **255.** The Tribunal shall, notwithstanding anything contained in any other law for the time being in force, have jurisdiction to entertain, or dispose of,—

(a) any suit or proceeding by or against the company;

(b) any claim made by or against the company, including claims by or against any of its branches in India;

(c) any application made under section 204;

(d) any scheme submitted under section 237;

(e) any question of priorities or any other question whatsoever, whether of law or fact, which may relate to or arise in the course of the winding up of the company, whether such suit or proceeding has been instituted, or such claim or question has arisen or arises or such application has been made or such scheme has been submitted, before or after the winding up order is made.

Submission of report by Company Liquidator. **256.** (1) Where the Tribunal has made a winding up order or appointed a Company Liquidator, such Liquidator shall, within sixty days from the order, submit to the Tribunal, a report containing the following particulars, namely:—

(a) the nature and details of the assets of the company including their location and value, stating separately the cash balance in hand and in the bank, if any, and the negotiable securities, if any, held by the company;

Provided that the valuation of the assets shall be obtained from registered valuers for this purpose;

(b) amount of capital issued, subscribed and paid up;

(c) the existing and contingent liabilities of the company including names, addresses and occupations of its creditors, stating separately the amount of secured and unsecured debts, and in the case of secured debts, particulars of the securities given, whether by the company or an officer thereof, their value and the dates on which they were given;

(d) the debts due to the company and the names, addresses and occupations of the persons from whom they are due and the amount likely to be realised on account thereof;

(e) guarantees, if any, extended by the company;

(f) list of contributories and dues, if any, payable by them and details of any unpaid call;

(g) details of trade marks and intellectual properties, if any, owned by the company;

(h) details of subsisting contracts, joint ventures and collaborations, if any;

(i) details of holding and subsidiary companies, if any;

(j) details of legal cases filed by or against the company; and

(k) any other information which the Tribunal may direct or the Company Liquidator may consider necessary to include.

(2) The Company Liquidator shall include in his report the manner in which the company was promoted or formed and whether in his opinion any fraud has been committed by any person in its promotion or formation or by any officer of the company in relation to the company since the formation thereof and any other matters which, in his opinion, it is desirable to bring to the notice of the Tribunal.

(3) The Company Liquidator shall also make a report on the viability of the business of the company or the steps which, in his opinion, are necessary for maximising the value of the assets of the company.

(4) The Company Liquidator may also, if he thinks fit, make any further report or reports.

(5) Any person describing himself in writing to be a creditor or a contributory of the company shall be entitled by himself or by his agent at all reasonable times to inspect the report submitted in accordance with this section and take copies thereof or extracts therefrom on payment of the prescribed fee.

257. (1) The Tribunal shall, on consideration of report of Company Liquidator, fix a time limit within which the entire proceedings shall be completed and the company dissolved:

Directions of Tribunal on report of Company Liquidator.

Provided that the Tribunal may, if it is of the opinion, at any stage of the proceedings, or on examination of the reports submitted to it by the Company Liquidator and after hearing the Company Liquidator, creditors or contributories, that it will not be advantageous or economical to continue the proceedings, revise the time limit within which the entire proceedings shall be completed and the company dissolved.

(2) The Tribunal may, on examination of the reports submitted to it by the Company Liquidator and after hearing the Company Liquidator, creditors or contributories, order sale of the company as a going concern or its assets or part thereof:

Provided that the Tribunal may, where it considers fit, appoint a Sale Committee comprising such creditors, promoters and officers of the company as the Tribunal may decide to assist the Company Liquidator in sale under this sub-section.

(3) Where a report is received from the Company Liquidator or the Central Government or any person that a fraud has been committed in respect of the company, the Tribunal shall, without prejudice to the process of winding up, order for investigation under section 183, and on consideration of the report of such investigation it may pass order and give directions under sections 314 to 317.

(4) The Tribunal may order such steps, as may be necessary, to protect, preserve or enhance the value of the assets of the company.

(5) The Tribunal may pass such other order or give such other directions as it considers fit.

258. (1) Where a winding up order has been made or where a provisional liquidator has been appointed, the liquidator shall, on the order of the Tribunal, forthwith take into his custody or under his control all the property, effects and actionable claims to which the

Custody of company's properties.

company is or appears to be entitled to and take such steps and measures, as may be necessary, to protect and preserve the properties of the company.

(2) Notwithstanding anything contained in sub-section (1), all the property and effects of the company shall be deemed to be in the custody of the Tribunal from the date of the order for the winding up of the company.

(3) On an application by the Company Liquidator or otherwise, the Tribunal may, at any time after the making of a winding up order, require any contributory for the time being on the list of contributories, and any trustee, receiver, banker, agent, officer or other employee of the company, to pay, deliver, surrender or transfer forthwith, or within such time as the Tribunal directs, to the Company Liquidator, any money, property or books and papers in his custody or under his control to which the company is *prima facie* entitled.

Directors,
officers and
employees to
co-operate
with
Company
Liquidator.

259. (1) The promoters, directors, officers and employees, past and present, of the company shall extend full co-operation to the Company Liquidator in discharge of his functions and duties.

(2) Where any person, without reasonable cause, fails to discharge his obligations under sub-section (1), he shall be punishable with imprisonment which may extend to six months or with fine which may extend to five thousand rupees for every day during which the default continues, or with both.

Settlement of
list of
contributories
and
application of
assets.

260. (1) As soon as may be after the passing of a winding up order by the Tribunal, the Tribunal shall settle a list of contributories, cause rectification of register of members in all cases where rectification is required in pursuance of this Act and shall cause the assets of the company to be applied for the discharge of its liability:

Provided that where it appears to the Tribunal that it would not be necessary to make calls on or adjust the rights of contributories, the Tribunal may dispense with the settlement of a list of contributories.

(2) In settling the list of contributories, the Tribunal shall distinguish between those who are contributories in their own right and those who are contributories as being representatives of, or liable for the debts of, others.

(3) While settling the list of contributories, the Tribunal shall include every present and past member who shall be liable to contribute to the assets of the company to an amount sufficient for payment of the debts and liabilities and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves, subject to the following conditions, namely:—

(a) a past member shall not be liable to contribute if he has ceased to be a member for the preceding one year or more before the commencement of the winding up;

(b) a past member shall not be liable to contribute in respect of any debt or liability of the company contracted after he ceased to be a member;

(c) no past member shall be liable to contribute unless it appears to the Tribunal that the present members are unable to satisfy the contributions required to be made by them in pursuance of this Act;

(d) in the case of a company limited by shares, no contribution shall be required from any past or present member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as such member;

(e) in the case of a company limited by guarantee, no contribution shall be required from any past or present member exceeding the amount undertaken to be contributed by him to the assets of the company in the event of its being wound up but if the company has a share capital, such member shall be liable to contribute to the

extent of any sum unpaid on any shares held by him as if the company were a company limited by shares.

261. In the case of a limited company, any director or manager, whether past or present, whose liability is unlimited under the provisions of this Act, shall, in addition to his liability, if any, to contribute as an ordinary member, be liable to make a further contribution as if he were at the commencement of winding up, a member of an unlimited company:

Obligations of directors and managers.

Provided that —

(a) a past director or manager shall not be liable to make such further contribution, if he has ceased to hold office for a year or upwards before the commencement of the winding up;

(b) a past director or manager shall not be liable to make such further contribution in respect of any debt or liability of the company contracted after he ceased to hold office;

(c) subject to the articles of the company, a director or manager shall not be liable to make such further contribution unless the Tribunal deems it necessary to require the contribution in order to satisfy the debts and liabilities of the company, and the costs, charges and expenses of the winding up.

262. (1) The Tribunal may, while passing an order of winding up of a company, direct that there shall be, a committee of inspection for the company to advise the Company Liquidator and to report to the Tribunal on such matters as the Tribunal may direct.

Committee of inspection.

(2) A committee of inspection appointed by the Tribunal shall consist of not more than twelve members, being creditors and contributories of the company or such other persons in such proportion as the Tribunal may, keeping in view the circumstances of the company under liquidation, direct.

(3) The Company Liquidator shall convene a meeting of creditors and contributories, as ascertained from the books and documents, of the company within thirty days from the date of order of winding up for enabling the Tribunal to determine the persons who may be members of the committee of inspection.

(4) The committee of inspection shall have the right to inspect the books of account and other documents, assets and properties of the company under liquidation at a reasonable time.

(5) The provisions relating to the convening of the meetings, the procedure to be followed thereat and other matters relating to conduct of business by the committee shall be such as may be prescribed.

(6) The meeting of committee of inspection shall be chaired by the Company Liquidator.

263. (1) The Company Liquidator shall make periodical reports to the Tribunal and in any case make a report at the end of each quarter with respect to the progress of the winding up of the company in such form and in such manner as may be prescribed.

Submission of periodical reports to the Tribunal.

(2) The Tribunal may, on an application by the Company Liquidator, review the orders made by it and make such modifications as it thinks fit.

264. (1) The Tribunal may, at any time after making a winding up order on an application of creditors or any other person, if satisfied, make an order that it is just and fair that an opportunity to revive and rehabilitate the company be provided staying the proceedings for such time not exceeding one hundred and eighty days and on such terms and conditions as it thinks fit:

Power of Tribunal on application for stay of winding up.

Provided that an order under this sub-section shall be made by the Tribunal only on an application made to it enclosing a scheme for rehabilitation after three-fourth of secured creditors and one-half of unsecured creditors in value of the company have resolved at a

meeting convened by each class of creditors by giving their consent in writing to the scheme.

(2) The Tribunal may, while passing the order under sub-section (1), require the applicant to furnish such security as to costs as it considers fit.

(3) Where an order under sub-section (1) is passed by the Tribunal, the provisions of Chapter XIX shall be followed in respect of the consideration and sanction of the scheme of revival of the company.

(4) Without prejudice to the provisions of sub-section (1), the Tribunal may at any time after making a winding up order, on receipt of application of Company Liquidator, make an order staying the winding up proceedings or any part thereof, for such time and on such terms and conditions as it thinks fit.

(5) The Tribunal may, before making an order, on any application under this section, require the Company Liquidator to furnish to it a report with respect to any facts or matters which are in his opinion relevant to the application.

(6) A copy of every order made under this section shall forthwith be forwarded by the Company Liquidator to the Registrar who shall make an endorsement of the order in his books and records relating to the company.

Powers and
duties of
Company
Liquidator.

265. (1) Subject to directions by the Tribunal, if any, in this regard, the Company Liquidator, in a winding up by the Tribunal, shall have the power—

(a) to carry on the business of the company so far as may be necessary for the beneficial winding up of the company;

(b) to do all acts and to execute, in the name and on behalf of the company, all deeds, receipts, and other documents, and for that purpose, to use, when necessary, the company's seal;

(c) to sell the immovable and movable property and actionable claims of the company by public auction or private contract, with power to transfer such property to any person or body corporate, or to sell the same in parcels;

(d) to sell the whole of the undertaking of the company as a going concern;

(e) to raise on the security of the assets of the company, any money required;

(f) to institute or defend any suit, prosecution, or other legal proceeding, civil or criminal, in the name and on behalf of the company;

(g) to invite and settle claim of creditors and distribute sale proceeds in accordance with priorities established by this Act;

(h) to inspect the records and returns of the company on the files of the Registrar or any other authority;

(i) to prove rank and claim in the insolvency of any contributory for any balance against his estate, and to receive dividends in the insolvency, in respect of that balance, as a separate debt due from the insolvent, and rateably with the other separate creditors;

(j) to draw, accept, make and endorse any bill of exchange, *hundi* or promissory note in the name and on behalf of the company, with the same effect with respect to the liability of the company as if the bill, *hundi*, or note had been drawn, accepted, made or endorsed by or on behalf of the company in the course of its business;

(k) to take out, in his official name, letters of administration to any deceased contributory, and to do in his official name any other act necessary for obtaining payment of any money due from a contributory or his estate which cannot be conveniently done in the name of the company, and in all such cases, the money due

shall, for the purpose of enabling the Company Liquidator to take out the letters of administration or recover the money, be deemed to be due to the Company Liquidator himself;

(*l*) to obtain any professional assistance, and for protection of the assets of the company appoint an agent to do any business which the Company Liquidator is unable to do himself;

(*m*) to do all such other acts and things as may be necessary for the winding up of the company and distribution of its assets; and

(*n*) to apply to the Tribunal for such orders or directions as may be necessary for the winding up of the company.

(2) The exercise of powers by the Company Liquidator under sub-section (*l*) shall be subject to the overall control of the Tribunal.

(3) Notwithstanding the provisions of sub-section (*l*), the Company Liquidator shall perform such duties as the Tribunal may specify in this behalf.

266. (*l*) The Company Liquidator may, with the sanction of the Tribunal, appoint one or more chartered accountants or company secretaries or cost accountants or legal practitioners or such other professionals, as may be necessary, to assist him in the performance of his duties and functions under the Act.

Provision for professional assistance to Company Liquidator.

(2) Any person appointed under this section shall disclose forthwith to the Tribunal in the prescribed form any conflict of interest or lack of independence in respect of his appointment.

267. (*l*) Subject to the provisions of this Act, the Company Liquidator shall, in the administration of the assets of the company and the distribution thereof among its creditors, have regard to any directions which may be given by the resolution of the creditors or contributories at any general meeting or by the committee of inspection.

Exercise and control of Company Liquidator's powers.

(2) Any directions given by the creditors or contributories at any general meeting shall, in case of conflict, be deemed to override any directions given by the committee of inspection.

(3) The Company Liquidator—

(*a*) may summon meetings of the creditors or contributories, whenever he thinks fit, for the purpose of ascertaining their wishes; and

(*b*) shall summon such meetings at such times, as the creditors or contributories, as the case may be, may, by resolution, direct, or whenever requested in writing to do so by not less than one-tenth in value of the creditors or contributories, as the case may be.

(4) Any person aggrieved by any act or decision of the Company Liquidator may apply to the Tribunal, and the Tribunal may confirm, reverse or modify the act or decision complained of and make such further order as it thinks just in the circumstances.

268. (*l*) The Company Liquidator shall keep proper books in such manner, as may be prescribed, in which he shall cause entries or minutes to be made of proceedings at meetings and of such other matters as may be prescribed.

Books to be kept by Company Liquidator.

(2) Any creditor or contributory may, subject to the control of the Tribunal, inspect any such books, personally or through his agent.

269. (*l*) The Company Liquidator shall maintain proper and regular books of account including accounts of receipts and payments made by him in such form and in such manner as may be prescribed.

Audit of Company Liquidator's accounts.

(2) The Company Liquidator shall, at such times as may be prescribed but not less than twice in each year during his tenure of office, present to the Tribunal an account of the receipts and payments as such liquidator in the prescribed form in duplicate, which shall be verified by a declaration in the prescribed form and manner.

(3) The Tribunal shall cause the accounts to be audited in such manner as it thinks fit, and for the purpose of the audit, the Company Liquidator shall furnish the Tribunal with such vouchers and information as the Tribunal may require, and the Tribunal may, at any time, require the production of, and inspect, any books of account kept by the Company Liquidator.

(4) When the accounts of the company have been audited, one copy thereof shall be filed by the Company Liquidator with the Tribunal, and the other copy shall be delivered to the Registrar and it shall be open to inspection by any creditor, contributory or person interested.

(5) Where an account referred to in sub-section (4) relates to a Government company, the Company Liquidator shall forward a copy thereof—

(a) to the Central Government, if that Government is a member of the Government company; or

(b) to any State Government, if that Government is a member of the Government company; or

(c) to the Central Government and any State Government, if both the Governments are members of the Government company.

(6) The Company Liquidator shall cause the accounts when audited, or a summary thereof, to be printed, and shall send a printed copy of the accounts or summary thereof by post to every creditor and every contributory:

Provided that the Tribunal may dispense with the compliance of the provisions of this sub-section in any case it deems fit.

Payment of
debts by
contributory
and extent of
set-off.

270. (1) The Tribunal may, at any time after passing of a winding up order, pass an order requiring any contributory for the time being on the list of contributories to pay, in the manner directed by the order, any money due to the company, from him or from the estate of the person whom he represents, exclusive of any money payable by him or the estate by virtue of any call in pursuance of this Act.

(2) The Tribunal, in making an order, under sub-section (1), may,—

(a) in the case of an unlimited company, allow to the contributory, by way of set-off, any money due to him or to the estate which he represents, from the company, on any independent dealing or contract with the company, but not any money due to him as a member of the company in respect of any dividend or profit; and

(b) in the case of a limited company, allow to any director or manager whose liability is unlimited, or to his estate, such set-off.

(3) In the case of any company, whether limited or unlimited, when all the creditors have been paid in full, any money due on any account whatever to a contributory from the company may be allowed to him by way of set-off against any subsequent call.

Power of
Tribunal to
make calls.

271. The Tribunal may, at any time after the passing of a winding up order, and either before or after it has ascertained the sufficiency of the assets of the company,—

(a) make calls on all or any of the contributories for the time being on the list of the contributories, to the extent of their liability, for payment of any money which the Tribunal considers necessary to satisfy the debts and liabilities of the company, and

the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves; and

(b) make an order for payment of any calls so made.

272. The Tribunal shall adjust the rights of the contributories among themselves and distribute any surplus among the persons entitled thereto. Adjustment of rights of contributories.

273. The Tribunal may, in the event of the assets of a company being insufficient to satisfy its liabilities, make an order for the payment out of the assets, of the costs, charges and expenses incurred in the winding up, in such order of priority *inter se* as the Tribunal thinks just. Power to order costs.

274. (1) The Tribunal may, at any time after the appointment of a provisional liquidator or the passing of a winding up order, summon before it any officer of the company or person known or suspected to have in his possession any property or books or papers, of the company, or known or suspected to be indebted to the company, or any person whom the Tribunal thinks to be capable of giving information concerning the promotion, formation, trade, dealings, property, books or papers, or affairs of the company. Power to summon persons suspected of having property of company, etc.

(2) The Tribunal may examine any officer or person so summoned on oath concerning the matters aforesaid, either by word of mouth or on written interrogatories, and may, in the former case, reduce his answers to writing and require him to sign them.

(3) The Tribunal may require any officer or person so summoned to produce any books and papers relating to the company in his custody or power, but, where he claims any lien on books or papers produced by him, the production shall be without prejudice to such lien, and the Tribunal shall have power to determine all questions relating to that lien.

(4) The Tribunal may direct the liquidator to file before it a report in respect of property, debt, etc., of the company in possession of other persons.

(5) If Tribunal finds that—

(a) a person is indebted to the company, the Tribunal may order him to pay to the provisional liquidator or, as the case may be, the liquidator at such time and in such manner as the Tribunal may consider just, the amount in which he is indebted, or any part thereof, either in full discharge of the whole amount or not, as the Tribunal thinks fit, with or without costs of the examination;

(b) a person is possessing any property belonging to the company, the Tribunal may order him to deliver to the provisional liquidator or, as the case may be, the liquidator, that property or any part thereof, at such time, in such manner and on such terms as to the Tribunal may consider just.

(6) If any officer or person so summoned fails to appear before the Tribunal at the time appointed without a reasonable cause, the Tribunal may impose an appropriate cost.

(7) Every order made under sub-section (5) shall be executed in the same manner as decrees for the payment of money or for the delivery of property under the Code of Civil Procedure, 1908.

5 of 1908.

(8) Any person making any payment or delivery in pursuance of an order made under sub-section (5) shall by such payment or delivery be, unless otherwise directed by such order, discharged from all liability whatsoever in respect of such debt or property.

275. (1) Where an order has been made for the winding up of a company by the Tribunal, and the Company Liquidator has made a report to the Tribunal under this Act, stating that in his opinion a fraud has been committed by any person in the promotion or formation of the company, or by any officer of the company in relation to the company since its formation, the Tribunal may, after considering the report, direct that such person or officer shall attend before the Tribunal on a day appointed by it for that purpose, and be Power to order examination of promoters, directors, etc.

examined as to the promotion or formation or the conduct of the business of the company or as to his conduct and dealings as an officer thereof.

(2) The Company Liquidator shall take part in the examination, and for that purpose he or it may, if specially authorised by the Tribunal in that behalf, employ such legal assistance as may be sanctioned by the Tribunal.

(3) The person shall be examined on oath and shall answer all such questions as the Tribunal may put, or allow to be put, to him.

(4) A person ordered to be examined under this section —

(a) shall, before his examination, be furnished at his own cost with a copy of the Company Liquidator's report; and

(b) may at his own cost employ chartered accountants or company secretaries or cost accountants or legal practitioners entitled to appear before the Tribunal under section 393, who shall be at liberty to put to him such questions as the Tribunal may consider just for the purpose of enabling him to explain or qualify any answers given by him.

(5) If any such person applies to the Tribunal to be exculpated from any charges made or suggested against him, it shall be the duty of the Company Liquidator to appear on the hearing of such application and call the attention of the Tribunal to any matters which appear to the Company Liquidator to be relevant.

(6) If the Tribunal, after considering any evidence given or hearing witnesses called by the Company Liquidator, allows the application made under sub-section (5), the Tribunal may order payment to the applicant of such costs as it may think fit.

(7) Notes of the examination shall be taken down in writing, and shall be read over to or by, and signed by, the person examined, and may thereafter be used in evidence against him, and shall be open to the inspection by any creditor or contributory at all reasonable times.

(8) The Tribunal may, if it thinks fit, adjourn the examination from time to time.

(9) An examination under this section may, if the Tribunal so directs, be held before any person or authority authorised by the Tribunal.

(10) The powers of the Tribunal under this section as to the conduct of the examination, but not as to costs, may be exercised by the person or authority before whom the examination is held in pursuance of sub-section (9).

Arrest of
person trying
to quit India
or abscond.

276. At any time either before or after passing a winding up order, if the Tribunal is satisfied that a contributory or a person having property, accounts or papers of the company in his possession is about to quit India or otherwise to abscond, or is about to remove or conceal any of his property, for the purpose of evading payment of calls or of avoiding examination respecting the affairs of the company, the Tribunal may cause—

(a) the contributory to be arrested and kept in custody until such time as the Tribunal may order; and

(b) his books and papers and movable property to be seized and safely kept until such time as the Tribunal may order.

Dissolution of
company by
Tribunal.

277. (1) When the affairs of a company have been completely wound up, the Company Liquidator shall make an application to the Tribunal for dissolution of such company.

(2) The Tribunal shall on an application filed by the Company Liquidator under sub-section (1) or when the Tribunal is of the opinion that it is just and reasonable in the circumstances of the case that an order for the dissolution of the company should be made, make an order that the company be dissolved from the date of the order, and the company shall be dissolved accordingly.

(3) A copy of the order shall, within thirty days from the date thereof, be forwarded by the Company Liquidator to the Registrar who shall record in the register relating to the company a minute of the dissolution of the company.

(4) If the Company Liquidator makes a default in forwarding a copy as aforesaid, he shall be punishable with fine which may extend to five thousand rupees for every day during which the default continues.

278. Nothing in this Chapter shall affect the operation or enforcement of any order made by any Court in any proceedings for the winding up of a company immediately before the commencement of this Act and an appeal against such order shall be filed before such authority competent to hear such appeals before such commencement.

Appeals from orders made before commencement of Act.

PART II

Voluntary winding up

279. A company may be wound up voluntarily,—

(a) if the company in general meeting passes a resolution requiring the company to be wound up voluntarily as a result of the expiry of the period for its duration, if any, fixed by its articles or on the occurrence of any event in respect of which the articles provide that the company should be dissolved; or

(b) if the company passes a special resolution that the company be wound up voluntarily.

Circumstances in which company may be wound up voluntarily.

280. (1) Where it is proposed to wind up a company voluntarily, its director or directors, or in case the company has more than two directors, the majority of its directors, shall, at a meeting of the Board, make a declaration verified by an affidavit to the effect that they have made a full inquiry into the affairs of the company and they have formed an opinion that the company has no debt or whether it will be able to pay its debts in full from the proceeds of assets sold in voluntary winding up.

Declaration of solvency in case of proposal to wind up voluntarily.

(2) A declaration made as aforesaid shall have no effect for the purposes of this Act, unless —

(a) it is made within the five weeks immediately preceding the date of the passing of the resolution for winding up the company and it is delivered to the Registrar for registration before that date;

(b) it contains a declaration that the company is not being wound up to defraud any person or persons;

(c) it is accompanied by a copy of the report of the auditors of the company prepared in accordance with the provisions of this Act, on the profit and loss account of the company for the period commencing from the date up to which the last such account was prepared and ending with the latest practicable date immediately before the making of the declaration and the balance sheet of the company made out as on that date which would also contain a statement of the company's assets and liabilities on that date; and

(d) where there are any assets of the company, it is accompanied by a report of the valuation of the assets of the company prepared by a registered valuer.

(3) Where the company is wound up in pursuance of a resolution passed within a period of five weeks after the making of the declaration, but its debts are not paid or provided for in full, it shall be presumed, until the contrary is shown, that the director or directors did not have reasonable grounds for his or their opinion under sub-section (1).

(4) Any director of a company making a declaration under this section without having reasonable grounds for the opinion that the company will be able to pay its debts in full from the proceeds of assets sold in voluntary winding up shall be punishable with

imprisonment for a term which shall not be less than three years but which may extend to five years or with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees, or with both.

Meeting of
creditors.

281. (1) The company shall also along with the calling of meeting of the company at which the resolution for the voluntary winding up is to be proposed, cause a meeting of its creditors either on the same day or on the next day and shall cause a notice of such meeting to be sent by registered post to the creditors with the notice of the meeting of the company under section 279.

(2) The Board of Directors of the company shall—

(a) cause to be presented a full statement of the position of the company's affairs together with a list of creditors of the company, if any, copy of declaration under section 280 and the estimated amount of the claims before such meeting; and

(b) appoint one of the directors to preside at the meeting.

(3) Where two-thirds in value of creditors of the company are of the opinion that—

(a) it is in the interest of all parties that the company be wound up voluntarily, the company shall be wound up voluntarily; or

(b) the company will not be able to pay for its debts in full from the proceeds of assets sold in voluntary winding up and pass a resolution that it will be in interest of all parties if the company is wound up under the supervision of the Tribunal, the company shall within fourteen days thereafter file an application before the Tribunal.

(4) Notice of any resolution passed at a creditors' meeting in pursuance of this section shall be given by the company to the Registrar within ten days of the passing thereof.

(5) Where any default is made in complying with the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees and any director or directors who are in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than fifty thousand rupees but which may extend to two lakh rupees, or with both.

Publication of
resolution to
wind up
voluntarily.

282. (1) Where a company has passed a resolution for voluntary winding up and a resolution under sub-section (3) of section 281 is passed, it shall within fourteen days of the passing of the resolution give notice of the resolution by advertisement in the Official Gazette and also in some newspaper circulating in the district where the registered office or the principal office of the company is situate.

(2) If any default is made in complying with sub-section (1), the company and every officer of the company who is in default shall be punishable with fine which may extend to five thousand rupees for every day during which such default continues.

Commence-
ment of
voluntary
winding up.

283. A voluntary winding up shall be deemed to commence on the date of passing of the resolution for voluntary winding up under section 279.

Effect of
voluntary
winding up.

284. In the case of a voluntary winding up, the company shall from the commencement of the winding up cease to carry on its business except as far as required for the beneficial winding up of its business.

Appointment
of Company
Liquidator.

285. (1) The company in its general meeting, where a resolution of voluntary winding up is passed, shall appoint a Company Liquidator from the panel prepared by the Central Government for the purpose of winding up its affairs and distributing the assets of the company and recommend the fee to be paid to the Company Liquidator.

(2) Where the creditors have passed a resolution for winding up the company under sub-section (3) of section 281, the appointment of Company Liquidator under this section shall be effective only after it is approved by the majority of creditors in value of the company:

Provided that where such creditors do not approve the appointment of such Company Liquidator, creditors shall appoint another Company Liquidator.

(3) The creditors while approving the appointment of Company Liquidator appointed by the company or appointing the Company Liquidator of their own choice, as the case may be, pass suitable resolution with regard to the fee of the Company Liquidator.

(4) On appointment as Company Liquidator, such liquidator shall file a declaration in the prescribed form disclosing conflict of interest or lack of independence in respect of his appointment, if any, with the company and the creditors and such obligation shall continue throughout the term of his or its appointment.

286. (1) A Company Liquidator appointed under section 285 may be removed by the company where his appointment has been made by the company and, by the creditors, where the appointment is approved or made by such creditors.

Power to remove and fill vacancy of Company Liquidator.

(2) Where a Company Liquidator is sought to be removed under this section, he shall be given a notice in writing stating the grounds of removal from his office by the company or the creditors, as the case may be.

(3) Where three-fourth members of the company or three-fourth of creditors in value, as the case may be, after consideration of the reply, if any, filed by the Company Liquidator, in their meeting decide to remove the Company Liquidator, he shall vacate his office.

(4) If a vacancy occurs by death, resignation, removal or otherwise in the office of any Company Liquidator appointed under section 285, the company or the creditors, as the case may be, fill the vacancy in the manner specified in that section.

287. (1) The company shall give notice to the Registrar of the appointment of a Company Liquidator along with the name and particulars of the Company Liquidator, of every vacancy occurring in the office of Company Liquidator, and of the name of the Company Liquidator appointed to fill every such vacancy within ten days of such appointment or the occurrence of such vacancy.

Notice of appointment of Company Liquidator to be given to Registrar.

(2) Where any default is made in complying with the provisions of this section, the company and every officer of the company who is in default shall be punishable with fine which may extend to five hundred rupees for every day during which such default continues.

288. On the appointment of a Company Liquidator, all the powers of the Board of Directors and of the managing or whole-time directors and manager, if any, shall cease, except for the purpose of giving notice of such appointment of the Company Liquidator to the Registrar.

Cesser of Board's powers on appointment of Company Liquidator.

289. (1) The Company Liquidator shall perform such functions and discharge such duties as determined from time to time by the company or the creditors, as the case may be.

Powers and duties of Company Liquidator in voluntary winding up.

(2) The Company Liquidator shall settle the list of contributories, which shall be *prima facie* evidence of the liability of the persons named therein to be contributories.

(3) The Company Liquidator shall call general meetings of the company for the purpose of obtaining the sanction of the company by ordinary or special resolution, as the case may require, or for any other purpose he may consider necessary.

(4) The Company Liquidator shall maintain regular and proper books of account in such form and in such manner as may be prescribed and the members and creditors and any officer authorised by the Central Government may inspect such books of account.

(5) The Company Liquidator shall pay the debts of the company and shall adjust the rights of the contributories among themselves.

(6) The Company Liquidator shall observe due care and diligence in the discharge of his duties.

(7) If the Company Liquidator fails to comply with the provisions of this section he shall be punishable with fine which may extend to ten lakh rupees.

Appointment of committees.

290. Where there are no creditors of a company, such company in its general meeting and, where a meeting of creditors is held under section 281, such creditors may appoint such committees as considered appropriate to supervise the voluntary liquidation and assist the Company Liquidator in discharging his or its functions.

Company Liquidator to submit report on progress of winding up.

291. (1) The Company Liquidator shall report quarterly on the progress of winding up of the company in such form and in such manner as may be prescribed to the members and creditors and shall also call a meeting of the members and the creditors as and when necessary but at least one meeting each of creditors and members in every quarter and apprise them of the progress of the winding up of the company in such form and such manner as may be prescribed.

(2) If the Company Liquidator fails to comply with the provisions of sub-section (1), he shall be punishable, in respect to each such failure, with fine which may extend to ten lakh rupees.

Report of Company Liquidator to Tribunal for examination of persons.

292. (1) Where a report is received from the Company Liquidator that a fraud has been committed by any person in respect of the company, the Tribunal shall, without prejudice to the process of winding up, order for investigation under section 183 and on consideration of the report of such investigation, the Tribunal may pass such order and give such directions under this Chapter as it may consider necessary including the direction that such person shall attend before the Tribunal on a day appointed by it for that purpose and be examined as to the promotion or formation or the conduct of the business of the company or as to his conduct and dealings as officer thereof or otherwise.

(2) The provisions of section 275 shall apply *mutatis mutandis* in relation to any examination directed under sub-section (1).

Final meeting and dissolution of company.

293. (1) As soon as the affairs of a company are fully wound up, the Company Liquidator shall prepare a report of the winding up showing that the property and assets of the company have been disposed of and its debt fully discharged or discharged to the satisfaction of the creditors and thereafter call a general meeting of the company for the purpose of laying the final winding up accounts before it and giving any explanation therefor.

(2) The meeting referred to in sub-section (1) shall be called by the Company Liquidator in such form and in such manner as may be prescribed.

(3) If the majority of the members of the company after considering the report of the Company Liquidator are satisfied that the company shall be wound up, they may pass a resolution for its dissolution.

(4) Within two weeks after the meeting, the Company Liquidator shall—

(a) send to the Registrar—

(i) a copy of the final winding up accounts of the company and shall make a return in respect of each meeting and of the date thereof, and

(ii) copies of the resolutions passed in the meetings; and

(b) file an application along with his report under sub-section (1) in such manner as may be prescribed before the Tribunal for passing an order of dissolution of the company.

(5) If the Tribunal is satisfied, after considering the report of the Company Liquidator that the process of winding up has been fair and just, the Tribunal shall pass an order dissolving the company within sixty days of the receipt of the application under sub-section (4).

(6) The Company Liquidator shall file a copy of the order under sub-section (5) with the Registrar within thirty day.

(7) The Registrar, on receiving the copy of the order passed by the Tribunal under sub-section (5), shall forthwith publish a notice in the Official Gazette that the company is dissolved.

(8) Where the Company Liquidator fails to comply with the provisions of this section, he shall be punishable with fine which may extend to one lakh rupees.

294. (1) Where a company (the transferor company) is proposed to be, or is in the course of being, wound up voluntarily and the whole or any part of its business or property is proposed to be transferred or sold to another company (the transferee company), the Company Liquidator of the transferor company may, with the sanction of a special resolution of the company conferring on him either a general authority or an authority in respect of any particular arrangement,—

Power of Company Liquidator to accept shares, etc., as consideration for sale of property of company.

(a) receive, by way of compensation wholly or in part for the transfer or sale, shares, policies, or other like interest in the transferee company, for distribution among the members of the transferor company; or

(b) enter into any other arrangement whereby the members of the transferor company may, in lieu of receiving cash, shares, policies or other like interest or in addition thereto, participate in the profits of, or receive any other benefit from, the transferee company:

Provided that no such arrangement shall be entered into without the consent of the secured creditors.

(2) Any transfer, sale or other arrangement in pursuance of this section shall be binding on the members of the transferor company.

(3) Any member of the transferor company who did not vote in favour of the special resolution and expresses his dissent therefrom in writing addressed to the Company Liquidator and left at the registered office of the company within seven days after the passing of the resolution, may require the liquidator either—

(a) to abstain from carrying the resolution into effect; or

(b) to purchase his interest at a price to be determined by agreement or the registered valuer.

(4) If the Company Liquidator elects to purchase the member's interest, the purchase money, raised by him in such manner as may be determined by a special resolution, shall be paid before the company is dissolved.

295. Subject to the provisions of this Act as to overriding preferential payments under section 301, the assets of a company shall, on its winding up, be applied in satisfaction of its liabilities *pari passu* and, subject to such application, shall, unless the articles otherwise provide, be distributed among the members according to their rights and interests in the company.

Distribution of property of company.

296. (1) Any arrangement other than the arrangement referred to in section 294 entered into between the company which is about to be, or is in the course of being wound up and its creditors shall be binding on the company and on the creditors if it is sanctioned by a special resolution of the company and acceded to by the creditors who hold three-fourths in value of the total amount due to all the creditors of the company.

Arrangement when binding on company and creditors.

(2) Any creditor or contributory may, within three weeks from the completion of the arrangement, apply to the Tribunal and the Tribunal may thereupon amend, vary, confirm or set aside the arrangement.

Power to apply to Tribunal to have questions determined, etc.

297. (1) The Company Liquidator or any contributory or creditor may apply to the Tribunal—

(a) to determine any question arising in the course of the winding up of a company; or

(b) to exercise as respects the enforcing of calls, the staying of proceedings or any other matter, all or any of the powers which the Tribunal might exercise if the company were being wound up by the Tribunal.

(2) The Company Liquidator or any creditor or contributory may apply to the Tribunal for an order setting aside any attachment, distress or execution put into force against the estate or effects of the company after the commencement of the winding up.

(3) The Tribunal, if satisfied on an application under sub-section (1) or sub-section (2) that the determination of the question or the required exercise of power or the order applied for will be just and beneficial, may allow the application on such terms and conditions as it thinks fit or may make such other order on the application as it thinks fit.

(4) A copy of an order staying the proceedings in the winding up, made under this section, shall forthwith be forwarded by the company, or otherwise as may be prescribed, to the Registrar, who shall make a minute of the order in his books relating to the company.

Costs of voluntary winding up.

298. All costs, charges and expenses properly incurred in the winding up, including the fee of the Company Liquidator, shall, subject to the rights of secured creditors, if any, be payable out of the assets of the company in priority to all other claims.

PART III

Provisions applicable to every mode of winding up

Debts of all descriptions to be admitted to proof.

299. In every winding up, subject, in the case of insolvent companies, to the application in accordance with the provisions of this Act of the law of insolvency, all debts payable on a contingency, and all claims against the company, present or future, certain or contingent, ascertained or sounding only in damages, shall be admissible to proof against the company.

Application of insolvency rules in winding up of insolvent companies.

300. (1) In the winding up of an insolvent company, the same rules shall prevail and be observed with regard to—

(a) debts provable;

(b) the valuation of annuities and future and contingent liabilities; and

(c) the respective rights of secured and unsecured creditors,

as are in force for the time being under the law of insolvency with respect to the estates of persons adjudged insolvent:

Provided that the security of every secured creditor shall be deemed to be subject to a *pari passu* charge in favour of the workmen to the extent of the workmen's portion therein, and, where a secured creditor, instead of relinquishing his security and proving his debts, opts to realise his security,—

(i) the liquidator shall be entitled to represent the workmen and enforce such charge;

(ii) any amount realised by the liquidator by way of enforcement of such charge shall be applied rateably for the discharge of workmen's dues; and

(iii) so much of the debts due to such secured creditor as could not be realised by him or the amount of the workmen's portion in his security, whichever is less, shall rank *pari passu* with the workmen's dues for the purposes of section 301.

(2) All persons who in any such case would be entitled to prove and receive dividends out of the assets of the company, may come in under the winding up, and make such claims against the company as they respectively are entitled to make by virtue of this section:

Provided that if a secured creditor, instead of relinquishing his security and proving his debts, proceeds to realise his security, he shall be liable to pay his portion of the expenses incurred by the liquidator, including a provisional liquidator, if any, for the preservation of the security before its realisation by the secured creditor.

Explanation.— For the purposes of this sub-section, the portion of expenses incurred by the liquidator for the preservation of a security which the secured creditor shall be liable to pay shall be the whole of the expenses less an amount which bears to such expenses the same proportion as the workmen's portion in relation to the security bears to the value of the security.

(3) For the purposes of this section, section 301 and section 302,—

(a) “workmen”, in relation to a company, means the employees of the company, being workmen within the meaning of clause (s) of section 2 of the Industrial Disputes Act, 1947;

14 of 1947.

(b) “workmen's dues”, in relation to a company, means the aggregate of the following sums due from the company to its workmen, namely:—

(i) all wages or salary including wages payable for time or piece work and salary earned wholly or in part by way of commission of any workman in respect of services rendered to the company and any compensation payable to any workman under any of the provisions of the Industrial Disputes Act, 1947;

14 of 1947.

(ii) all accrued holiday remuneration becoming payable to any workman or, in the case of his death, to any other person in his right on the termination of his employment before or by the effect of the winding up order or resolution;

(iii) unless the company is being wound up voluntarily merely for the purposes of reconstruction or amalgamation with another company or unless the company has, at the commencement of the winding up, under such a contract with insurers as is mentioned in section 14 of the Workmen's Compensation Act, 1923, rights capable of being transferred to and vested in the workmen, all amount due in respect of any compensation or liability for compensation under the said Act in respect of the death or disablement of any workman of the company;

8 of 1923.

(iv) all sums due to any workman from a provident fund, a pension fund, a gratuity fund or any other fund for the welfare of the workmen, maintained by the company;

(c) “workmen's portion”, in relation to the security of any secured creditor of a company, means the amount which bears to the value of the security the same proportion as the amount of the workmen's dues bears to the aggregate of the amount of workmen's dues and the amount of the debts due to the secured creditors.

Illustration

The value of the security of a secured creditor of a company is Rs.1,00,000. The total amount of the workmen's dues is Rs.1,00,000. The amount of the debts due from the company to its secured creditors is Rs.3,00,000. The aggregate of the amount of workmen's dues and the amount of debts due to secured creditors is Rs.4,00,000. The workmen's portion of the security is, therefore, one-fourth of the value of the security, that is Rs.25,000.

301. (1) Notwithstanding anything contained in any other provision of this Act or any other law for the time being in force, in the winding up of a company,—

Overriding preferential payments.

(a) workmen's dues, and

(b) debts due to secured creditors to the extent such debts rank under clause (iii) of the proviso to sub-section (1) of section 300 *pari passu* with such dues, shall be paid in priority to all other debts.

(2) The debts payable under sub-section (1) shall be paid in full, unless the assets are insufficient to meet them, in which case they shall abate in equal proportions.

Preferential
payments.

302. (1) In a winding up, subject to the provisions of section 301, there shall be paid in priority to all other debts,—

(a) all revenues, taxes, cesses and rates due from the company to the Central or a State Government or to a local authority at the relevant date, and having become due and payable within the twelve months immediately before that date;

(b) all wages or salary including wages payable for time or piece work and salary earned wholly or in part by way of commission of any employee in respect of services rendered to the company and due for a period not exceeding four months within the twelve months immediately before the relevant date, subject to the condition that the amount payable under this clause to any workman shall not exceed such amount as may be prescribed;

(c) all accrued holiday remuneration becoming payable to any employee, or in the case of his death, to any other person claiming under him, on the termination of his employment before, or by the winding up order, or, as the case may be, the dissolution of the company;

(d) unless the company is being wound up voluntarily merely for the purposes of reconstruction or amalgamation with another company, all amount due in respect of contributions payable during the twelve months immediately before the relevant date by the company as the employer of persons under the Employees' State Insurance Act, 1948 or any other law for the time being in force;

34 of 1948.

(e) unless the company has, at the commencement of winding up, under such a contract with any insurer as is mentioned in section 14 of the Workmen's Compensation Act, 1923, rights capable of being transferred to and vested in the workmen, all amount due in respect of any compensation or liability for compensation under the said Act in respect of the death or disablement of any employee of the company:

8 of 1923.

Provided that where any compensation under the said Act is a weekly payment, the amount payable under this clause shall be taken to be the amount of the lump sum for which such weekly payment could, if redeemable, be redeemed, if the employer has made an application under that Act;

(f) all sums due to any employee from a provident fund, a pension fund, a gratuity fund or any other fund for the welfare of the employees, maintained by the company; and

(g) the expenses of any investigation held in pursuance of sections 184 and 187, in so far as they are payable by the company.

(2) Where any payment has been made to any employee of a company on account of wages or salary or accrued holiday remuneration, himself or, in the case of his death, to any other person claiming through him, out of money advanced by some person for that purpose, the person by whom the money was advanced shall, in a winding up, have a right of priority in respect of the money so advanced and paid, up to the amount by which the sum in respect of which the employee or other person in his right would have been entitled to priority in the winding up has been reduced by reason of the payment having been made.

(3) The debts enumerated in this section shall—

(a) rank equally among themselves and be paid in full, unless the assets are insufficient to meet them, in which case they shall abate in equal proportions; and

(b) so far as the assets of the company available for payment to general creditors are insufficient to meet them, have priority over the claims of holders of debentures under any floating charge created by the company, and be paid accordingly out of any property comprised in or subject to that charge.

(4) Subject to the retention of such sums as may be necessary for the costs and expenses of the winding up, the debts under this section shall be discharged forthwith so far as the assets are sufficient to meet them, and in the case of the debts to which priority is given by clause (d) of sub-section (1), formal proof thereof shall not be required except in so far as may be otherwise prescribed.

(5) In the event of a landlord or other person distraining or having distrained on any goods or effects of the company within three months immediately before the date of a winding up order, the debts to which priority is given by this section shall be a first charge on the goods or effects so distrained on or the proceeds of the sale thereof:

Provided that, in respect of any money paid under any such charge, the landlord or other person shall have the same rights of priority as the person to whom the payment is made.

(6) For the purposes of this section,—

(a) any remuneration in respect of a period of holiday or of absence from work through sickness or other good cause shall be deemed to be wages in respect of services rendered to the company during that period;

(b) the expression “accrued holiday remuneration” includes, in relation to any person, all sums which, by virtue either of his contract of employment or of any enactment including any order made or direction given thereunder, are payable on account of the remuneration which would, in the ordinary course, have become payable to him in respect of a period of holiday, had his employment with the company continued until he became entitled to be allowed the holiday;

(c) the expression “employee” does not include a workman; and

(d) the expression “relevant date” means—

(i) in the case of a company being wound up by the Tribunal, the date of appointment or first appointment of a provisional liquidator, or if no such appointment was made, the date of the winding up order, unless, in either case, the company had commenced to be wound up voluntarily before that date; and

(ii) in any other case, the date of the passing of the resolution for the voluntary winding up of the company.

303. (1) Where a company has given preference to a person who is one of the company’s creditors or a surety or guarantor for any of the company’s debts or other liabilities, and the company does anything or suffers anything done which has the effect of putting that person into a position which, in the event of the company going into liquidation, will be better than the position he would have been in if that thing had not been done prior to six months of making winding up application, the Tribunal, if satisfied, may order as it may think fit for restoring the position to what it would have been if the company had not given that preference. Fraudulent preference.

(2) If the Tribunal is satisfied that there is a preference transfer of property, movable or immovable, or any delivery of goods, payment, execution made, taken or done by or against a company within six months before making winding up application, the Tribunal

may order as it may think fit and may declare such transaction invalid and restore the position.

Transfers not
in good faith to
be void.

304. Any transfer of property, movable or immovable, or any delivery of goods, made by a company, not being a transfer or delivery made in the ordinary course of its business or in favour of a purchaser or encumbrance in good faith and for valuable consideration, if made within a period of one year before the presentation of a petition for winding up by the Tribunal or the passing of a resolution for voluntary winding up of the company, shall be void against the Company Liquidator.

Certain
transfers to
be void.

305. Any transfer or assignment by a company of all its properties or assets to trustees for the benefit of all its creditors shall be void.

Liabilities and
rights of
certain
persons
fraudulently
preferred.

306. (1) Where a company is being wound up and anything made, taken or done after the commencement of this Act is invalid under section 303 as a fraudulent preference of a person interested in property mortgaged or charged to secure the company's debt, then without prejudice to any rights or liabilities arising, apart from this provision, the person preferred shall be subject to the same liabilities, and shall have the same rights, as if he had undertaken to be personally liable as a surety for the debt, to the extent of the mortgage or charge on the property or the value of his interest, whichever is less.

(2) The value of the interest of the person preferred shall be determined as at the date of the transaction constituting the fraudulent preference, as if the interest were free of all encumbrances other than those to which the mortgage or charge for the company's debt was then subject.

(3) On an application made to the Tribunal with respect to any payment on the ground that the payment was a fraudulent preference of a surety or guarantor, the Tribunal shall have jurisdiction to determine any questions with respect to the payment arising between the person to whom the payment was made and the surety or guarantor and to grant relief in respect thereof, notwithstanding that it is not necessary so to do for the purposes of the winding up, and for that purpose, may give leave to bring in the surety or guarantor as a third party as in the case of a suit for the recovery of the sum paid.

(4) The provisions of sub-section (3) shall apply *mutatis mutandis* in relation to transactions other than payment of money.

Effect of
floating
charge.

307. Where a company is being wound up, a floating charge on the undertaking or property of the company created within the twelve months immediately preceding the commencement of the winding up, shall, unless it is proved that the company immediately after the creation of the charge was solvent, be invalid, except for the amount of any cash paid to the company at the time of, or subsequent to the creation of, and in consideration for, the charge, together with interest on that amount at the rate of five per cent. per annum or such other rate as may be notified by the Central Government in this behalf in the Official Gazette.

Disclaimer of
onerous
property.

308. (1) Where any part of the property of a company which is being wound up consists of—

(a) land of any tenure, burdened with onerous covenants;

(b) shares or stocks in companies;

(c) any other property which is unsaleable or is not readily saleable by reason of the possessor thereof being bound either to the performance of any onerous act or to the payment of any sum of money; or

(d) unprofitable contracts,

the Company Liquidator may, notwithstanding that he has endeavoured to sell or has taken possession of the property or exercised any act of ownership in relation thereto or done anything in pursuance of the contract, with the leave of the Tribunal and subject to the

provisions of this section, by writing signed by him, at any time within twelve months after the commencement of the winding up or such extended period as may be allowed by the Tribunal, disclaim the property:

Provided that where the Company Liquidator had not become aware of the existence of any such property within one month from the commencement of the winding up, the power of disclaiming the property may be exercised at any time within twelve months after he has become aware thereof or such extended period as may be allowed by the Tribunal.

(2) The disclaimer shall operate to determine, as from the date of disclaimer, the rights, interest, and liabilities of the company in or in respect of the property disclaimed, but shall not, except so far as is necessary for the purpose of releasing the company and the property of the company from liability, affect the rights, interest or liabilities of any other person.

(3) The Tribunal, before or on granting leave to disclaim, may require such notices to be given to persons interested, and impose such terms as a condition of granting leave, and make such other order in the matter as the Tribunal considers just.

(4) The Company Liquidator shall not be entitled to disclaim any property in any case where an application in writing has been made to him by any person interested in the property requiring him to decide whether he will or will not disclaim and the Company Liquidator has not, within a period of twenty-eight days after the receipt of the application or such extended period as may be allowed by the Tribunal, give notice to the applicant that he intends to apply to the Tribunal for leave to disclaim, and in case the property is a contract, if the Company Liquidator after such an application as aforesaid does not within the said period or extended period disclaim the contract, he shall be deemed to have adopted it.

(5) The Tribunal may, on the application of any person who is, as against the Company Liquidator, entitled to the benefit or subject to the burden of a contract made with the company, make an order rescinding the contract on such terms as to payment by or to either party of damages for the non-performance of the contract, or otherwise as the Tribunal considers just, and any damages payable under the order to any such person may be proved by him as a debt in the winding up.

(6) The Tribunal may, on an application by any person who either claims any interest in any disclaimed property or is under any liability not discharged under this Act in respect of any disclaimed property, and after hearing any such persons as it thinks fit, make an order for the vesting of the property in, or the delivery of the property to, any person entitled thereto or to whom it may seem just that the property should be delivered by way of compensation for such liability as aforesaid, or a trustee for him, and on such terms as the Tribunal considers just, and on any such vesting order being made, the property comprised therein shall vest accordingly in the person named therein in that behalf without any conveyance or assignment for the purpose:

Provided that where the property disclaimed is of a leasehold nature, the Tribunal shall not make a vesting order in favour of any person claiming under the company, whether as under-lessee or as mortgagee or holder of a charge by way of demise, except upon the terms of making that person—

(a) subject to the same liabilities and obligations as those to which the company was subject under the lease in respect of the property at the commencement of the winding up; or

(b) if the Tribunal thinks fit, subject only to the same liabilities and obligations as if the lease had been assigned to that person at that date,

and in either event as if the lease had comprised only the property comprised in the vesting order, and any mortgagee or under-lessee declining to accept a vesting order upon such terms shall be excluded from all interest in and security upon the property, and, if there is no person claiming under the company who is willing to accept an order upon such terms, the

Tribunal shall have power to vest the estate and interest of the company in the property in any person liable, either personally or in a representative character, and either alone or jointly with the company, to perform the lessee's covenants in the lease, free and discharged from all estates, encumbrances and interests created therein by the company.

(7) Any person affected by the operation of a disclaimer under this section shall be deemed to be a creditor of the company to the amount of the compensation or damages payable in respect of such effect, and may accordingly prove the amount as a debt in the winding up.

Transfers,
etc., after
commencement
of winding up
to be void.

309. (1) In the case of a voluntary winding up, any transfer of shares in the company, not being a transfer made to or with the sanction of the Company Liquidator, and any alteration in the status of the members of the company, made after the commencement of the winding up, shall be void.

(2) In the case of a winding up by the Tribunal, any disposition of the property, including actionable claims, of the company, and any transfer of shares in the company or alteration in the status of its members, made after the commencement of the winding up, shall, unless the Tribunal otherwise orders, be void.

Certain
attachments,
executions,
etc., in
winding up by
Tribunal to be
void.

310. (1) Where any company is being wound up by the Tribunal,—

(a) any attachment, distress or execution put in force, without leave of the Tribunal against the estate or effects of the company, after the commencement of the winding up; or

(b) any sale held, without leave of the Tribunal of any of the properties or effects of the company, after such commencement,

shall be void.

(2) Nothing in this section shall apply to any proceedings for the recovery of any tax or impost or any dues payable to the Government.

Offences by
officers of
companies in
liquidation.

311. (1) If any person, being a past or present officer of a company which, at the time of the commission of the alleged offence, is being wound up, whether by the Tribunal or voluntarily, or which is subsequently ordered to be wound up by the Tribunal or which subsequently passes a resolution for voluntary winding up,—

(a) does not, to the best of his knowledge and belief, fully and truly disclose to the Company Liquidator all the property, movable and immovable, of the company, and how and to whom and for what consideration and when the company disposed of any part thereof, except such part as has been disposed of in the ordinary course of the business of the company;

(b) does not deliver up to the Company Liquidator, or as he directs, all such part of the movable and immovable property of the company as is in his custody or under his control and which he is required by law to deliver up;

(c) does not deliver up to the Company Liquidator, or as he directs, all such books and papers of the company as are in his custody or under his control and which he is required by law to deliver up;

(d) within the twelve months immediately before the commencement of the winding up or at any time thereafter,—

(i) conceals any part of the property of the company to the value of one thousand rupees or more, or conceals any debt due to or from the company;

(ii) fraudulently removes any part of the property of the company to the value of one thousand rupees or more;

(iii) conceals, destroys, mutilates or falsifies, or is privy to the concealment, destruction, mutilation or falsification of, any book or paper affecting or relating to, the property or affairs of the company;

(iv) makes, or is privy to the making of, any false entry in any book or paper affecting or relating to, the property or affairs of the company;

(v) fraudulently parts with, alters or makes any omission in, or is privy to the fraudulent parting with, altering or making of any omission in, any book or paper affecting or relating to the property or affairs of the company;

(vi) by any false representation or other fraud, obtains on credit, for or on behalf of the company, any property which the company does not subsequently pay for;

(vii) under the false pretence that the company is carrying on its business, obtains on credit, for or on behalf of the company, any property which the company does not subsequently pay for; or

(viii) pawns, pledges or disposes of any property of the company which has been obtained on credit and has not been paid for, unless such pawning, pledging or disposing of is in the ordinary course of the business of the company;

(e) makes any material omission in any statement relating to the affairs of the company;

(f) knowing or believing that a false debt has been proved by any person under the winding up, fails for a period of one month to inform the Company Liquidator thereof;

(g) after the commencement of the winding up, prevents the production of any book or paper affecting or relating to the property or affairs of the company;

(h) after the commencement of the winding up or at any meeting of the creditors of the company within the twelve months next before the commencement of the winding up, attempts to account for any part of the property of the company by fictitious losses or expenses; or

(i) is guilty of any false representation or other fraud for the purpose of obtaining the consent of the creditors of the company or any of them, to an agreement with reference to the affairs of the company or to the winding up,

he shall be punishable with imprisonment for a term which shall not be less than three years but which may extend to five years and with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees:

Provided that it shall be a good defence if the accused proves that he had no intent to defraud or to conceal the true state of affairs of the company or to defeat the law.

(2) Where any person pawns, pledges or disposes of any property in circumstances which amount to an offence under sub-clause (viii) of clause (d) of sub-section (1), every person who takes in pawn or pledge or otherwise receives the property, knowing it to be pawned, pledged, or disposed of in such circumstances as aforesaid, shall be punishable with imprisonment for a term which shall not be less than three years but which may extend to five years and with fine which shall not be less than three lakh rupees but which may extend to five lakh rupees.

Explanation.— For the purposes of this section, the expression “officer” includes any person in accordance with whose directions or instructions the directors of the company have been accustomed to act.

312. If any person, being at the time of the commission of the alleged offence an officer of a company which is subsequently ordered to be wound up by the Tribunal or which subsequently passes a resolution for voluntary winding up,—

Penalty
frauds
officers.
for
by

(a) has, by false pretences or by means of any other fraud, induced any person to give credit to the company;

(b) with intent to defraud creditors of the company or any other person, has made or caused to be made any gift or transfer of or charge on, or has caused or connived at the levying of any execution against, the property of the company; or

(c) with intent to defraud creditors of the company, has concealed or removed any part of the property of the company since the date of any unsatisfied judgment or order for payment of money obtained against the company or within two months before that date,

he shall be punishable with imprisonment which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees.

Liability
where proper
accounts not
kept.

313. (1) Where a company is being wound up and if it is shown that proper books of account were not kept by the company throughout the period of two years immediately preceding the commencement of the winding up, or the period between the incorporation of the company and the commencement of the winding up, whichever is shorter, every officer of the company who is in default shall, unless he shows that he acted honestly and that in the circumstances in which the business of the company was carried on, the default was excusable, be punishable with imprisonment which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees.

(2) For the purposes of sub-section (1), it shall be deemed that proper books of account have not been kept in the case of any company,—

(a) if such books of account as are necessary to exhibit and explain the transactions and financial position of the business of the company, including books containing entries made from day-to-day in sufficient detail of all cash received and all cash paid, have not been kept; and

(b) where the business of the company has involved dealings in goods, statements of the annual stock takings and, except in the case of goods sold by way of ordinary retail trade, of all goods sold and purchased, showing the goods and the buyers and the sellers thereof in sufficient detail to enable those goods and those buyers and sellers to be identified, have not been kept.

Liability for
fraudulent
conduct of
business.

314. (1) If in the course of the winding up of a company, it appears that any business of the company has been carried on with intent to defraud creditors of the company or any other persons or for any fraudulent purpose, the Tribunal, on the application of the Official Liquidator, or the Company Liquidator or any creditor or contributory of the company, may, if it thinks it proper so to do, declare that any past or present director, manager, or officer of the company or any persons who were knowingly parties to the carrying on of the business in the manner aforesaid shall be personally responsible, without any limitation of liability, for all or any of the debts or other liabilities of the company as the Tribunal may direct:

Provided that on the hearing of an application under this sub-section, the Official Liquidator or the Company Liquidator, as the case may be, may himself give evidence or call witnesses.

(2) Where the Tribunal makes any such declaration, it may give such further directions as it thinks proper for the purpose of giving effect to that declaration and in particular,

(a) make provision for making the liability of any such person under the declaration a charge on any debt or obligation due from the company to him, or on any mortgage or charge or any interest in any mortgage or charge on any assets of the company held by or vested in him, or any person on his behalf, or any person claiming as assignee from or through the person liable or any person acting on his behalf;

(b) make such further order as may be necessary for the purpose of enforcing any charge imposed under this sub-section.

(3) Where any business of a company is carried on with such intent or for such purpose as is mentioned in sub-section (1), every person who was knowingly a party to the carrying on of the business in the manner aforesaid, shall be punishable with imprisonment which shall not be less than one year but which may extend to three years and with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees.

(4) This section shall apply, notwithstanding that the person concerned may be punishable under any other law for the time being in force in respect of the matters on the ground of which the declaration is to be made.

Explanation.—For the purposes of this section,—

(a) the expression “assignee” includes any person to whom or in whose favour, by the directions of the person liable, the debt, obligation, mortgage or charge was created, issued or transferred or the interest was created, but does not include an assignee for valuable consideration, not including consideration by way of marriage, given in good faith and without notice of any of the matters on the ground of which the declaration is made;

(b) the expression “officer” includes any person in accordance with whose directions or instructions the directors of the company have been accustomed to act.

315. (1) If in the course of winding up of a company, it appears that any person who has taken part in the promotion or formation of the company, or any past or present director, manager, Company Liquidator or officer of the company—

Power of Tribunal to assess damages against delinquent directors, etc.

(a) has misapplied, or retained, or become liable or accountable for, any money or property of the company; or

(b) has been guilty of any misfeasance or breach of trust in relation to the company,

the Tribunal may, on the application of the Official Liquidator, or the Company Liquidator, or of any creditor or contributory, made within the period specified in that behalf in sub-section (2), inquire into the conduct of the person, director, manager, Company Liquidator or officer aforesaid, and order him to repay or restore the money or property or any part thereof respectively, with interest at such rate as the Tribunal considers just, or to contribute such sum to the assets of the company by way of compensation in respect of the misapplication, retainer, misfeasance or breach of trust, as the Tribunal considers just.

(2) An application under sub-section (1) shall be made within five years from the date of the winding up order, or of the first appointment of the Company Liquidator in the winding up, or of the misapplication, retainer, misfeasance or breach of trust, as the case may be, whichever is longer.

(3) This section shall apply, notwithstanding that the matter is one for which the person concerned may be punishable under this Act or any other law for the time being in force.

316. Where a declaration under section 314 or an order under section 315 is made in respect of a firm or body corporate, the Tribunal shall also have power to make a declaration under section 314, or pass an order under section 315, as the case may be, in respect of any person who was at the relevant time a partner in that firm or a director of that body corporate.

Liability under sections 314 and 315 to extend to partners or directors in firms or companies.

317. (1) If it appears to the Tribunal in the course of a winding up by the Tribunal, that any past or present officer, or any member, of the company has been guilty of any offence in relation to the company, the Tribunal may, either on the application of any person interested in the winding up or *suo motu*, direct the liquidator to prosecute the offender or to refer the matter to the Registrar.

Prosecution of delinquent officers and members of company.

(2) If it appears to the Company Liquidator in the course of a voluntary winding up that any past or present officer, or any member, of the company has been guilty of any offence in relation to the company under this Act, he shall forthwith report the matter to the Registrar and shall furnish to him such information and give to him such access to and facilities for inspecting and taking copies of any books and papers, being information or books and papers in the possession or under the control of the Company Liquidator and relating to the matter in question, as the Registrar may require.

(3) Where any report is made under sub-section (2) to the Registrar, he,—

(a) if he thinks fit, may apply to the Central Government for an order to make further inquiry into the affairs of the company by any person designated by him and for conferring on such person all the powers of investigation as are provided under this Act;

(b) if he considers that the case is one in which a prosecution ought to be instituted, shall report the matter to the Central Government, and that Government may, after taking such legal advice as it thinks fit, direct the Registrar to institute prosecution:

Provided that no report shall be made by the Registrar under this clause without first giving the accused person a reasonable opportunity of making a statement in writing to the Registrar and of being heard thereon.

(4) If it appears to the Tribunal in the course of a voluntary winding up that any past or present officer, or any member, of the company has been guilty as aforesaid, and that no report with respect to the matter has been made by the Company Liquidator to the Registrar under sub-section (2), the Tribunal may, on the application of any person interested in the winding up or *suo motu*, direct the Company Liquidator to make such a report, and on a report being made, the provisions of this section shall have effect as though the report had been made in pursuance of the provisions of sub-section (2).

(5) When any prosecution is instituted under this section, it shall be the duty of the liquidator and of every officer and agent of the company past and present to give all assistance in connection with the prosecution which he is reasonably able to give.

Explanation.—For the purposes of this sub-section, the expression “agent”, in relation to a company, shall be deemed to include any banker or legal adviser of the company and any person employed by the company as auditor.

(6) If any person fails or neglects to give assistance required by sub-section (5), he shall be liable to pay fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.

Company Liquidator to exercise certain powers subject to sanction.

318. (1) The Company Liquidator may—

(a) with the sanction of the Tribunal, when the company is being wound up by the Tribunal; and

(b) with the sanction of a special resolution of the company and prior approval of the Tribunal, in the case of a voluntary winding up,—

(i) pay any class of creditors in full;

(ii) make any compromise or arrangement with creditors or persons claiming to be creditors, or having or alleging themselves to have any claim, present or future, certain or contingent, against the company, or whereby the company may be rendered liable; or

(iii) compromise any call or liability to call, debt, and liability capable of resulting in a debt, and any claim, present or future, certain or contingent, ascertained or sounding only in damages, subsisting or alleged to subsist

between the company and a contributory or alleged contributory or other debtor or person apprehending liability to the company, and all questions in any way relating to or affecting the assets or liabilities or the winding up of the company, on such terms as may be agreed, and take any security for the discharge of any such call, debt, liability or claim, and give a complete discharge in respect thereof.

(2) Notwithstanding anything contained in sub-section (1), in the case of a winding up by the Tribunal, the Central Government may make rules to provide that the Company Liquidator may, under such circumstances, if any, and subject to such conditions, restrictions and limitations, if any, as may be prescribed, exercise any of the powers referred to in sub-clause (ii) or sub-clause (iii) of clause (b) of sub-section (1) without the sanction of the Tribunal.

(3) Any creditor or contributory may apply in the manner prescribed to the Tribunal with respect to any exercise or proposed exercise of powers by the Company Liquidator under this section, and the Tribunal shall after giving a reasonable opportunity to such applicant and the Company Liquidator, pass such orders as it may think fit.

319. (1) Where a company is being wound up, whether by the Tribunal or voluntarily, every invoice, order for goods or business letter issued by or on behalf of the company or a Company Liquidator of the company, or a receiver or manager of the property of the company, being a document on or in which the name of the company appears, shall contain a statement that the company is being wound up.

Statement that a company is in liquidation.

(2) If any default is made in complying with the provisions of this section, the company, and every officer of the company, the Company Liquidator and any receiver or manager, who wilfully authorises or permits the default, shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to three lakh rupees.

320. Where a company is being wound up, all books and papers of the company and of the Company Liquidator shall, as between the contributories of the company, be *prima facie* evidence of the truth of all matters purporting to be recorded therein.

Books and papers of company to be evidence.

321. (1) At any time after the making of an order for the winding up of a company by the Tribunal, any creditor or contributory of the company may inspect the books and papers of the company only in accordance with, and subject to such rules as may be prescribed.

Inspection of books and papers by creditors and contributories.

(2) Nothing in sub-section (1) shall be taken as excluding or restricting any rights conferred by any law for the time being in force—

(a) on the Central Government or a State Government,

(b) on any authority or officer thereof, or

(c) on any person acting under the authority of any such Government or of any such authority or officer.

322. (1) When the affairs of a company have been completely wound up and it is about to be dissolved, its books and papers and those of the Company Liquidator may be disposed of as follows:—

Disposal of books and papers of company.

(a) in the case of winding up by the Tribunal, in such manner as the Tribunal directs; and

(b) in the case of voluntary winding up, in such manner as the company by special resolution with the prior approval of the creditors directs.

(2) After the expiry of five years from the dissolution of the company, no responsibility shall devolve on the company, the Company Liquidator, or any person to whom the custody of the books and papers has been entrusted, by reason of any book or paper not being forthcoming to any person claiming to be interested therein.

(3) The Central Government may, by rules,—

(a) prevent for such period as the Central Government thinks proper the destruction of the books and papers of a company which has been wound up and of its Company Liquidator; and

(b) enable any creditor or contributory of the company to make representations to the Central Government in respect of the matters specified in clause (a) and to appeal to the Tribunal from any order which may be made by the Central Government in the matter.

(4) If any person acts in contravention of any such rules or of any direction of the Central Government thereunder, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to fifty thousand rupees, or with both.

Information
as to pending
liquidations.

323. (1) If the winding up of a company is not concluded within one year after its commencement, the Company Liquidator shall, unless he is exempted from so doing either wholly or in part by the Central Government, within two months of the expiry of such year and thereafter until the winding up is concluded, at intervals of not more than one year or at such shorter intervals, if any, as may be prescribed, file a statement in the prescribed form and containing the prescribed particulars duly audited, by a person qualified to act as auditor of the company, with respect to the proceedings in, and position of, the liquidation,—

(a) in the case of a winding up by the Tribunal, with the Tribunal; and

(b) in the case of a voluntary winding up, with the Registrar :

Provided that no such audit as is referred to in this sub-section shall be necessary where the provisions of section 269 apply.

(2) When the statement is filed with the Tribunal under clause (a) of sub-section (1), a copy shall simultaneously be filed with the Registrar and shall be kept by him along with the other records of the company.

(3) Where a statement referred to in sub-section (1) relates to a Government company in liquidation, the Company Liquidator shall forward a copy thereof—

(a) to the Central Government, if that Government is a member of the Government company;

(b) to any State Government, if that Government is a member of the Government company; or

(c) to the Central Government and any State Government, if both the Governments are members of the Government company.

(4) Any person stating himself in writing to be a creditor or contributory of the company shall be entitled, by himself or by his agent, at all reasonable times, on payment of the prescribed fee, to inspect the statement referred to in sub-section (1), and to receive a copy thereof or an extract therefrom.

(5) Any person fraudulently stating himself to be a creditor or contributory under sub-section (4) shall be deemed to be guilty of an offence under section 182 of the Indian Penal Code, and shall, on the application of the Company Liquidator, be punishable accordingly. 45 of 1860.

(6) If a Company Liquidator fails to comply with any of requirements of this section, he shall be punishable with fine which may extend to five thousand rupees for every day during which the failure continues.

(7) If a Company Liquidator makes wilful default in causing the statement referred to in sub-section (1) audited by a person who is not qualified to act as an auditor of the

company, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to one lakh rupees, or with both.

324. Every Official Liquidator shall, in such manner and at such times as may be prescribed, pay the moneys received by him as Official Liquidator of any company, into the public account of India in the Reserve Bank of India.

Official Liquidator to make payments into public account of India.

325. (1) Every Company Liquidator of a company shall, in such manner and at such times as may be prescribed, deposit the monies received by him in his capacity as such in a scheduled bank to the credit of a special bank account opened by him in that behalf:

Company Liquidator to deposit into scheduled bank.

Provided that if the Tribunal considers that it is advantageous for the creditors or contributories or the company, it may permit the account to be opened in such other bank specified by it.

(2) If any Company Liquidator at any time retains for more than ten days a sum exceeding five thousand rupees or such other amount as the Tribunal may, on the application of the Company Liquidator, authorise him to retain, then, unless he explains the retention to the satisfaction of the Tribunal, he shall—

(a) pay interest on the amount so retained in excess, at the rate of twelve per cent. per annum and also pay such penalty as may be determined by the Registrar;

(b) be liable to pay any expenses occasioned by reason of his default; and

(c) also be liable to have all or such part of his remuneration, as the Tribunal may consider just, disallowed, or may also be removed from his office.

326. Neither the Official Liquidator nor the Company Liquidator of a company shall deposit any monies received by him in his capacity as such into any private banking account.

Liquidator not to deposit monies into private banking account.

327. (1) Where any company is being wound up and the liquidator has in his hands or under his control any money representing—

(a) dividends payable to any creditor but which had remained unpaid for six months after the date on which they were declared, or

(b) assets refundable to any contributory which have remained undistributed for six months after the date on which they become refundable,

Company Liquidation Dividend and Undistributed Assets Account.

the liquidator shall forthwith deposit the said money into a separate special account to be known as the Company Liquidation Dividend and Undistributed Assets Account maintained in a scheduled bank.

(2) The liquidator shall, on the dissolution of the company, pay into the Company Liquidation Dividend and Undistributed Assets Account any money representing unpaid dividends or undistributed assets in his hands at the date of dissolution.

(3) The liquidator shall, when making any payment referred to in sub-sections (1) and (2), furnish to such officer as the Central Government may appoint in this behalf, a statement in the prescribed form, setting forth, in respect of all sums included in such payment, the nature of the sums, the names and last known addresses of the persons entitled to participate therein, the amount to which each is entitled and the nature of his claim thereto, and such other particulars as may be prescribed.

(4) The liquidator shall be entitled to a receipt from the scheduled bank for any money paid to it under sub-sections (1) and (2), and such receipt shall be an effectual discharge of the Company Liquidator in respect thereof.

(5) Where a company is being wound up voluntarily, the Company Liquidator shall, when filing a statement in pursuance of sub-section (1) of section 323, indicate the sum of money which is payable under sub-sections (1) and (2) of this section during the six months preceding the date to which the said statement is prepared, and shall, within fourteen days of the date of filing the said statement, pay that sum into the Company Liquidation Dividend and Undistributed Assets Account.

(6) Any person claiming to be entitled to any money paid into the Company Liquidation Dividend and Undistributed Assets Account, whether paid in pursuance of this section or under the provisions of any previous company law apply to the Tribunal for an order for payment thereof, and the Tribunal, if satisfied that the person claiming is entitled, may make an order for the payment to that person of the sum due:

Provided that before making such an order, the Tribunal shall cause a notice to be served on such officer as the Central Government may appoint in this behalf, calling on the officer to show cause within one month from the date of the service of the notice why the order should not be made.

(7) Any money paid into the Company Liquidation Dividend and Undistributed Assets Account in pursuance of this section, which remains unclaimed thereafter for a period of fifteen years, shall be transferred to the general revenue account of the Central Government, but a claim to any money so transferred may be preferred under sub-section (6) and shall be dealt with as if such transfer had not been made and the order, if any, for payment on the claim will be treated as an order for refund of revenue.

(8) Any liquidator retaining any money which should have been paid by him into the Company Liquidation Dividend and Undistributed Assets Account under this section shall—

(a) pay interest on the amount so retained at the rate of twelve per cent. per annum and also pay such penalty as may be determined by the Registrar:

Provided that the Central Government may in any proper case remit either in part or in whole the amount of interest which the liquidator is required to pay under this clause;

(b) be liable to pay any expenses occasioned by reason of his default; and

(c) where the winding up is by the Tribunal, also be liable to have all or such part of his remuneration, as the Tribunal may consider just, to be disallowed, and to be removed from his office by the Tribunal.

Liquidator to make returns, etc.

328. (1) If any Company Liquidator who has made any default in filing, delivering or making any return, account or other document, or in giving any notice which he is by law required to file, deliver, make or give, fails to make good the default within fourteen days after the service on him of a notice requiring him to do so, the Tribunal may, on an application made to it by any contributory or creditor of the company or by the Registrar, make an order directing the Company Liquidator to make good the default within such time as may be specified in the order.

(2) Any order under sub-section (1) may provide that all costs of and incidental to the application shall be borne by the Company Liquidator.

(3) Nothing in this section shall prejudice the operation of any enactment imposing penalties on a Company Liquidator in respect of any such default as aforesaid.

Meetings to ascertain wishes of creditors or contributories.

329. (1) In all matters relating to the winding up of a company, the Tribunal may—

(a) have regard to the wishes of creditors or contributories of the company, as proved to it by any sufficient evidence;

(b) if it thinks fit for the purpose of ascertaining those wishes, direct meetings of the creditors or contributories to be called, held and conducted in such manner as the Tribunal may direct; and

(c) appoint a person to act as chairman of any such meeting and to report the result thereof to the Tribunal.

(2) When ascertaining the wishes of creditors, regard shall be had to the value of each creditor's debt.

(3) When ascertaining the wishes of contributories, regard shall be had to the number of votes which may be cast by each contributory.

330. (1) Any affidavit required to be sworn under the provisions, or for the purposes, of this Chapter may be sworn—

Court, tribunal or person, etc., before whom affidavit may be sworn.

(a) in India before any court, tribunal, judge or person lawfully authorised to take and receive affidavits; and

(b) in any other country before any court, judge or person lawfully authorised to take and receive affidavits in that country or before an Indian diplomatic or consular officer.

(2) All tribunals, judges, Justices, commissioners and persons acting judicially in India shall take judicial notice of the seal, stamp or signature, as the case may be, of any such court, tribunal, judge, person, diplomatic or consular officer, attached, appended or subscribed to any such affidavit or to any other document to be used for the purposes of this Chapter.

331. (1) Where a company has been dissolved, whether in pursuance of this Chapter or of section 203 or otherwise, the Tribunal may at any time within two years of the date of the dissolution, on application by the Company Liquidator of the company or by any other person who appears to the Tribunal to be interested, make an order, upon such terms as the Tribunal thinks fit, declaring the dissolution to be void, and thereupon such proceedings may be taken as if the company had not been dissolved.

Powers of Tribunal to declare dissolution of company void.

(2) It shall be the duty of the person on whose application the order was made, within thirty days after the making of the order or such further time as the Tribunal may allow, to file a certified copy of the order with the Registrar who shall register the same, and if such person fails so to do, he shall be punishable with fine which may extend to ten thousand rupees for every day during which the default continues.

332. (1) Where, before the presentation of a petition for the winding up of a company by the Tribunal, a resolution has been passed by the company for voluntary winding up, the winding up of the company shall be deemed to have commenced at the time of the passing of the resolution, and unless the Tribunal, on proof of fraud or mistake, thinks fit to direct otherwise, all proceedings taken in the voluntary winding up shall be deemed to have been validly taken.

Commencement of winding up by Tribunal.

(2) In any other case, the winding up of a company by the Tribunal shall be deemed to commence at the time of the presentation of the petition for the winding up.

36 of 1963.

333. Notwithstanding anything contained in the Limitation Act, 1963 or in any other law for the time being in force, in computing the period of limitation specified for any suit or application in the name and on behalf of a company which is being wound up by the Tribunal, the period from the date of commencement of the winding up of the company to a period of one year immediately following the date of the winding up order shall be excluded.

Exclusion of certain time in computing period of limitation.

PART IV

Official Liquidators

334. (1) For the purposes of this Act, so far as it relates to the winding up of companies by the Tribunal, the Central Government may appoint as many Official Liquidators as it may consider necessary and may also appoint Joint, Deputy or Assistant Official Liquidators to assist him in discharge of his functions.

Appointment of Official Liquidator.

(2) The liquidators appointed under sub-section (1) shall be whole-time officers of the Central Government.

(3) The salary and other allowances of the Official Liquidator, Joint Official Liquidator, Deputy Official Liquidator, Assistant Official Liquidator shall be paid by the Central Government.

Powers and functions of Official Liquidator.

335. (1) The Official Liquidator shall exercise such powers and perform such duties as the Central Government may prescribe.

(2) Without prejudice to the provisions of sub-section (1), the Official Liquidator may—

(a) exercise all or any of the powers as may be exercised by a Company Liquidator under the provisions of this Act;

(b) conduct inquiries or investigations, if directed by the Tribunal or the Central Government, in respect of matters arising out of winding up proceedings; and

(c) maintain such statistics, information and records as may be prescribed relating to companies under winding up.

Summary procedure for liquidation.

336. (1) Where the company to be wound up under this Chapter has assets of book value not exceeding one crore rupees, the Tribunal may order it to be wound up by summary procedure provided under this Part.

(2) Where an order under sub-section (1) is made the Tribunal shall appoint the Official Liquidator as the liquidator of the company.

(3) The Official Liquidator shall forthwith take into his custody or control all assets, effects and actionable claims to which the company is or appears to be entitled.

(4) The Official Liquidator shall, within thirty days of appointment, submit a report to the Tribunal in such manner and form, as may be prescribed, including a report whether in his opinion, any fraud has been committed in promotion, formation or management of the affairs of the company or not.

(5) On receipt of the report under sub-section (4), if the Tribunal is satisfied that any fraud has been committed by the promoters, directors or any other officer of the company, it may direct further investigation into the affairs of the company and that a report shall be submitted within such time as may be specified.

(6) After considering the investigation report under sub-section (5), the Tribunal may order that winding up may be proceeded under Part I of this Chapter or under the provision of this Part.

Sale of assets and recovery of debts due to company.

337. (1) The Official Liquidator shall expeditiously dispose of all the assets within sixty days of his appointment.

(2) The Official Liquidator shall serve a notice within thirty days of his appointment calling upon the debtors of the company or the contributories, as the case may be, to deposit within thirty days with him the amount payable to the company.

(3) Where any debtor does not deposit the amount under sub-section (2), the Tribunal may pass such orders as it thinks fit.

(4) The amount recovered by the Official Liquidator shall be deposited in accordance with the provisions of section 324.

Settlement of claims of creditors by Official Liquidator.

338. (1) The Official Liquidator within thirty days shall call upon the creditors of the company to prove their claims in the manner prescribed within thirty days of the receipt of such call.

(2) The Official Liquidator shall prepare a list of claims of creditors in the manner as may be prescribed and each creditor shall be communicated of the claims accepted or rejected for reasons to be recorded in writing.

339. (1) Any creditor aggrieved by the decision of the Official Liquidator under section 338 may file an application before the Tribunal within thirty days. Appeal by creditor.

(2) The Tribunal may after calling the report from the Official Liquidator either dismiss the application or modify the decision of the Official Liquidator.

(3) The Official Liquidator shall make payment to the creditors whose claims have been accepted.

340. (1) The Official Liquidator shall submit a final report to the Tribunal when he is satisfied that the company is finally wound up. Order of dissolution of company.

(2) The Tribunal on receipt of such report shall order that the company be dissolved.

(3) Where an order is made under sub-section (2) by the Tribunal, the Registrar shall strike off the name of the company from the register of companies and publish a notification to this effect.

CHAPTER XXI

COMPANIES INCORPORATED OUTSIDE INDIA

341. Where not less than fifty per cent. of the paid-up share capital, whether equity or preference or partly equity and partly preference, of a foreign company is held by one or more citizens of India or by one or more companies or bodies corporate incorporated in India, or by one or more citizens of India and one or more companies or bodies corporate incorporated in India, whether singly or in the aggregate, such company shall comply with the provisions of this Chapter and such other provisions of this Act as may be prescribed with regard to the business carried on by it in India as if it were a company incorporated in India. Application of Act to foreign companies.

342. (1) Every foreign company shall, within thirty days of the establishment of its place of business in India, deliver to the Registrar for registration— Documents, etc., to be delivered to Registrar by foreign companies.

(a) a certified copy of the charter, statutes, or memorandum and articles, of the company or other instrument constituting or defining the constitution of the company and, if the instrument is not in the English language, a certified translation thereof in the English language;

(b) the full address of the registered or principal office of the company;

(c) a list of the directors and secretary of the company containing such particulars as may be prescribed;

(d) the name and address or the names and addresses of one or more persons resident in India authorised to accept on behalf of the company service of process and any notices or other documents required to be served on the company; and

(e) the full address of the office of the company in India which is to be deemed its principal place of business in India.

(2) Every foreign company existing at the commencement of this Act shall, if it has not delivered to the Registrar before such commencement, the documents and particulars specified in sub-section (1) of section 592 of the Companies Act, 1956, continue to be subject to the obligation to deliver those documents and particulars in accordance with that Act.

(3) Where any alteration is made or occurs in the documents delivered to the Registrar under this section, the foreign company shall, within thirty days of such alteration, deliver to the Registrar for registration, a return containing the particulars of the alteration in the prescribed form.

Accounts of
foreign
company.

343. (1) Every foreign company shall, in every calendar year,—

(a) make out a balance sheet and profit and loss account in such form, containing such particulars and including or having annexed or attached thereto such documents, including, in particular, documents relating to every subsidiary company of the foreign company, as under the provisions of this Act it would, if it had been a company within the meaning of this Act, have been required to make out and lay before the company in general meeting; and

(b) deliver a copy of those documents to the Registrar:

Provided that the Central Government may, by notification, direct that, in the case of any foreign company or class of foreign companies, the requirements of clause (a) shall not apply, or shall apply subject to such exceptions and modifications as may be specified in that notification.

(2) If any such document as is mentioned in sub-section (1) is not in the English language, there shall be annexed to it a certified translation thereof in the English language.

(3) Every foreign company shall send to the Registrar along with the documents required to be delivered to him under sub-section (1), a copy of a list in the prescribed form of all places of business established by the company in India as at the date with reference to which the balance sheet referred to in sub-section (1) is made out.

Display of
name, etc.,
of foreign
company.

344. Every foreign company shall—

(a) conspicuously exhibit on the outside of every office or place where it carries on business in India, the name of the company and the country in which it is incorporated, in letters easily legible in English characters, and also in the characters of the language or one of the languages in general use in the locality in which the office or place is situate;

(b) cause the name of the company and of the country in which the company is incorporated, to be stated in legible English characters in all business letters, bill-heads and letter paper, and in all notices, and other official publications of the company; and

(c) if the liability of the members of the company is limited, cause notice of that fact—

(i) to be stated in every such prospectus issued and in all business letters, bill-heads, letter paper, notices, advertisements and other official publications of the company, in legible English characters; and

(ii) to be conspicuously exhibited on the outside of every office or place where it carries on business in India, in legible English characters and also in legible characters of the language or one of the languages in general use in the locality in which the office or place is situate.

Service on
foreign
company.

345. Any process, notice, or other document required to be served on a foreign company shall be deemed to be sufficiently served, if addressed to any person whose name and address have been delivered to the Registrar under section 342 and left at, or sent by post to, the address which has been so delivered to the Registrar or by electronic mode.

Debentures,
annual
return,
registration
of charges,
books of
account and
their
inspection.

346. (1) The provisions of section 64 shall apply *mutatis mutandis* to a foreign company.

(2) The provisions of section 82 shall, subject to such exceptions, modifications and adaptations as may be made therein by rules made under this Act, apply to a foreign company as they apply to a company incorporated in India.

(3) The provisions of section 116 shall apply to a foreign company to the extent of requiring it to keep at its principal place of business in India the books of account referred to in that section, with respect to monies received and spent, sales and purchases made, and assets and liabilities, in the course of or in relation to its business in India.

(4) The provisions of Chapter VI shall apply *mutatis mutandis* to charges on properties which are created or acquired by any foreign company.

(5) The provisions of Chapter XIV shall apply *mutatis mutandis* to the Indian business of a foreign company as they apply to a company incorporated in India.

347. There shall be paid to the Registrar for registering any document required by the provisions of this Chapter to be registered by him, such fee and with additional fee, if any, as may be prescribed. Fee for registration of documents.

348. For the purposes of this Chapter,— Interpretation.

(a) the expression “certified” means certified in the prescribed manner to be a true copy or a correct translation;

(b) the expression “director”, in relation to a foreign company, includes any person in accordance with whose directions or instructions the Board of Directors of the company is accustomed to act; and

(c) the expression “place of business” includes a share transfer or share registration office.

349. (1) No person shall issue, circulate or distribute in India any prospectus offering to subscribe for securities of a company incorporated or to be incorporated outside India, whether the company has or has not established, or when formed will or will not establish, a place of business in India, unless the prospectus is dated and signed, and Dating of prospectus and particulars to be contained therein.

(a) contains particulars with respect to the following matters, namely:—

(i) the instrument constituting or defining the constitution of the company;

(ii) the enactments or provisions by or under which the incorporation of the company was effected;

(iii) address in India where the said instrument, enactments or provisions, or copies thereof, and if the same are not in the English language, a certified translation thereof in the English language;

(iv) the date on which and the country in which the company would be or was incorporated; and

(v) whether the company has established a place of business in India and, if so, the address of its principal office in India; and

(b) states the matters specified under section 23:

Provided that sub-clauses (i), (ii) and (iii) of clause (a) of this sub-section shall not apply in the case of a prospectus issued more than two years after the date at which the company is entitled to commence business.

(2) Any condition requiring or binding an applicant for securities to waive compliance with any requirement imposed by virtue of sub-section (1), or purporting to impute him with notice of any contract, documents or matter not specifically referred to in the prospectus, shall be void.

(3) No person shall issue to any person in India a form of application for securities of such a company or intended company as is mentioned in sub-section (1), unless the form is issued with a prospectus which complies with the provisions of this Chapter and such issue does not contravene the provisions of section 350:

Provided that this sub-section shall not apply if it is shown that the form of application was issued in connection with a *bona fide* invitation to a person to enter into an underwriting agreement with respect to securities.

(4) This section shall not apply—

(a) to the issue to existing members or debenture holders of a company of a prospectus or form of application relating to securities of the company, whether an applicant for securities will or will not have the right to renounce in favour of other persons; and

(b) except in so far as it requires a prospectus to be dated, to the issue of a prospectus relating to securities which are or are to be in all respects uniform with securities previously issued and for the time being dealt in or quoted on a recognised stock exchange, but, subject as aforesaid, this section shall apply to a prospectus or form of application whether issued on or with reference to the formation of a company or subsequently.

(5) Nothing in this section shall limit or diminish any liability which any person may incur under any law for the time being in force in India or under this Act apart from this section.

Provisions as to expert's consent and allotment.

350. (1) No person shall issue, circulate or distribute in India any prospectus offering for subscription in securities of a company incorporated or to be incorporated outside India, whether the company has or has not been established, or when formed will or will not establish, a place of business in India,—

(a) if, where the prospectus includes a statement purporting to be made by an expert, he has not given, or has before delivery of the prospectus for registration withdrawn, his written consent to the issue of the prospectus with the statement included in the form and context in which it is included, or there does not appear in the prospectus a statement that he has given and has not withdrawn his consent as aforesaid; or

(b) if the prospectus does not have the effect, where an application is made in pursuance thereof, of rendering all persons concerned bound by all the provisions of sections 28 and 35, so far as applicable.

(2) For the purposes of this section, a statement shall be deemed to be included in a prospectus, if it is contained in any report or memorandum appearing on the face thereof or by reference incorporated therein or issued therewith.

Registration of prospectus.

351. No person shall issue, circulate or distribute in India any prospectus offering for subscription in securities of a company incorporated or to be incorporated outside India, whether the company has or has not established, or when formed will or will not establish, a place of business in India, unless before the issue, circulation or distribution of the prospectus in India, a copy thereof certified by the chairman and two other directors of the company as having been approved by resolution of the managing body has been delivered for registration to the Registrar and the prospectus states on the face of it that a copy has been so delivered, and there is endorsed on or attached to the copy, any consent to the issue of the prospectus required by section 350 and such documents as may be prescribed.

Offer of Indian Depository Receipts.

352. Notwithstanding anything contained in any other law for the time being in force, the Central Government may make rules applicable for—

(a) the offer of Indian Depository Receipts;

(b) the requirement of disclosures in prospectus or letter of offer issued in connection with Indian Depository Receipts;

(c) the manner in which the Indian Depository Receipts shall be dealt with in a depository mode and by custodian and underwriters; and

(d) the manner of sale, transfer or transmission of Indian Depository Receipts, by a company incorporated or to be incorporated outside India, whether the company has or has not established, or will or will not establish, any place of business in India.

353. (1) The provisions of sections 29 to 31 (both inclusive) shall apply to the issue of a prospectus by a company incorporated outside India under section 351 as they apply to prospectus issued by an Indian company.

Application of sections 29 to 31 and Chapter XX.

(2) The provisions of Chapter XX shall apply *mutatis mutandis* for closure of the place of business of a foreign company in India as if it were a company incorporated in India.

354. Without prejudice to the provisions of section 353, where a foreign company fails to comply with any of the provisions of this Chapter, the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to three lakh rupees and in the case of a continuing offence, with an additional fine which may extend to fifty thousand rupees for every day during which the default continues and every officer who is in default shall be punishable with imprisonment for a term which may extend to six months or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.

Punishment for contravention.

355. Any failure by a company to comply with the provisions of this Chapter shall not affect the validity of any contract, dealing or transaction entered into by the company or its liability to be sued in respect thereof, but the company shall not be entitled to bring any suit, claim any set-off, make any counter-claim or institute any legal proceeding in respect of any such contract, dealing or transaction, until the company has complied with the provisions of this Act applicable to it.

Company's failure to comply with provisions of this Chapter not to affect validity of contracts, etc.

CHAPTER XXII

GOVERNMENT COMPANIES

356. (1) Where the Central Government is a member of a Government company, the Central Government shall cause an annual report on the working and affairs of that company to be—

Annual reports on Government companies.

(a) prepared within three months of its annual general meeting before which the comments given by the Comptroller and Auditor-General and the audit report are placed under the proviso to sub-section (6) of section 126; and

(b) as soon as may be after such preparation, laid before both Houses of Parliament together with a copy of the audit report and any comments upon or supplement to the audit report, made by the Comptroller and Auditor-General.

(2) Where in addition to the Central Government, any State Government is also a member of a Government company, that State Government shall cause a copy of the annual report prepared under sub-section (1) to be laid before the House or both Houses of the State Legislature together with a copy of the audit report and the comments upon or supplement to the audit report referred to under sub-section (1).

(3) Where the Central Government is not a member of a Government company, every State Government which is a member of that company, or where only one State Government is a member of the company, that State Government shall cause an annual report on the working and affairs of the company to be—

(a) prepared within the time specified in sub-section (1) ; and

(b) as soon as may be after such preparation, laid before the House or both Houses of the State Legislature with a copy of the audit report and comments upon or supplement to the audit report referred to under sub-section (1).

(4) The provisions of this section shall, so far as may be, apply to a Government company in liquidation as they apply to any other Government company.

Power to
modify Act
in its
application
to
Government
companies.

357. (1) Save as otherwise expressly provided, the Central Government may, by notification, direct that any of the provisions of this Act shall not apply, or shall apply with such exceptions, modifications and adaptations, as may be specified in that notification, to any Government company.

(2) A copy of every notification proposed to be issued under sub-section (1) shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

CHAPTER XXIII

REGISTRATION OFFICES AND FEES

Registration
offices.

358. (1) For the purposes of exercising such powers and discharging such functions as are conferred on the Central Government by or under this Act or under the rules made thereunder and for the purposes of registration of companies under this Act, the Central Government shall, by notification, establish such number of offices at such places as it thinks fit, specifying their jurisdiction.

(2) The Central Government may appoint a Director General of Registration, such number of Registrars, Additional, Joint, Deputy and Assistant Registrars as it considers necessary for the registration of companies under this Act, and the powers and duties that may be exercisable by such officers shall be such as may be prescribed.

(3) The terms and conditions of service, including the salaries payable to persons appointed under sub-section (2), shall be such as may be prescribed.

(4) The Central Government may direct a seal or seals to be prepared for the authentication of documents required for, or connected with, the registration of companies.

Admissibility
of certain
documents as
evidence.

359. Notwithstanding anything contained in any other law for the time being in force, any document reproducing or derived from returns and documents filed by a company with the Registrar on paper or in electronic form or stored on any electronic data storage device or computer readable media by the Registrar, and authenticated by the Registrar or any other officer empowered by the Central Government in such manner as may be prescribed, shall be deemed to be a document for the purposes of this Act and the rules made thereunder and shall be admissible in any proceedings thereunder without further proof or production of the original as evidence of any contents of the original or of any fact stated therein of which direct evidence is admissible.

Provisions
relating to
filing of
applications,
documents,
inspection,
etc., in
electronic
form.

360. (1) Notwithstanding anything to the contrary contained in this Act, and without prejudice to the provisions contained in section 6 of the Information Technology Act, 2000 the Central Government may make rules so as to require from such date as may be prescribed in the rules that –

(a) such applications, balance sheet, prospectus, return, declaration, memorandum, articles, particulars of charges, or any other particulars or document as may be required to be filed or delivered under this Act or rules made thereunder, shall be filed in the electronic form and authenticated in such manner as may be prescribed;

(b) such document, notice, any communication or intimation, as may be required to be served or delivered under this Act, in the electronic form and authenticated in such manner as may be prescribed;

(c) such applications, balance sheet, prospectus, return, register, memorandum, articles, particulars of charges, or any other particulars or document and return filed under this Act or rules made thereunder shall be maintained by the Registrar in the electronic form and registered or authenticated, as the case may be, in such manner as may be prescribed;

(d) such inspection of the memorandum, articles, register, index, balance sheet, return or any other particulars or document maintained in the electronic form, as is otherwise available for inspection under this Act or rules made thereunder, may be made by any person through the electronic form in such manner as may be prescribed;

(e) such fees, charges or other sums payable under this Act or rules made thereunder shall be paid through the electronic form and in such manner as may be prescribed; and

(f) the Registrar shall register change of registered office, alteration of memorandum or articles, prospectus, issue Certificate of Incorporation, register such document, issue such certificate, record notice, receive such communication as may be required to be registered or issued or recorded or received, as the case may be, under this Act or rules made thereunder or perform duties or discharge functions or exercise powers under this Act or rules made thereunder or do any act which is by this Act directed to be performed or discharged or exercised or done by the Registrar in the electronic form in such manner as may be prescribed.

Explanation.— For the removal of doubts, it is hereby clarified that the rules made under this section shall not relate to imposition of fines or other pecuniary penalties or demand or payment of fees or contravention of any of the provisions of this Act or punishment therefor.

(2) The Central Government may, by notification, frame a scheme to carry out the provisions of sub-section (1) through the electronic form.

361. The Central Government may also provide in the rules made under section 360 that the electronic form for the purposes specified in that section shall be exclusive, or in the alternative or in addition to the physical form, therefor.

Electronic form to be exclusive, alternative or in addition.

362. The Central Government may provide such value added services through the electronic form and levy such fee thereon as may be prescribed.

Provision of value added services through electronic form.

21 of 2000.

363. All the provisions of the Information Technology Act, 2000 relating to the electronic records, including the manner and format in which the electronic records shall be filed, in so far as they are not inconsistent with this Act, shall apply in relation to the records in electronic form specified under section 360.

Application of provisions of Information Technology Act, 2000.

364. (1) Any document, required to be submitted, filed, registered or recorded, or any fact or information required or authorised to be registered under this Act, shall be submitted, filed, registered or recorded within the time specified in the relevant provision on payment of such fee as may be prescribed:

Fee for filing, etc.

Provided that any document, fact or information may be submitted, filed, registered or recorded, after the time specified in relevant provision for such submission, filing, registering or recording, within a period of two hundred and seventy days from the date by which it should have been submitted, filed, registered or recorded, as the case may be, on payment of such additional fee as may be prescribed.

(2) Where a company fails or commits any default to submit, file, register or record any document, fact or information under sub-section (1) before the expiry of the period specified in the proviso to that sub-section with additional fee, the company and its officers who are in default, shall, without prejudice to the liability for payment of fee and additional fee, be liable for the action or liability provided under this Act for such failure or default.

Fees, etc., to be credited into public account.

365. All fees, charges, and other sums received by any Registrar, Additional, Joint, Deputy, or Assistant Registrar, or any other officer of the Central Government in pursuance of any provision of this Act shall be paid into the public account of India in the Reserve Bank of India.

CHAPTER XXIV

COMPANIES TO FURNISH INFORMATION OR STATISTICS

Power of Central Government to direct companies to furnish information or statistics.

366. (1) The Central Government may, by order, require companies generally, or any class of companies, or any company, to furnish such information or statistics with regard to their or its constitution or working, and within such time, as may be specified in the order.

(2) Every order under sub-section (1) shall be published in the Official Gazette and may be addressed to companies generally or to any class of companies, in such manner, as the Central Government may think fit and the date of such publication shall be deemed to be the date on which requirement for information or statistics is made on such companies or class of companies, as the case may be.

(3) For the purpose of satisfying itself that any information or statistics furnished by a company in pursuance of any order under sub-section (1) is correct and complete, the Central Government may by order require such company to produce such records or documents in its possession or allow inspection thereof by such officer or furnish such further information as that Government may consider necessary.

(4) If any company fails to comply with an order made under sub-section (1) or sub-section (3), or knowingly furnishes any information or statistics which is incorrect or incomplete in any material respect, the company shall be punishable with fine which may extend to twenty-five thousand rupees and every officer who is in default, shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to twenty-five thousand rupees, or with both.

(5) Where a foreign company carries on business in India, all references to a company in this section shall be deemed to include references to the foreign company in relation, and only in relation, to such business.

CHAPTER XXV

NIDHIS

Power to modify Act in its application to Nidhis.

367. (1) In this section, "Nidhi" means a company which has been incorporated with the object of cultivating the habit of thrift and savings amongst its members, receiving deposits from, and lending to, its members only, for their mutual benefit, and which the Central Government has, by notification, declared to be a Nidhi.

(2) Save as otherwise expressly provided, the Central Government may, by notification, direct that any of the provisions of this Act shall not apply, or shall apply with such exceptions, modifications and adaptations as may be specified in that notification, to any Nidhi.

(3) A copy of every notification issued under sub-section (1) shall, as soon as may be after it is issued, be laid before each House of Parliament.

(4) A copy of every notification proposed to be issued under sub-section (2), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty

days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

CHAPTER XXVI

NATIONAL COMPANY LAW TRIBUNAL AND APPELLATE TRIBUNAL

368. In this Chapter, unless the context otherwise requires,—

Definitions.

(a) “Chairperson” means the Chairperson of the Appellate Tribunal;

(b) “Judicial Member” means a member of the Tribunal or the Appellate Tribunal appointed as such and includes the President or the Chairperson, as the case may be;

(c) “Member” means a member, whether Judicial or Technical of the Tribunal or the Appellate Tribunal, and includes the President or the Chairperson, as the case may be;

(d) “President” means the President of the Tribunal;

(e) “Technical Member” means a Member of the Tribunal or the Appellate Tribunal appointed as such.

369. The Central Government shall, by notification, constitute, with effect from such date as may be specified therein, a tribunal to be known as the “National Company Law Tribunal” consisting of a President and such number of judicial and technical members, as the Central Government may deem necessary, to be appointed by it by notification, to exercise and discharge such powers and functions as are, or may be, conferred on it by or under this Act or any other law for the time being in force.

Constitution of National Company Law Tribunal.

370.(1) The President shall be a person who is or has been a Judge of a High Court for five years.

Qualification of President and Members of Tribunal.

(2) A person shall not be qualified for appointment as a Judicial Member unless he—

(a) has for at least ten years been a member of the Indian Legal Service or the Indian Corporate Law Service, or held any equivalent post in the Central Government or a State Government, out of which at least three years of service in the pay-scale which is not less than the pay-scale of the Joint Secretary to the Government of India; or

(b) has for at least ten years held a judicial office in the territory of India; or

(c) has for at least ten years been an advocate of a High Court.

Explanation.—For the purposes of clauses (b) and (c),—

(i) in computing the period during which a person has held a judicial office in the territory of India, there shall be included any period, after he has held any judicial office, during which the person has been an advocate of a High Court or has held the office of a member of any other tribunal or any post under the Central Government or any State Government, requiring special knowledge of law;

(ii) in computing the period during which a person has been an advocate of a High Court, there shall be included any period, after he became an advocate, during which the person has held any judicial office or the office of a member of any other tribunal or any post under the Central Government or any State Government, requiring special knowledge of law.

(3) A person shall not be qualified for appointment as a Technical Member unless he—

(a) has for at least ten years been a member of the Indian Corporate Law Service, (Accounts Branch) or held any equivalent post in the Central Government or a State Government, out of which at least three years of service in the pay-scale which is not less than the pay-scale of the Joint Secretary to the Government of India; or

(b) is or has been a Joint Secretary to the Government of India under the Central Staffing Scheme, or has held any other post under the Central Government or a State Government carrying pay-scale which is not less than the pay-scale of the Joint Secretary to the Government of India, for at least three years and has adequate knowledge of and experience in dealing with matters relating to companies; or

(c) is or has been in practice as a Chartered Accountant for at least twenty years; or

(d) is or has been in practice as a Cost Accountant for at least twenty years; or

(e) is or has been in practice as a Company Secretary for at least twenty years; or

(f) is a person of ability, integrity and standing having special knowledge and experience, for not less than twenty years, in law, finance, banking management, industrial administration, economics, labour matters, or such other disciplines related to management, conduct of affairs, revival, rehabilitation and winding up of companies.

Constitution
of
Appellate
Tribunal.

371. The Central Government shall, by notification, constitute, with effect from such date as may be specified therein, an Appellate Tribunal to be known as the “National Company Law Appellate Tribunal” consisting of a Chairperson and such number of Judicial and Technical Members, not exceeding eleven, as the Central Government may deem fit, to be appointed by it by notification, for hearing appeals against the orders of the Tribunal.

Qualifications
of
Chairperson
and Members
of Appellate
Tribunal.

372. (1) The Chairperson shall be a person who is or has been a Judge of the Supreme Court or the Chief Justice of a High Court.

(2) A Judicial Member shall be a person who is or has been a Judge of a High Court or is a Judicial Member of the Tribunal, for five years.

(3) A Technical Member shall be a person of ability, integrity and standing having special knowledge and experience, for not less than twenty-five years, in law, finance, banking management, industrial administration, economics, labour matters, or such other disciplines related to management, conduct of affairs, revival, rehabilitation and winding up of companies.

Selection of
Members of
Tribunal and
Appellate
Tribunal.

373. (1) The President of the Tribunal and the Chairperson and the Judicial Members of the Appellate Tribunal shall be appointed after consultation with the Chief Justice of India.

(2) The Members of the Tribunal and the Technical Members of the Appellate Tribunal shall be appointed on the recommendation of a Selection Committee consisting of –

(a) Chief Justice of India or his nominee; Chairperson,

(b) Secretary in the Ministry of Corporate Affairs; Member,

(c) Secretary in the Ministry of Law and Justice; Member, and

(d) two other Secretaries to the Government of India to be nominated by the Central Government; Members.

(3) The Secretary, Ministry of Corporate Affairs shall be the Convener of the Selection Committee.

(4) The Selection Committee shall determine its procedure for recommending persons under sub-section (2).

(5) No appointment of the Members of the Tribunal or the Appellate Tribunal shall be invalid merely by reason of any vacancy or any defect in the constitution of the Selection Committee.

374. (1) A Member of the Tribunal shall hold office as such until he attains,—

(a) in the case of the President, the age of sixty-seven years;

(b) in the case of any other Member, the age of sixty-five years.

(2) A Member of the Appellate Tribunal shall hold office as such until he attains,—

(a) in the case of the Chairperson, the age of seventy years;

(b) in the case of any other Member, the age of sixty-seven years.

Term of office of President, Chairperson and other Members.

375. The salary, allowances and other terms and conditions of service of the Members of the Tribunal and the Appellate Tribunal shall be such as may be prescribed:

Provided that neither the salary and allowance nor the other terms and conditions of service of the Members shall be varied to their disadvantage after their appointment.

Salary, allowances and other terms and conditions of service of Members.

376. (1) In the event of the occurrence of any vacancy in the office of the President or the Chairperson by reason of his death, resignation or otherwise, the senior-most Member shall act as the President or the Chairperson, as the case may be, until the date on which a new President or Chairperson appointed in accordance with the provisions of this Act to fill such vacancy enters upon his office.

Acting President and Chairperson of Tribunal and Appellate Tribunal.

(2) When the President or the Chairperson is unable to discharge his functions owing to absence, illness or any other cause, the senior-most Member shall discharge the functions of the President or the Chairperson, as the case may be, until the date on which the President or the Chairperson resumes his duties.

377. The President, the Chairperson or any Member may, by notice in writing under his hand addressed to the Central Government, resign from his office:

Resignation of Members.

Provided that the President, the Chairperson or the Member shall continue to hold office until the expiry of three months from the date of receipt of such notice by the Central Government or until a person duly appointed as his successor enters upon his office or until the expiry of his term of office, whichever is the earliest.

378. (1) The Central Government may, after consultation with the Chief Justice of India, remove from office the President, the Chairperson or any Member, who—

Removal of Members.

(a) has been adjudged an insolvent; or

(b) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or

(c) has become physically or mentally incapable of acting as such President, Chairperson or Member; or

(d) has acquired such financial or other interest as is likely to affect prejudicially his functions as such President, Chairperson or Member; or

(e) has so abused his position as to render his continuance in office prejudicial to the public interest:

Provided that the President, the Chairperson or the Member shall not be removed on any of the grounds specified in clauses (b) to (e) without giving him a reasonable opportunity of being heard.

(2) Without prejudice to the provisions of sub-section (1), the President, the Chairperson or the Member shall not be removed from his office except by an order made by the Central Government on the ground of proved misbehaviour or incapacity after an inquiry

made by a Judge of the Supreme Court nominated by the Chief Justice of India on a reference made to him by the Central Government in which such President, Chairperson or Member had been informed of the charges against him and given a reasonable opportunity of being heard.

(3) The Central Government shall, after consultation with the Supreme Court, make rules to regulate the procedure for the inquiry on the ground of proved misbehaviour or incapacity referred to in sub-section (2).

Staff of
Tribunal and
Appellate
Tribunal.

379. (1) The Central Government shall, in consultation with the Tribunal and the Appellate Tribunal, provide the Tribunal and the Appellate Tribunal, as the case may be, with such officers and other employees as may be necessary for the exercise of the powers and discharge of the functions of the Tribunal and the Appellate Tribunal.

(2) The officers and other employees of the Tribunal and the Appellate Tribunal shall discharge their functions under the general superintendence and control of the President, or as the case may be, the Chairman or any other Member to whom powers for exercising such superintendence and control are delegated by him.

(3) The salaries and allowances and other conditions of service of the officers and other employees of the Tribunal and the Appellate Tribunal shall be such as may be prescribed.

Benches of
Tribunal.

380. (1) There shall be constituted such number of Benches of the Tribunal, as may, by notification, be specified by the Central Government.

(2) The Principal Bench of the Tribunal shall be at New Delhi which shall be presided over by the President of the Tribunal.

(3) The powers of the Tribunal shall be exercisable by Benches consisting of two Members out of whom one shall be a Judicial Member and the other shall be a Technical Member:

Provided that it shall be competent for the Members of the Tribunal authorised in this behalf to function as a Bench consisting of a single Member and exercise the powers of the Tribunal in respect of such class of cases or such matters pertaining to such class of cases, as the President may, by general or special order, specify:

Provided further that if at any stage of the hearing of any such case or matter, it appears to the Member that the case or matter is of such a nature that it ought to be heard by a Bench consisting of two Members, the case or matter may be transferred by the President, or, as the case may be, referred to him for transfer, to such Bench as the President may deem fit.

(4) The President shall, for the disposal of any case relating to rehabilitation, restructuring, reviving or winding up, of companies, constitute one or more Special Benches consisting of three or more Members, of which at least one of them shall necessarily be a Judicial Member.

(5) If the Members of a Bench differ in opinion on any point or points, it shall be decided according to the majority, if there is a majority, but if the Members are equally divided, they shall state the point or points on which they differ, and the case shall be referred by the President for hearing on such point or points by one or more of the other Members of the Tribunal and such point or points shall be decided according to the opinion of the majority of Members who have heard the case, including those who first heard it.

Orders of
Tribunal.

381. (1) The Tribunal may, after giving the parties to any proceeding before it, a reasonable opportunity of being heard, pass such orders therein as it thinks fit.

(2) The Tribunal may, at any time within two years from the date of the order, with a view to rectifying any mistake apparent from the record, amend any order passed by it, and shall make such amendment, if the mistake is brought to its notice by the parties:

Provided that no such amendment shall be made in respect of any order against which an appeal has been preferred under this Act.

(3) The Tribunal shall send a copy of every order passed under this section to all the parties concerned.

382. (1) Any person aggrieved by an order of the Tribunal may prefer an appeal to the Appellate Tribunal.

Appeal from orders of Tribunal.

(2) No appeal shall lie to the Appellate Tribunal from an order made by the Tribunal with the consent of parties.

(3) Every appeal under sub-section (1) shall be filed within a period of forty-five days from the date on which a copy of the order of the Tribunal is made available to the person aggrieved and shall be in such form, and accompanied by such fee, as may be prescribed:

Provided that the Appellate Tribunal may entertain an appeal after the expiry of the said period of forty-five days from the date aforesaid, but within a further period not exceeding forty-five days, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within that period.

(4) On the receipt of an appeal under sub-section (1), the Appellate Tribunal shall, after giving the parties to the appeal a reasonable opportunity of being heard, pass such orders thereon as it thinks fit, confirming, modifying or setting aside the order appealed against.

(5) The Appellate Tribunal shall send a copy of every order made by it to the Tribunal and the parties to appeal.

383. Every proceeding presented before the Tribunal and every appeal filed before the Appellate Tribunal shall be dealt with and disposed of by it as expeditiously as possible and every endeavour shall be made by the Tribunal or the Appellate Tribunal, as the case may be, for the disposal of the proceeding or appeal within three months from the date of commencement of the proceeding before the Tribunal or the filing of the appeal before the Appellate Tribunal.

Expeditious disposal by Tribunal and Appellate Tribunal.

384. Any person aggrieved by any order of the Appellate Tribunal may file an appeal to the Supreme Court within sixty days from the date of communication of the order of the Appellate Tribunal to him on any question of law arising out of such order:

Appeal to Supreme Court.

Provided that the Supreme Court may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be filed within a further period not exceeding sixty days.

385. (1) The Tribunal and the Appellate Tribunal shall not, while disposing of any proceeding before it or, as the case may be, an appeal before it, be bound by the procedure laid down in the Code of Civil Procedure, 1908, but shall be guided by the principles of natural justice, and, subject to the other provisions of this Act and of any rules made thereunder, the Tribunal and the Appellate Tribunal shall have power to regulate their own procedure.

Procedure before Tribunal and Appellate Tribunal.

5 of 1908.

(2) The Tribunal and the Appellate Tribunal shall have, for the purposes of discharging their functions under this Act, the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 while trying a suit in respect of the following matters, namely:—

5 of 1908.

(a) summoning and enforcing the attendance of any person and examining him on oath;

(b) requiring the discovery and production of documents;

(c) receiving evidence on affidavits;

(d) subject to the provisions of sections 123 and 124 of the Indian Evidence

Act, 1872, requisitioning any public record or document or a copy of such record or document from any office; 1 of 1872.

(e) issuing commissions for the examination of witnesses or documents;

(f) dismissing a representation for default or deciding it *ex parte*;

(g) setting aside any order of dismissal of any representation for default or any order passed by it *ex parte*; and

(h) any other matter which may be prescribed by the Central Government.

(3) Any order made by the Tribunal or the Appellate Tribunal may be enforced by that Tribunal in the same manner as if it were a decree made by a court in a suit pending therein, and it shall be lawful for the Tribunal or the Appellate Tribunal to send for execution of its orders to the court within the local limits of whose jurisdiction,—

(a) in the case of an order against a company, the registered office of the company is situate; or

(b) in the case of an order against any other person, the person concerned voluntarily resides or carries on business or personally works for gain.

(4) All proceedings before the Tribunal or the Appellate Tribunal shall be deemed to be judicial proceedings within the meaning of sections 193 and 228, and for the purposes of section 196 of the Indian Penal Code and the Tribunal and the Appellate Tribunal shall be deemed to be civil courts for the purposes of section 195 and Chapter XXVI of the Code of Criminal Procedure, 1973. 45 of 1860. 2 of 1974.

Power to
punish for
contempt.

386. The Tribunal and the Appellate Tribunal shall have the same jurisdiction, powers and authority in respect of contempt of themselves as the High Court has and may exercise, for this purpose, the powers under the provisions of the Contempt of Courts Act, 1971, subject to the modifications that— 70 of 1971.

(a) the reference therein to a High Court shall be construed as including a reference to the Tribunal and the Appellate Tribunal; and

(b) the reference to Advocate-General in section 15 of the said Act shall be construed as a reference to such Law Officers as the Central Government may, by notification, specify in this behalf.

Delegation of
powers.

387. The Tribunal or the Appellate Tribunal may, by general or special order, direct, subject to such conditions, if any, as may be specified in the order, any of its officers or employees or any other person authorised by it to inquire into any matter connected with any proceeding or, as the case may be, appeal before it and to report to it in such manner as may be specified in the order.

Members,
officers, etc.,
to be public
servants.

388. The President, Members, officers and other employees of the Tribunal and the Chairperson, Members, officers and other employees of the Appellate Tribunal shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code. 45 of 1860.

Protection of
action taken in
good faith.

389. No suit, prosecution or other legal proceeding shall lie against the Tribunal, the President, Member, officer or other employee, or against the Appellate Tribunal, the Chairperson, Member, officer or other employee or liquidator or any other person authorised by the Tribunal or the Appellate Tribunal for the discharge of any function under this Act in respect of any loss or damage caused or likely to be caused by any act which is in good faith done or intended to be done in pursuance of this Act.

Power to seek
assistance of
Chief
Metropolitan
Magistrate,
etc.

390. (1) The Tribunal may, in any proceeding relating to a sick company or winding up of any other company, in order to take into custody or under its control all property, books of account or other documents, request, in writing, the Chief Metropolitan Magistrate, Chief Judicial Magistrate or the District Collector within whose jurisdiction any such property, books of account or other documents of such sick or other company, are situate or found,

to take possession thereof, and the Chief Metropolitan Magistrate, Chief Judicial Magistrate or the District Collector, as the case may be, shall, on such request being made to him,—

(a) take possession of such property, books of account or other documents;
and

(b) cause the same to be entrusted to the Tribunal or other person authorised by it.

(2) For the purpose of securing compliance with the provisions of sub-section (1), the Chief Metropolitan Magistrate, Chief Judicial Magistrate or the District Collector may take or cause to be taken such steps and use or cause to be used such force as may, in his opinion, be necessary.

(3) No act of the Chief Metropolitan Magistrate, Chief Judicial Magistrate or the District Magistrate done in pursuance of this section shall be called in question in any court or before any authority on any ground whatsoever.

391. No civil court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which the Tribunal or the Appellate Tribunal is empowered to determine by or under this Act or any other law for the time being in force and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act or any other law for the time being in force by the Tribunal or the Appellate Tribunal.

Civil court not to have jurisdiction.

392. No act or proceeding of the Tribunal or the Appellate Tribunal shall be questioned or shall be invalid merely on the ground of the existence of any vacancy or defect in the constitution of the Tribunal or the Appellate Tribunal, as the case may be.

Vacancy in Tribunal or Appellate Tribunal not to invalidate acts or proceedings.

393. A party to any proceeding or appeal before the Tribunal or the Appellate Tribunal, as the case may be, may either appear in person or authorise one or more chartered accountants or company secretaries or cost accountants or legal practitioners or any other person to present his case before the Tribunal or the Appellate Tribunal, as the case may be.

Right to legal representation.

36 of 1963.

394. The provisions of the Limitation Act, 1963 shall, as far as may be, apply to proceedings or appeals before Tribunal or the Appellate Tribunal, as the case may be.

Limitation.

395. On the date of the constitution of the Tribunal,—

(a) all matters, proceedings or cases pending before the Board of Company Law Administration (hereafter in this section referred to as the Company Law Board) constituted under sub-section (1) of section 10E of the Companies Act, 1956, immediately before such date shall stand transferred to the Tribunal and the Tribunal shall dispose of such matters, proceedings or cases in accordance with the provisions of this Act;

Transfer of certain pending proceedings.

1 of 1956.

(b) any person aggrieved by any decision or order of the Company Law Board made before such date may file an appeal to the High Court within sixty days from the date of communication of the decision or order of the Company Law Board to him on any question of law arising out of such order:

Provided that the High Court may if it is satisfied that the appellant was prevented by sufficient cause from filing an appeal within the said period, allow it to be filed within a further period not exceeding sixty days;

1 of 1956.

(c) all proceedings under the Companies Act, 1956, including proceedings relating to arbitration, compromise, arrangements and reconstruction and winding up of companies, pending immediately before such date before any District Court or High Court, shall stand transferred to the Tribunal and the Tribunal may proceed to deal with such proceedings either *de novo* or from the stage before their transfer:

Provided that nothing in this clause shall apply to any proceedings for the winding up of a company subject to the supervision of court pending before any District Court or High Court immediately before such date, and such proceedings shall, after such date, continue to be dealt with by the District Court or the High Court, as the case may be, and—

(i) the company shall be wound up in the same manner and with the same incidents, and

(ii) any appeal against any order of the District Court or the High Court shall lie to the competent court to which appeal would have lain,

as if the Companies Act, 1956 had continued to be in force.

1 of 1956.

CHAPTER XXVII

SPECIAL COURTS

Establishment
of special
courts.

396. (1) The Central Government may, for the purpose of providing speedy trial of offences under this Act, by notification, establish as many special courts as may be necessary.

(2) A special court shall consist of a single judge who shall be appointed by the Central Government with the concurrence of the Chief Justice of the High Court within whose jurisdiction the judge to be appointed is working.

(3) A person shall not be qualified for appointment as a judge of a special court unless he is, immediately before such appointment, holding office of a Sessions Judge or an Additional Sessions Judge.

Offences
triable by
special courts.

397. (1) Notwithstanding anything contained in the Code of Criminal Procedure, 1973,—

2 of 1974.

(a) all offences under this Act shall be triable only by the special court established for the area in which the registered office of the company in relation to which the offence is committed or where there are more special courts than one for such area, by such one of them as may be specified in this behalf by the High Court concerned;

(b) where a person accused of, or suspected of the commission of, an offence under this Act is forwarded to a Magistrate under sub-section (2) or sub-section (2A) of section 167 of the Code of Criminal Procedure, 1973, such Magistrate may authorise the detention of such person in such custody as he thinks fit for a period not exceeding fifteen days in the whole where such Magistrate is a Judicial Magistrate and seven days in the whole where such Magistrate is an Executive Magistrate:

2 of 1974.

Provided that where such Magistrate considers that the detention of such person upon or before the expiry of the period of detention is unnecessary, he shall order such person to be forwarded to the special court having jurisdiction;

(c) the special court may exercise, in relation to the person forwarded to it under clause (b), the same power which a Magistrate having jurisdiction to try a case may exercise under section 167 of the Code of Criminal Procedure, 1973 in relation to an accused person who has been forwarded to him under that section; and

2 of 1974.

(d) a special court may, upon perusal of the police report of the facts constituting an offence under this Act or upon a complaint in that behalf, take cognizance of that offence without the accused being committed to it for trial.

(2) When trying an offence under this Act, a special court may also try an offence other than an offence under this Act with which the accused may, under the Code of Criminal Procedure, 1973 be charged at the same trial.

2 of 1974.

(3) Notwithstanding anything contained in the Code of Criminal Procedure, 1973 the special court may, if it thinks fit, try in a summary way any offence under this Act which is punishable with imprisonment for a term not exceeding three years:

2 of 1974.

Provided that in the case of any conviction in a summary trial, no sentence of imprisonment for a term exceeding one year shall be passed:

Provided further that when at the commencement of, or in the course of, a summary trial, it appears to the special court that the nature of the case is such that the sentence of imprisonment for a term exceeding one year may have to be passed or that it is, for any other reason, undesirable to try the case summarily, the special court shall, after hearing the parties, record an order to that effect and thereafter recall any witnesses who may have been examined and proceed to hear or rehear the case in accordance with the procedure for the regular trial.

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|------------|--|--|
| 2 of 1974. | <p>398. The High Court may exercise, so far as may be applicable, all the powers conferred by Chapters XXIX and XXX of the Code of Criminal Procedure, 1973 on a High Court, as if a special court within the local limits of the jurisdiction of the High Court were a Court of Session trying cases within the local limits of the jurisdiction of the High Court.</p> | Appeal and revision. |
| 2 of 1974. | <p>399. Save as otherwise provided in this Act, the provisions of the Code of Criminal Procedure, 1973 shall apply to the proceedings before a special court and for the purposes of the said provisions, the special court shall be deemed to be a Court of Session and the person conducting a prosecution before a special court shall be deemed to be a Public Prosecutor.</p> | Application of Code to proceedings before a special court. |
| 2 of 1974. | <p>400. (1) Notwithstanding anything in the Code of Criminal Procedure, 1973, every offence under this Act shall be deemed to be non-cognizable within the meaning of the said Code.</p> <p>(2) No Court shall take cognizance of any offence under this Act which is alleged to have been committed by any company or any officer thereof, except on the complaint in writing of the Registrar, a shareholder of the company, or of a person authorised by the Central Government in that behalf:</p> <p>Provided that the court may take cognizance of offences relating to issue and transfer of securities and non-payment of dividend on a complaint in writing by a person authorised by the Securities and Exchange Board of India:</p> <p>Provided further that nothing in this sub-section shall apply to a prosecution by a company of any of its officers.</p> | Offences to be non-cognizable. |
| 2 of 1974. | <p>(3) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, where the complainant under sub-section (1) is the Registrar or a person authorised by the Central Government, the presence of such officers before the Court trying the offences shall not be necessary unless the court requires his personal attendance at the trial.</p> <p>(4) The provisions of sub-section (2) shall not apply to any action taken by the liquidator of a company in respect of any offence alleged to have been committed in respect of any of the matters in Chapter XX or in any other provision of this Act relating to winding up of companies.</p> <p><i>Explanation.</i>—A liquidator of a company shall not be deemed to be an officer of the company within the meaning of sub-section (1).</p> | |
| 2 of 1974. | <p>401. Any offence committed under this Act, which is triable by a special court shall, until a special court is established, be tried by a Court of Session exercising jurisdiction over the area, notwithstanding anything contained in the Code of Criminal Procedure, 1973:</p> <p>Provided that nothing contained in this section shall affect the powers of the High Court under section 407 of the Code to transfer any case or class of cases taken cognizance by a Court of Session under this section.</p> | Transitional provisions. |
| 2 of 1974. | <p>402. Notwithstanding anything contained in the Code of Criminal Procedure, 1973, any offence punishable under this Act, not being an offence punishable with imprisonment only or with imprisonment and also with fine, may, either before or after the institution of</p> | Composition of certain offences. |

any prosecution, be compounded by the aggrieved person or persons with the permission of the court having jurisdiction to try the offence.

Power of
Central
Government to
appoint
company
prosecutors.

403. Notwithstanding anything contained in the Code of Criminal Procedure, 1973, the Central Government may appoint generally, or for any case, or in any case, or for any specified class of cases in any local area, one or more persons, as company prosecutors for the conduct of prosecutions arising out of this Act and the persons so appointed as company prosecutors shall have all the powers and privileges conferred by the Code on Public Prosecutors appointed under section 24 of the Code.

2 of 1974.

Appeal against
acquittal.

404. Notwithstanding anything contained in the Code of Criminal Procedure, 1973, the Central Government may, in any case arising under this Act, direct any company prosecutor or authorise any other person either by name or by virtue of his office, to present an appeal from an order of acquittal passed by any Court, other than a High Court, and an appeal presented by such prosecutor or other person shall be deemed to have been validly presented to the appellate court.

2 of 1974.

Compensation
for
accusation
without
reasonable
cause.

405. The provisions of section 250 of the Code shall apply *mutatis mutandis* to accusation without reasonable cause before the special court or the Court of Session.

Application of
fines.

406. The Court imposing any fine under this Act may direct that the whole or any part thereof shall be applied in or towards payment of the costs of the proceedings, or in or towards the payment of a reward to the person on whose information the proceedings were instituted.

CHAPTER XXVIII

MISCELLANEOUS

Punishment
for false
statements.

407. Save as otherwise provided in this Act, if in any return, report, certificate, balance sheet, prospectus, statement or other document required by or for the purposes of any of the provisions of this Act, any person makes a statement,—

(a) which is false in any material particulars, knowing it to be false; or

(b) which omits any material fact, knowing it to be material,

he shall be punishable with imprisonment for a term which may extend to three years and with fine which may extend to five lakh rupees.

Punishment
for false
evidence.

408. Save as otherwise provided in this Act, if any person intentionally gives false evidence—

(a) upon any examination on oath or solemn affirmation, authorised under this Act; or

(b) in any affidavit, deposition or solemn affirmation, in or about the winding up of any company under this Act, or otherwise in or about any matter arising under this Act,

he shall be punishable with imprisonment for a term which shall not be less than three years but which may extend to seven years and with fine which may extend to ten lakh rupees.

Punishment
where no
specific
penalty or
punishment is
provided.

409. If a company or any other person contravenes any of the provisions of this Act or the rules made thereunder, or any condition, limitation or restriction subject to which any approval, sanction, consent, confirmation, recognition, direction or exemption in relation to any matter has been accorded, given or granted, and for which no penalty or punishment is provided elsewhere in this Act, the company and every officer of the company who is in

default or such other person shall be punishable with fine which may extend to ten thousand rupees, and where the contravention is a continuing one, with a further fine which may extend to one thousand rupees for every day after the first during which the contravention continues.

410. In case a company or any officer who is in default repeats the default, he shall be punishable with imprisonment as provided, but in case of defaults for which fine is provided either along with or exclusive of imprisonment, with fine which shall be twice the amount of fine for such default. Punishment in case of repeated default.

411. (1) If any officer or employee of a company—

(a) wrongfully obtains possession of any property, including cash of the company; or

(b) having any such property including cash in his possession, wrongfully withholds it or knowingly applies it for the purposes other than those expressed or directed in the articles and authorised by this Act,

Punishment for wrongful withholding of property.

he shall, on the complaint of the company or of any creditor or contributory thereof, be punishable with fine which shall be not less than one lakh rupees but which may extend to five lakh rupees.

(2) The Court trying an offence under sub-section (1) may also order such officer or employee to deliver up or refund, within a time to be fixed by it, any such property or cash wrongfully obtained or wrongfully withheld or knowingly misapplied, or in default, to undergo imprisonment for a term which may extend to two years.

412. If any person or persons trade or carry on business under any name or title of which the word “Limited” or the words “Private Limited” or the letters and word “OPC Limited” or any contraction or imitation thereof is or are the last word or words, that person or each of those persons shall, unless duly incorporated with limited liability, be punishable for using that name or title with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

Punishment for improper use of “Limited”, “Private Limited” or “OPC Limited”.

413. (1) The Central Government may, by an order published in the Official Gazette, appoint as many officers of the Central Government, not below the rank of Registrar, as adjudicating officers for adjudging penalty under the provisions of this Act in the manner as may be prescribed.

Adjudication of penalties.

(2) The Central Government shall while appointing adjudicating officers, specify their jurisdiction in the order under sub-section (1).

(3) The adjudicating officer may, by an order impose the penalty on the company and the officer who is in default stating any non-compliance or any default under the relevant provision of the Act.

(4) The adjudicating officer shall, before imposing any penalty, give a reasonable opportunity of being heard to such company and the officer who is in default.

(5) Any person aggrieved by an order made by the adjudicating officer under sub-section (4) may prefer an appeal to the Regional Director having jurisdiction in the matter.

(6) Every appeal under sub-section (5) shall be filed within sixty days from the date on which the copy of the order made by the adjudicating officer is received by the aggrieved person and shall be in such form, manner and be accompanied by such fee as may be prescribed.

(7) The Regional Director may, after giving the parties to the appeal an opportunity of being heard, pass such order as he thinks fit confirming, modifying or setting aside the order appealed against.

(8) (i) Where company does not pay the penalty imposed by the adjudicating officer or the Regional Director within a period of ninety days from the date of the receipt of the copy of the order, it shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees;

(ii) where an officer in default does not pay the penalty within a period of ninety days from the date of the receipt of the copy of the order, he shall be punishable with imprisonment which may extend to six months or with fine which shall not be less than ten thousand rupees but which may extend to one lakh rupees, or with both.

Dormant company.

414. (1) Where a company is formed and registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the Registrar in such manner as may be prescribed for obtaining the status of a dormant company.

Explanation.— For the purposes of this section,—

(i) “inactive company” means a company which has not been carrying on any business or operation, or has not made any significant accounting transaction during the last two financial years, or has not filed financial statements and annual returns during the last two financial years;

(ii) “significant accounting transaction” shall not include payment of fees by a company to the Registrar, payments made by it to fulfil the requirements of this Act or any other law and payments for maintenance of its office and records.

(2) The Registrar on consideration of the application allow the status of a dormant company to the applicant and issue a certificate in such form as may be prescribed to that effect.

(3) The Registrar shall maintain a register of dormant companies in such form as may be prescribed.

(4) In case of a company which has not filed financial statements or annual returns for two financial years consecutively, the Registrar shall issue a notice to that company and enter the name of such company in the register maintained for dormant companies.

(5) A dormant company shall have such minimum number of directors, file such documents and pay such annual fee as may be prescribed to the Registrar to retain its dormant status in the register and may become an active company on an application made in this behalf accompanied by such documents and fee as may be prescribed.

(6) The Registrar shall strike off the name of a dormant company from the register of dormant companies, which has failed to comply with the requirements of this section.

Protection of action taken in good faith.

415. No suit, prosecution or other legal proceeding shall lie against the Government or any officer of Government or any other person in respect of anything which is in good faith done or intended to be done in pursuance of this Act or of any rules or orders made thereunder, or in respect of the publication by or under the authority of the Government or such officer, of any report, paper or proceedings.

Non-disclosure of information in certain cases.

416. Notwithstanding anything contained in any other law for the time being in force, the Registrar, any officer of Government or any other person shall not be compelled to disclose to any court, tribunal or other authority the source from where he got any information which—

(a) has led the Central Government to order an investigation under section 183;

or

(b) is or has been material or relevant in connection with such investigation.

417. (1) The Central Government may, by notification, and subject to such conditions, limitations and restrictions as may be specified therein, delegate any of its powers or functions under this Act other than the power to make rules to such authority or officer as may be specified in the notification.

Delegation by Central Government of its powers and functions.

(2) A copy of every notification issued under sub-section (1) shall, as soon as may be after it is issued, be laid before each House of Parliament.

418. (1) Where the Central Government or the Tribunal is required or authorised by any provision of this Act—

Powers of Central Government or Tribunal to accord approval, etc., subject to conditions and to prescribe fees on applications.

(a) to accord approval, sanction, consent, confirmation or recognition to or in relation to, any matter;

(b) to give any direction in relation to any matter; or

(c) to grant any exemption in relation to any matter,

then, in the absence of anything to the contrary contained in that provision or any other provision of this Act, the Central Government or the Tribunal may accord, give or grant such approval, sanction, consent, confirmation, recognition, direction or exemption, subject to such conditions, limitations or restrictions as it may think fit to impose and may, in the case of a contravention of any such condition, limitation or restriction, rescind or withdraw such approval, sanction, consent, confirmation, recognition, direction or exemption.

(2) Save as otherwise provided in this Act, every application which may be, or is required to be, made to the Central Government or the Tribunal under any provision of this Act—

(a) in respect of any approval, sanction, consent, confirmation or recognition to be accorded by that Government or the Tribunal to, or in relation to, any matter;

(b) in respect of any direction or exemption to be given or granted by that Government or the Tribunal in relation to any matter ; or

(c) in respect of any other matter,

shall be accompanied by such fee as may be prescribed:

Provided that different fees may be prescribed for applications in respect of different matters or in case of applications by different classes of companies.

419. Notwithstanding anything contained in this Act,—

Condonation of delay in certain cases.

(a) where any application required to be made to the Central Government under any provision of this Act in respect of any matter is not made within the time specified therein, that Government may, for reasons to be recorded in writing, condone the delay; and

(b) where any document required to be filed with the Registrar under any provision of this Act is not filed within the time specified therein, the Central Government may, for reasons to be recorded in writing, condone the delay.

420. The Central Government shall cause a general annual report on the working and administration of this Act to be prepared and laid before each House of Parliament within one year of the close of the year to which the report relates.

Annual report by Central Government.

421. (1) Save as otherwise expressly provided, the Central Government may, by notification, direct that any of the provisions of Chapters III, IV, VII and IX to XIII of this Act shall not apply, or shall apply with such exceptions, modifications and adaptations as may be specified in that notification, to private company, One Person Company and small company or any of them.

Power to modify certain provisions of Act in their application to private company, One Person Company and small company.

(2) A copy of every notification proposed to be issued under sub-section (1), shall be laid in draft before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in disapproving the issue of the notification or both Houses agree in making any modification in the notification, the notification shall not be issued or, as the case may be, shall be issued only in such modified form as may be agreed upon by both the Houses.

Prohibition of association or partnership of persons exceeding certain number.

422. (1) No association or partnership consisting of more than such number of persons as may be prescribed shall be formed for the purpose of carrying on any business that has for its object the acquisition of gain by the association or partnership or by the individual members thereof, unless it is registered as a company under this Act or is formed under any other law for the time being in force:

Provided that the number of persons which may be prescribed under this sub-section shall not exceed one hundred.

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

(a) a Hindu undivided family carrying on any business; or

(b) an association or partnership, if it is formed by professionals who are governed by special Acts.

(3) Every member of an association or partnership carrying on business in contravention of sub-section (1) shall be personally liable for all liabilities incurred in such business and shall be punishable with fine which may extend to one lakh rupees.

Repeal of certain enactments and savings.

423. (1) The Companies Act, 1956 and the Registration of Companies (Sikkim) Act, 1961 (hereafter in this section referred to as the repealed enactments) shall stand repealed:

1 of 1956.

Provided that the provisions of Part IX A of the Companies Act, 1956 shall be applicable *mutatis mutandis* to a Producer Company in a manner as if the Companies Act, 1956 has not been repealed:

1 of 1956.

Provided further that until the constitution of the Tribunal and the Appellate Tribunal, the provisions of the Companies Act, 1956 in regard to the jurisdiction, powers, authority and functions of the Board of Company Law Administration and Court shall continue to apply as if the Companies Act, 1956 has not been repealed.

1 of 1956.

(2) Notwithstanding the repeal under sub-section (1) of the repealed enactments,—

(a) anything done or any action taken or purported to have been done or taken, including any rule, notification, inspection, order or notice made or issued or any appointment or declaration made or any direction given or any proceeding taken or any penalty or fine imposed under the repealed enactments shall, insofar as it is not inconsistent with the provisions of this Act, be deemed to have been done or taken under the corresponding provisions of this Act;

(b) subject to the provisions of clause (a), any order, rule, notification, regulation, appointment, conveyance, mortgage, deed, document or agreement made, fee directed, resolution passed, direction given, proceeding taken, instrument executed or issued, or thing done under or in pursuance of any repealed enactment shall, if in force at the commencement of this Act, continue to be in force, and shall have effect as if made, directed, passed, given, taken, executed, issued or done under or in pursuance of this Act;

(c) any person appointed to any office under or by virtue of any repealed enactment shall be deemed to have been appointed to that office under or by virtue of this Act;

(d) the offices existing on the commencement of this Act for the registration of companies shall continue as if they have been established under the provisions of this Act;

(e) the incorporation of companies registered under the repealed enactments shall continue to be valid and the provisions of this Act shall apply to such companies as if they were registered under this Act;

(f) all registers and all funds constituted and established under the repealed enactments shall be deemed to be registers and funds constituted or established under the corresponding provisions of this Act;

(g) any prosecution instituted under the repealed enactments and pending immediately before the commencement of this Act before any Court shall, subject to the provisions of this Act, continue to be heard and disposed of by the said Court;

1 of 1956. (h) any inspection, investigation or inquiry ordered to be done under the Companies Act, 1956 shall continue to be proceeded with as if such inspection, investigation or inquiry has been ordered under the corresponding provisions of this Act.

1 of 1897. (3) The mention of particular matters in sub-section (2) shall not be held to prejudice the general application of section 6 of the General Clauses Act, 1897 with regard to the effect of repeal of the repealed enactments as if the Registration of Companies (Sikkim) Act, 1961 were also a Central Act.

1 of 1956. **424.** (1) Notwithstanding anything contained in section 422, the Board of Company Law Administration constituted under the Companies Act, 1956 (hereafter in this section referred to as the Company Law Board) shall stand dissolved on the constitution of the Tribunal and the Appellate Tribunal. Dissolution of Company Law Board and consequential provisions.

(2) The persons holding the offices of Chairman, Vice- Chairman and Members, and officers and other employees of the Company Law Board immediately before the constitution of the Tribunal and the Appellate Tribunal shall vacate their respective offices on such constitution and no such Chairman, Vice-Chairman and Members and officers or other employees shall be entitled to claim any compensation for the premature termination of the term of his office or of any contract of service, if any:

Provided that every officer or other employee, who had been appointed on deputation basis to the Company Law Board, shall, on such dissolution, stand reverted to his parent cadre, Ministry or Department, as the case may be:

Provided further that every officer and other employee of the Company Law Board, employed on regular basis by that Board, shall become, on and from such dissolution the officer and other employee, respectively, of the Central Government with the same rights and privileges as to pension, gratuity and other like benefits as would have been admissible to him if he had continued to serve that Board and shall continue to do so unless and until his employment in the Central Government is duly terminated or until his remuneration, terms and conditions of employment are duly altered by that Government:

14 of 1947. Provided also that notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other law for the time being in force, any officer or other employee who becomes an officer or other employee of the Central Government under the preceding proviso shall not be entitled to any compensation under this Act or under any other law for the time being in force and no such claim shall be entertained by any court, tribunal or other authority:

Provided also that where the Company Law Board has established a provident fund, superannuation fund, welfare fund or other fund for the benefit of the officers and other employees employed in that Board, the monies relatable to the officers and other employees who have become officers or employees of the Central Government shall, out of the monies

standing to the credit of such provident fund, superannuation fund, welfare fund or other fund, stand transferred to, and vest in, the Central Government and such monies which stand so transferred shall be dealt with by that Government in such manner as may be prescribed.

Power to
remove
difficulties.

425. (1) If any difficulty arises in giving effect to the provisions of this Act, the Central Government may, by order published in the Official Gazette, make such provisions, not inconsistent with the provisions of this Act, as appear to it to be necessary or expedient for removing the difficulty:

Provided that no such order shall be made after the expiry of a period of three years from the date of commencement of section 1 of this Act.

(2) Every order made under this section shall, as soon as may be after it is made, be laid before each House of Parliament.

Power of
Central
Government to
make rules.

426. (1) The Central Government may, by notification, make rules for carrying out the purposes of this Act.

(2) Without prejudice to the generality of the provisions of sub-section (1), the Central Government may make rules for all or any of the matters which by this Act are required to be, or may be, prescribed or in respect of which provision is to be or may be made by rules.

(3) Any rule made under sub-section (1) may provide that a contravention thereof shall be punishable with fine which may extend to five thousand rupees and where the contravention is a continuing one, with a further fine which may extend to five hundred rupees for every day after the first during which such contravention continues.

(4) Every rule made by the Central Government under sub-section (1) shall be laid as soon as may be after it is made before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

STATEMENT OF OBJECTS AND REASONS

The Companies Act, 1956 was enacted with the object to consolidate and amend the law relating to companies and certain other associations. Simultaneously, the Companies Act, 1913, then in force, was repealed.

2. Many changes have taken place in the national and international economic environment since the enactment of the Companies Act, 1956. This has made the economy more diverse, complex and dynamic. In this milieu, the corporate form of organization is increasingly emerging as the preferred vehicle for economic and commercial activity and has contributed significantly to the growth of the Indian economy and the emergence of service, information and knowledge-based enterprises. The number of companies has expanded from 30,000 in 1956 to nearly 8 lakh companies functioning as of date. Companies are now mobilising resources at a scale unimaginable even a decade ago, continuously entering into and bringing new activities into the fold of the Indian economy, exporting a wide range of goods and services and providing increasing employment opportunities.

3. The expansion and growth of the Indian economy has also generated considerable interest in the international investing community. However, there is a need for sustaining growth in a globalised and competitive environment. The increasing options and avenues for international business, trade and capital flows have made it imperative for the growing Indian economy to not only harness its entrepreneurial and economic resources efficiently but also to be competitive in attracting investment to sustain the impressive growth recorded by it in recent years. Many investors are also looking towards the statutory and regulatory framework for the corporate sector in the country while deciding on their investment options. Modernisation of corporate regulation, governing various aspects of setting up of enterprises, structures for sharing of risk and reward, their governance and accountability to stakeholders, financial procedures and responsibility for disclosures, procedures for rehabilitation, liquidation and winding up is, therefore, critical to the perceptions of investors and determining their business and investment decisions.

4. In the background of the above developments and recognising that the competitive and technology driven business environment today require the corporate entities to be provided greater autonomy of operation and innovation with reasonable process requirements and compliance costs, a need was felt to help sustain the growth of the Indian corporate sector by enabling a new legal framework that would be compact, amenable to clear interpretation, and respond in a timely and appropriate manner to meet the requirements of ever evolving economic activities and business models, while fostering a positive environment for investment and growth. In addition, there is also a need to avoid overlapping and conflict of jurisdiction in the area of sectoral regulations. Therefore, piecemeal re-engineering of the corporate regulatory framework was not considered adequate to enable the systemic changes required. Hence, a comprehensive review of the Companies Act, 1956, and introduction of a revised statutory framework in the form of a new Companies Bill has been considered essential to achieve the desired reform.

5. In the above backdrop, the review of the Companies Act, 1956 and drafting of a new Companies Bill was taken up by the Government on the basis of a detailed consultative process. A "Concept Paper on new Company Law" was placed on the website of the Ministry on 4th August, 2004. The inputs received were put to a detailed examination in the Ministry. The Government also constituted an Expert Committee on Company Law under the Chairmanship of Dr. J.J. Irani on 2nd December, 2004 to make recommendations in respect of new Company Law. The Committee included representatives from concerned Departments and Ministries, professional Institutes and trade bodies and individual experts as members or special invitees. The Committee deliberated extensively on various issues and submitted its report to the Government on 31st May, 2005. After considering the report of the

Committee and other inputs received from time to time, the Government took up the exercise of comprehensive review of the Companies Act, 1956. Broadly, the objective of the review was to—

(i) retain essential features of the existing framework, segregate substantive law from the procedures to enable a clear framework for good corporate governance that addresses the concerns of all stakeholders equitably;

(ii) revise the law so as to enable a compact statute that is amenable to easy understanding and interpretation;

(iii) enable greater flexibility in procedural aspects so that with the change of time the procedural framework, to be prescribed through rules, may be amended without amendment of the substantive enactment;

(iv) establish a climate that encourages setting up of businesses and their growth while enabling measures to protect the interests of stakeholders and investors, including small investors, through legal basis for sound corporate governance practices and effective enforcement;

(v) provide a framework for responsible self-regulation through determination of corporate matters through decisions by shareholders, in the background of clear accountability for such decisions, obviating the need for a regime based on Government approvals;

(vi) address the practical concerns of small businesses so that people may deal with and invest in companies with confidence, promote international competitiveness of Indian businesses and provide them with the flexibility to meet the challenges of the global economy;

(vii) incorporate international practices based on the models suggested by the United Nations Commission on International Trade Law (UNCITRAL); and

(viii) provide for a reasonable and appropriate framework for enforcement of the law that enables proper investigation and imposition of appropriate sanctions comprising of penalties for non-compliance and punishment for violation of the law and for fraudulent conduct, keeping in view the experience resulting from past stock market scams and concerns expressed by Joint Parliamentary Committees thereon.

6. Finally, a comprehensively revised Bill, the Companies Bill, 2008 was prepared in consultation with Ministry of Law and was introduced in the Lok Sabha on 23rd October, 2008 in the 14th Lok Sabha and was subsequently referred to the Department related Parliamentary Standing Committee on Finance for examination and report. However, before the said Committee could present its report, 14th Lok Sabha was dissolved and the Companies Bill, 2008 lapsed as per clause (5) of article 107 of the Constitution of India. In view of this, it is proposed to introduce the Companies Bill, 2009.

7. The Companies Bill, 2009, *inter alia*, provides for:—

(i) the basic principles for all aspects of internal governance of corporate entities and a framework for their regulation, irrespective of their area of operation, from incorporation to liquidation and winding up, in a single, comprehensive legal framework to be administered by the Central Government. In doing so, the Bill also seeks to harmonise the Company law framework with the sectoral regulations;

(ii) articulation of shareholders democracy with protection of the rights of minority stakeholders, responsible self-regulation with adequate disclosures and accountability and also reduction of Government control over internal corporate processes;

(iii) easy transition of companies operating under the Companies Act, 1956, to the new legal framework as also from one type of company to another, freedom with

regard to the numbers and layers of subsidiary companies that a company may have, subject to disclosures in respect of their relationship and transactions or dealings between them;

(iv) a new entity in the form of One Person Company (OPC), empowering the Government to provide for a simpler compliance regime for OPC and small companies and retention of the concept of Producer companies, while providing a more stringent regime for companies with charitable objects to check misuse;

(v) application of the successful e-Governance initiative of the Ministry of Corporate Affairs (MCA-21) to all the processes involved in meeting compliance obligations. Company processes may also be carried out through electronic mode;

(vi) speedy incorporation process, with detailed declarations and disclosures about the promoters, directors, etc., at the time of incorporation. Every company director would be required to acquire a unique Director Identification Number;

(vii) relaxation of restriction limiting the number of persons in associations or partnerships, etc., to a maximum of one hundred, with no ceiling as to associations, or partnerships, formed by professionals regulated by special Acts;

(viii) duties and liabilities of the directors and every company to have at least one director resident in India. The Bill also provides for independent directors to be appointed on the Boards of such companies as may be prescribed, along with attributes determining independence. The requirement to appoint minimum number of independent directors, where applicable, to listed public companies is one-third of the total number of directors. For other public companies, the requirement and number may be prescribed through rules;

(ix) statutory recognition to audit committee, remuneration committee and stakeholders relationship committee of the Board and the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Company Secretary to be as Key Managerial Personnel (KMP);

(x) companies not to be allowed to raise deposits from the public except on the basis of permission available to them through other special Acts. The Bill prohibits insider trading by company directors or Key Managerial Personnel and declares it as an offence with criminal liability;

(xi) recognition of both accounting and auditing standards. The role, rights and duties of the auditors have been defined so as to maintain integrity and independence of the audit process. Consolidation of financial statements of subsidiaries with those of holding companies is proposed to be made mandatory;

(xii) a single forum for approval of mergers and acquisitions along with a simple and shorter merger process for holding and wholly owned subsidiary companies or between two or more small companies as well as recognition of cross border mergers. Concept of deemed approval also provided in certain situations;

(xiii) a framework for enabling fair valuations in companies for various purposes. Appointment of valuers is proposed to be made by an audit committee or in its absence by the Board of Directors;

(xiv) claim of an investor over a dividend or a benefit from a security not claimed for more than a period of seven years not to be extinguished, and Investor Education and Protection Fund (IEPF) is to be administered by a statutory authority;

(xv) shareholders associations or group of shareholders to be enabled to take legal action in case of any fraudulent action on the part of a company and to take part in investor protection activities and “Class Action Suits”;

(xvi) a revised framework for regulation of insolvency, including rehabilitation, liquidation and winding up of companies and the process to be completed in a time bound manner;

(xvii) consolidation of fora for dealing with rehabilitation of companies, their liquidation and winding up in the single forum of National Company Law Tribunal and appeal to National Company Law Appellate Tribunal with suitable transitional provisions. The nature of the Rehabilitation and Revival Fund as provided in the Companies (Second Amendment) Act, 2002 is to be replaced by Rehabilitation and Insolvency Fund with voluntary contributions linked to entitlements to draw money in a situation of insolvency;

(xviii) a more effective regime for inspections and investigations of companies while laying down the maximum as well as minimum quantum of penalty for each offence with suitable deterrence for repeated defaults. The company is identified as a separate entity for imposition of monetary penalties from the officers in default. In case of fraudulent activities, provisions for recovery and disgorgement have been included;

(xix) levy of additional fee in a non-discretionary manner for procedural non-compliance, such as late filing of statutory documents, to be enabled through rules. Defaults of procedural nature to be penalised by levy of monetary penalties by the adjudicating officers not below the level of Registrar. The appeals against orders of adjudicating officers are to lie with designated higher authorities;

(xx) special courts to deal with offences under the Bill. Company matters such as mergers and amalgamations, reduction of capital, insolvency including rehabilitation, liquidations and winding up are proposed to be dealt with by the National Company Law Tribunal.

8. In view of the extensive changes made in the Companies Act, 1956, it has been considered necessary to repeal the said Act and enact the Companies Bill, 2009.

9. The Notes on Clauses explain, in detail, provisions of the Bill.

10. The Bill seeks to achieve the above objectives.

NEW DELHI;
The 15th July, 2009

SALMAN KHURSHID

**PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 OF THE
CONSTITUTION OF INDIA**

[Copy of letter No. 1/4/2009-CL-I dated the 17th July, 2009 from Shri Salman Khurshid, Minister of State for Corporate Affairs to the Secretary-General, Lok Sabha]

The President, having been informed of the subject matter of the proposed Companies Bill, 2009, recommends introduction of the Bill in the House under article 117(1) of the Constitution and also recommends to the House the consideration of the Bill under article 117(3) of the Constitution.

Notes on Clauses

Clause 1. — It has been made flexible to enforce various sections on different dates. Sub-clause (4) makes position clear as to application of this Act.

Clause 2. — This clause corresponds to section 2 of the Companies Act, 1956 and defines various expressions used in the Bill.

Clause 3. — This clause corresponds to section 12 of the Companies Act, 1956 and seeks to provide minimum number of persons to form a public, private or One Person Company for any lawful purpose, by subscribing their names to the memorandum. Memorandum of One Person Company shall indicate the name of a person who shall become member, in the event of death, disability or otherwise of the single member. The companies formed under this clause may be limited by shares or limited by guarantee or an unlimited company.

Clause 4. — This clause corresponds to section 25 of the Companies Act, 1956 and empowers the Central Government to register an association as limited company having charitable objects to promote commerce, art, science, sports, education, research, social welfare, religion, charity, etc., without adding to its name the words “Limited”, “Private Limited” or “OPC Limited”. The profit or any income of the company shall be used for promoting the objects of the company. Payment of dividend to members is prohibited. The Central Government shall issue license on such terms and conditions as shall be prescribed by it for registration of such companies and these companies shall be subject to certain exemptions and restrictions. In case of contravention of this clause or the conditions imposed, the Central Government may revoke the license order the company to be wound up or amalgamated with another company having similar objects. A firm may be allowed to become a member of such company.

Clause 5 — This clause corresponds to sections 13, 14 and 20 of the Companies Act, 1956 and seeks to provide for the requirements with respect to memorandum of a company. The memorandum shall mention the name of a company, State in which the registered office of the company is to be situated, objects for which the company is proposed to be incorporated, liability of members, etc.

Clause 6. — This clause corresponds to sections 26, 27, 28 and 29 of the Companies Act, 1956 and seeks to provide the contents and model of articles of association. The articles may contain an entrenchment provision also.

Clause 7. — This clause corresponds to section 33 of the Companies Act, 1956 and seeks to provide for the procedure to be followed for incorporation of a company. Memorandum and articles of association duly signed, a declaration in a prescribed form to the effect that the requirements of the Act in respect of registration have been complied with, affidavit from the subscribers to the memorandum and from the first directors, to the effect, that they are not convicted and have not been found guilty of any fraud or misfeasance, etc., under this Act during the last five years, complete details of name, address of the company, particulars of every subscriber and the persons named as first directors shall be given to the Registrar. Thereafter, the Registrar of companies shall register the company and issue a Certificate of Incorporation and allot a Corporate Identity Number. The persons furnishing false information in this connection shall be liable for punishment and the company which is registered may be liable for strike off from the register or winding up on the order of Tribunal.

Clause 8. — This clause corresponds to section 34 of the Companies Act, 1956 and seeks to provide for the effect of registration of a company. The clause provides that from the date of incorporation, the subscribers become the members of the company. The company shall be a body corporate with a name, capable of exercising all the functions of an incorporated company under this Act and shall have perpetual succession and a common seal with power to acquire, hold and dispose of property, to contract, to sue and be sued, by the said name.

Clause 9. — This clause corresponds to section 36 of the Companies Act, 1956 and seeks to provide for the effect of memorandum and articles whereby the memorandum and articles shall be binding on the company and the members to the extent as if they respectively had been signed by the company and by each member. All moneys payable by any member to the company shall be debt due from him to the company.

Clause 10. — This clause corresponds to section 149 of the Companies Act, 1956 and seeks to provide that the company having a share capital shall not commence business or exercise any borrowing powers unless a declaration is filed with Registrar by a director or subscriber that every subscriber to the memorandum has paid the value of shares taken by him, and the company has filed with the Registrar the verification of its registered office. If a copy has not field such declaration within 180 days of the date of incorporation. The Registrar of companies may remove the name of the company if he has reasonable cause to believe that the company is not carrying on business or operations.

Clause 11. — This clause corresponds to sections 146 and 147 of the Companies Act, 1956 and seeks to provide that from the date of incorporation and at all times thereafter, a company shall have a registered office capable of receiving and acknowledging all communications and notices addressed to it. In case of any change of the registered office, the company has to give notice to the Registrar of companies within a stipulated time. Any change of registered office outside the local limits of any city, town or village shall be done only with the approval of members through special resolution.

Clause 12. — This clause corresponds to section 16 of the Companies Act, 1956 and seeks to provide that a company may alter the provisions of its memorandum with approval of the members through special resolution. No alteration shall have any effect unless it is registered with the Registrar. Where there is change in the name of a company, the Registrar shall issue a fresh certificate of incorporation. Any alteration of the memorandum relating to the place of registered office from one State to another shall be effective only with the approval of the Central Government on an application filed to it. A copy of the order to this effect has to be filed with the Registrar.

Clause 13. — This clause corresponds to section 31 of the Companies Act, 1956 and seeks to provide for alteration of articles. A company may alter its articles including alterations having effect of conversion of a private company or a One Person Company into a public company or a One Person Company or a public company into private company with the approval of members through special resolution and approval of the Tribunal will be required for conversion of a public company into a private company or OPC. A copy of order of Tribunal shall be filed with the Registrar together with a printed copy of the altered articles.

Clause 14. — This clause corresponds to section 40 of the Companies Act, 1956 and seeks to provide that every alteration made in the memorandum or articles of a company shall be noted in every copy of the memorandum or articles of association.

Clause 15. — This clause corresponds to section 22 of the Companies Act, 1956 and seeks to empower the Central Government to give direction to the company to rectify its name if the name registered is identical with or too nearly resembles the name, by which a company in existence has been previously registered, or the name is identical with or too nearly resembles to a registered trade mark.

Clause 16. — This clause corresponds to section 39 of the Companies Act, 1956 and seeks to provide that every company shall on being so requested by a member, send copies of memorandum, and articles of association, agreement or resolution on payment of fees.

Clause 17. — This clause corresponds to section 32 of the Companies Act, 1956 and seeks to provide that a company may re-register itself in same or any other class of companies by altering its memorandum and articles of association. The re-registration shall not affect any debts, liabilities, obligations or contracts incurred or entered into by the company.

Clause 18. — This clause corresponds to section 42 of the Companies Act, 1956 and seeks to provide that a subsidiary company shall not hold shares in its holding company and no holding company shall allot or transfer its shares to any of its subsidiary companies and any such allotment or transfer of shares of a company to its subsidiary company shall be void.

Clause 19. — This clause corresponds to sections 51, 52 and 53 of the Companies Act, 1956 and seeks to provide for the mode in which documents may be served on the company, its members and also on the Registrar.

Clause 20. — This clause corresponds to section 54 of the Companies Act, 1956 and seeks to provide for authentication of documents, proceedings and contracts, etc.

Clause 21. — This clause corresponds to section 47 of the Companies Act, 1956 and seeks to provide for execution of bills of exchange, *hundi*, promissory notes and other deeds. A company may, by writing under its common seal, authorise any person as its attorney to execute deeds on company's behalf. Deed signed by such an attorney on behalf of the company and under his seal shall bind the company and have same effect as if it were made under its common seal.

Clause 22. — This clause corresponds to section 55A of the Companies Act, 1956 and seeks to provide that the powers relating to issue and transfer of securities and non-payment of dividend by listed companies or those companies which intend to get their securities listed on any stock exchange in India, be administered by the Securities and Exchange Board of India, and in other cases be administered by the Central Government.

Clause 23. — This clause corresponds to section 56 and Schedule II of the Companies Act, 1956 and seeks to provide for the matters to be stated and information to be given in the prospectus. Prospectus shall not be issued before the date of its publication. No statement of an expert shall be included in the prospectus unless he is engaged or interested information of a company and has given his written consent to the issue of prospectus before the delivery of a copy of the prospectus to the Registrar for registration. Registrar shall register the prospectus only after the registration requirements are complied with. Prospectus is to be issued within ninety days from the date of delivery of prospectus to the Registrar. In case, a prospectus is issued by a company in contravention of the provision of this section, the company and person knowingly party to such contravention shall be punishable.

Clause 24. — This clause corresponds to section 67 of the Companies Act, 1956 and seeks to provide that a company may make an offer or invitation to the public to subscribe for securities. A statement indicating the salient features of the offer or invitation has to be filed with the Registrar of companies for registration.

Clause 25. — This clause corresponds to section 66 of the Companies Act, 1956 and seeks to provide that where an advertisement of any prospectus of a company is published, it shall specify therein the contents of memorandum as regards to the objects, the liability of members and the amount of share capital, the names of the signatories and the number of shares subscribed by them and also its capital structure, etc.

Clause 26. — This clause corresponds to section 60A of the Companies Act, 1956 and seeks to provide that any class or classes of companies prescribed by the Securities and Exchange Board of India may file a shelf prospectus with the Registrar of companies at the stage of the first offer of securities having validity for a period of one year. No further issue of prospectus is required in respect of a second or subsequent offer of securities included in such prospectus for a period of one year. Company shall also file information memorandum on new charges created, of any change in financial position with the Registrar of companies prior to the issue of a second or subsequent offer under shelf prospectus.

Clause 27. — This clause corresponds to section 60B of the Companies Act, 1956 and seeks to provide for issue of redherring prospectus prior to issue of a prospectus. A company proposing to issue a red herring prospectus shall file it with Registrar at least three days prior to the opening of the subscription list and the offer.

Clause 28. — This clause corresponds to sub-section (3) of section 56 of the Companies Act, 1956 and seeks to provide that every form of application issued for purchase of any securities of a company shall be accompanied by an abridged prospectus.

Clause 29. — This clause corresponds to section 63 of the Companies Act, 1956 and provides for criminal liability for misstatements in prospectus. The person who authorises the issue of such prospectus shall be punishable with fine and imprisonment.

Clause 30. — This clause corresponds to section 62 of the Companies Act, 1956 and seeks to provide that in case any person subscribes for securities on the basis of misleading statements or inclusion or omission of any matter in the prospectus resulting in any loss or damage, the person who has authorised the issue of such prospectus or a director, promoter, whosoever is liable, shall have to compensate every person who has sustained such loss or damage.

Clause 31. — This clause corresponds to section 68 of Companies Act, 1956 and seeks to provide that any person who fraudulently induces persons to invest money by making statement which is false, deceptive, misleading or deliberately conceals any facts, shall be punishable with imprisonment and with fine.

Clause 32. — This is a new clause which seeks to provide that a suit may be filed or any other action may be taken by any person, group of persons or any association of persons who have been affected by any misleading statement or the inclusion or omission of any matter in the prospectus.

Clause 33. — This clause corresponds to section 68A of the Companies Act, 1956 and seeks to provide that any person who makes abates making of an application in fictitious name or makes or abates making of multiple applications or otherwise induces companies to allot shares in fictitious name, shall be punishable with imprisonment and with fine. The clause further provides that Court may order disgorgement of any such gain and seizure and disposal of such securities.

Clause 34. — This clause corresponds to section 69 of the Companies Act, 1956 prohibiting allotment of securities where the minimum amount has not been subscribed and the amount received is to be refunded to all the applicants within a given time frame.

Clause 35. — This clause corresponds to section 73 of the Companies Act, 1956 and seeks to provide that prospectus has to mention the name of the stock exchange where the securities are to be dealt with. Any allotment without permission of the stock exchange shall be void. All moneys received on application from the public for subscription to the securities shall be kept in a separate bank account. In case of default, the company and every officer of the company who is in default shall be punishable with fine or with imprisonment or with both. A company may pay commission to any person in connection with the subscription to its securities.

Clause 36. — This is a new clause which provides that a company may issue depository receipts to be dealt with in a depository mode in any foreign country.

Clause 37. — This clause corresponds to sections 85 and 86 and seeks to provide that there shall be two kinds of share capital namely equity share capital and preference share capital. Preferential share capital carries a preferential right with respect to payment of dividend and also for repayment of capital at the time of winding up.

Clause 38. — This clause corresponds to section 82 of the Companies Act, 1956 and seeks to provide that the shares and debentures are movable property transferable in a manner provided in the articles of a company.

Clause 39. — This clause corresponds to section 83 of the Companies Act, 1956 and seeks to provide that every share in a company having a share capital shall be distinguished by distinctive number. This clause does not apply to shares held with the depository.

Clause 40. — This clause corresponds to section 84 of the Companies Act, 1956 and seeks to provide that a certificate issued by a company shall be *prima facie* evidence of the title of the person to such shares. It provides the manner for issuance of duplicate share certificate and the particulars to be entered in the register of members.

Clause 41. — This clause corresponds to section 87 of the Companies Act, 1956 and seeks to provide that every member who is a holder of equity share shall have the right to vote on every resolution placed before the company. His voting right on a poll shall be in proportion to his share in the paid-up equity share capital of the company. Every member of a company who is holding preference shares shall have a right to vote only on such resolutions which directly affect the rights attached to his preference shares.

Clause 42. — This clause corresponds to sections 106 and 107 of the Companies Act, 1956 and seeks to provide that where share capital is divided into different classes of shares, the rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths of the issued shares or by special resolution. Where the holders of ten per cent. of the issued share capital did not consent to such variation, they may apply to Tribunal for cancellation or modification in such variation.

Clause 43. — This clause corresponds to section 91 of the Companies Act, 1956 and seeks to provide that where any calls for further share capital are made on the shares of a class, such call shall be made on uniform basis on all shares falling under that class.

Clause 44. — This clause corresponds to section 92 of the Companies Act, 1956 and seeks to provide that a company can accept from any member the whole or a part of the amount remaining unpaid on any shares without being called up and that he will not be entitled to any voting rights on the amount paid by him unless amount has been called up.

Clause 45. — This clause corresponds to section 93 of the Companies Act, 1956 and seeks to provide that a company, if authorised by its articles, pay dividends in proportion to the amount paid-up on each share.

Clause 46. — This clause corresponds to section 78 of the Companies Act, 1956 and seeks to provide that a company shall transfer the amount received by it as share premium to securities premium account and state the means in which the amount in that account can be applied.

Clause 47. — This clause corresponds to section 79 of the Companies Act, 1956 and seeks to provide that companies are prohibited from issuing shares at a discount except in the case of issue of sweat equity shares.

Clause 48. — This clause corresponds to section 79A of the Companies Act, 1956 and seeks to provide that on fulfilling certain conditions, a company may issue sweat equity shares of a class of shares already issued. The rights, limitations, restrictions and provisions applicable to equity shares shall be applicable to sweat equity shares and holders of such shares rank *pari passu* with other equity shareholders.

Clause 49. — This clause corresponds to sections 80 and 80A of the Companies Act, 1956 and seeks to provide that no company limited by shares shall issue irredeemable preference shares. A company may issue preference shares for a period not exceeding twenty years. However, for infrastructural project preference shares can be issued for more than twenty years.

Clause 50. — This clause corresponds to sections 108, 109B, 110 and 113 of the Companies Act, 1956 and seeks to provide that transfer of securities/interest of a member not to be registered except on production of instrument of transfer duly stamped, dated and executed. In case of loss of the instrument, the company may register the transfer in terms of indemnity. Where an application relates to partly paid-up shares, the transfer shall not be registered unless a notice is issued to the transferee. In case of refusal of transfer of shares, transferee may appeal to the Tribunal.

Clause 51. — This clause corresponds to section 116 of the Companies Act, 1956 and seeks to provide punishment for a person who deceitfully personates the owner of any share or interest.

Clause 52. — This clause corresponds to sub-sections (1) and (2) of section 111 of the Companies Act, 1956 and seeks to provide for that if a company without sufficient cause refuses to register the transfer of shares, appeal against such refusal shall lie to the National Company Law Tribunal.

Clause 53. — This clause corresponds to section 111A of the Companies Act, 1956 and seeks to provide that if the name of any person has been entered in or has been omitted from the register of members without sufficient cause, the member or the person aggrieved may appeal to the Tribunal or to a competent court outside India in respect of foreign members or debenture holders for rectification of register. The Tribunal may either dismiss the appeal or direct for rectification of register, transfer or transmission. The Tribunal may also direct to pay damages to the aggrieved party.

Clause 54. — This clause corresponds to section 148 of the Companies Act, 1956 and seeks to provide that where any notice, advertisement or other official publication, or any business letter, etc., of a company contains a statement of the amount of the authorised capital of the company, such notice, advertisement or other official publication, or such letters billhead or letter paper shall also state the subscribed and paid-up capital.

Clause 55. — This clause corresponds to section 94 of the Companies Act, 1956 and seeks to provide that a limited company having a share capital may alter its share by passing resolution in its general meeting.

Clause 56. — This clause corresponds to section 81 of the Companies Act, 1956 and seeks to provide that a company having a share capital can increase its subscribed capital by the issue of further shares to its existing members, to employees through employee's stock option, or to the general public, after having the shares valued by registered valuers. This provision is not to apply to conversion of debentures or loans into shares of the company.

Clause 57. — This clause corresponds to sections 95 and 97 of the Companies Act, 1956 and seeks to provide for the companies to give notice to Registrar of alteration or increase of share capital along with an altered memorandum.

Clause 58. — This clause corresponds to section 98 of the Companies Act, 1956 and seeks to provide that an unlimited company having a share capital may be reregistered as a limited company by increasing the nominal amount of each share. This clause further provides that the company can not call unpaid portion of share capital except in the event of winding up.

Clause 59. — This clause corresponds to sections 100 to 105 of the Companies Act, 1956 and seeks to provide that on the confirmation by the Tribunal a limited company may reduce its share capital and alter its memorandum accordingly. This clause further provides that the Tribunal shall give notice to the Central Government and to the SEBI and consider the representations received in this behalf. The company shall deliver a certified copy of the order of the Tribunal to the Registrar who shall issue a certificate to this effect to the company. The clause does not apply to buy back of its own securities by a company.

Clause 60. — This clause corresponds to section 77 of the Companies Act, 1956 and seeks to provide the restrictions on purchase by companies or giving loans to others for purchase of its own shares. This clause further provides that the company's right to redeem any preference shares issued by it is not affected by such restriction.

Clause 61. — This clause corresponds to section 77A of the Companies Act, 1956 and seeks to provide that a company may purchase its own shares out of its free reserves, the securities premium account or from the proceeds of the issue of any shares or other specified securities. The clause provides for the conditions to be fulfilled for buy-back of securities.

Every buy-back should be completed within one year from the date of passing of the special resolution. A declaration of solvency has to be filed by the company to the Registrar and SEBI before the buy-back is proposed. After completion of buy-back a return has to be filed with Registrar and Securities and Exchange Board of India. After buying back, the company shall physically destroy all the shares.

Clause 62. — This clause corresponds to section 77AA of the Companies Act, 1956 and seeks to provide that in case of buy-back of shares out of free reserves, a sum equal to the nominal value of the shares so purchased shall be transferred to capital redemption reserve account.

Clause 63. — This clause corresponds to section 77B of the Companies Act, 1956 and seeks to prohibit buy-back through any subsidiary company, through any investment company or through such company which has defaulted in making repayment of deposits, interest thereon, redemption of debentures, payment of dividend, etc.

Clause 64. — This clause corresponds to sections 117, 117A, 117B, 117C and 118 to 123 of the Companies Act, 1956 and seeks to provide that a company may issue debentures with an option to convert into shares at the time of redemption but cannot issue debentures with voting rights. On issue of debentures, the company shall create a Debenture Redemption Reserve Account. The company shall not issue prospectus to more than five hundred persons without appointing a debenture trustee. The duty of the debenture trustee is to protect the interest of the debenture holders and redress their grievances. This clause further provides that in the event of the failure of the company in making repayment of maturity value of debentures or to pay interest, the tribunal may, on an application, pass such order to make the payment to the debenture holders along with interest due thereon.

Clause 65. — This clause corresponds to section 109A of the Companies Act, 1956 and seeks to provide that every share holder or debenture holder may appoint a nominee or a joint nominee who shall be the owner of the instrument in the event of death of the holder or the joint holder unless the nomination is varied or cancelled.

Clause 66. — This clause corresponds to section 58A of the Companies Act, 1956 and seeks to provide that no company shall invite, accept or renew deposits from public. It can do so only from members of the company subject to fulfillment of certain conditions. In case of failure to repay the deposit or interest thereon the Tribunal may order for repayment or for any loss or damage.

Clause 67. — This is a new clause which seeks to provide that the deposit accepted before this Act comes into force by a company or any interest due thereon shall be repaid within one year. Extension of time for repayment may be granted by the Tribunal on an application.

Clause 68. — This new clause seeks to provide that in case the company fails to pay the deposit or any interest thereon and it is proved that the deposits had been accepted with intent to defraud the depositors, every officer who was responsible for acceptance of deposits shall be personally responsible, without any limitation of liability for all losses or damages incurred by the depositors.

Clause 69. — This clause correspond to section 125 of the Companies Act, 1956 and seeks to provide that a company creating a charge within or outside India, shall, register the said charge with the Registrar within thirty days. The Registrar after registering the charge, shall issue a certificate of registration. The liquidator or any other creditor shall not take into account any charge created unless registered with the Registrar.

Clause 70. — This clause corresponds to section 138 of the Companies Act, 1956 and seeks to provide that where a company fails to register the charge, the person in whose favour the charge is created may apply to the Registrar for registration of charges.

Clause 71. — This clause corresponds to sections 127 and 135 of the Companies Act,

1956 and seeks to provide that the requirement of registering the charge created by a company shall also apply to a company acquiring any property subject to charge or any modification in terms and conditions of any charge already registered.

Clause 72. — This clause corresponds to section 126 of the Companies Act, 1956 and seeks to provide that any person acquiring a property, assets undertaking for which a charge is already registered, it would be deemed that he has complete knowledge of charge from the date the charge is registered.

Clause 73. — This clause corresponds to section 130 of the Companies Act, 1956 and seeks to provide that the Registrar shall, in respect of every company, keep a register containing particular of charges so registered. The register shall be open for inspection on payment of fee.

Clause 74. — This clause corresponds to section 138 of the Companies Act, 1956 and seeks to provide that a company shall intimate to Registrar about the payment or satisfaction in full of any charge so registered. The Registrar shall issue notice to holder of the charge calling a show cause why payment or satisfaction should not be recorded and in case of no reply, the memorandum of satisfaction shall be entered in the register of charges.

Clause 75. — This clause corresponds to section 137 of the Companies Act, 1956 and seeks to provide that if a person obtains an order for the appointment of a receiver or a person to manage the property subject to charge, he shall give notice to the company and the Registrar about such an order. The person appointed as receiver shall also give notice to the company and the Registrar on his ceasing to hold such appointment.

Clause 76. — This clause corresponds to section 143 of the Companies Act, 1956 and seeks to provide that every company shall keep a register of charges at its registered office and this register shall be open for inspection during business hours by members without fee and by any other person with fee.

Clause 77. — This clause corresponds to section 142 of the Companies Act, 1956 and seeks to provide for the penal provisions for contravening any of the provisions of the chapter.

Clause 78. — This clause corresponds to sections 150, 151, 152 and 152A of the Companies Act, 1956 and seeks to provide that every company shall keep and maintain the register of members, register of debenture holders and register of any other security holders. This clause further provides that every register shall include an index of the name. A company, if authorised by its articles, may keep a foreign register outside India. This clause also provides that a company shall file with the Registrar, the particulars and situation of place where the register is to be kept and any changes in the situation of such place.

Clause 79. — This clause corresponds to section 187C of the Companies Act, 1956 and seeks to provide that a declaration is to be given to the company by any person who is a member but not holding the beneficial interest in such shares. Further, the person holding beneficial interest shall declare the nature of his interest and other particulars on those shares to the company. Any changes in the beneficial interest is also to be declared. This clause also provides that the company shall make a note of all the declaration made to it and file a return with Registrar.

Clause 80. — This clause corresponds to section 187D of the Companies Act, 1956 and seeks to provide that the Central Government may appoint one or more competent persons to investigate and report as to the beneficial ownership.

Clause 81. — This clause corresponds to section 154 of the Companies Act, 1956 and seeks to provide that a company may close the register of members, debenture holders and other security holders by giving minimum seven days notice.

Clause 82. — This clause corresponds to section 159 of the Companies Act, 1956 and

seeks to provide that every company shall prepare an annual return containing certain particulars such as registered office, principal business activities, particulars of holding, subsidiary and associate companies, its shares, debentures and other securities, members, promoters, etc. The annual return shall be signed both by a director and a company secretary. Where there is no company secretary or in case of listed companies, the return shall be signed by the Company Secretary in whole-time practice and the same shall be filed with the Registrar. Company secretary in practice shall also be punished if he certifies otherwise than in conformity of this section or rules.

Clause 83. — This clause corresponds to section 163 of the Companies Act, 1956 and seeks to provide that register of members, debenture holders and any other security holders and copies of annual returns shall be kept at the registered office and can also be kept at any place other than registered office where more than one-tenth of total members reside, if approved by special resolution. This clause further provides that the registers and the indices shall be open to inspection and any person can take extracts during any business hours without payment of any fee and can also get copies thereof with payment of fee. The Central Government may by order direct inspection of documents and to have an extract or copy of such registers by any person.

Clause 84. — This clause corresponds to section 164 of the Companies Act, 1956 and seeks to provide that the register indices and copies of annual return shall be *prima facie* evidence of any matter.

Clause 85. — This clause corresponds to section 166 of the Companies Act, 1956 and seeks to provide for that every company other than One Person Company in addition to any other meeting shall hold a general meeting as its annual general meeting. There should not be a gap of more than fifteen months between two annual general meetings. This clause further provides that first annual general meeting shall be held within a period of nine months from the closing of first financial year and within a period of six months in all other cases. This clause also provides that annual general meeting shall be called on any day which is not a National Holiday and may be held either at registered office of a company or at some other place where the registered office of the company is situated. The Central Government may exempt any company from this compliance.

Clause 86. — This clause corresponds to section 167 of the Companies Act, 1956 and seeks to provide that in case of any default in holding annual general meeting of a company, the Tribunal on the application of any member of the company, call or direct the calling of an annual general meeting. The Tribunal may also direct that one member of the company present in person or by proxy shall be deemed to constitute a meeting.

Clause 87. — This clause corresponds to section 186 of the Companies Act, 1956 and seeks to provide that if for any reason, it is impracticable to call a meeting of a company other than an annual general meeting the Tribunal shall have the power to order for calling the meeting either *suo motu* or on the application of any director of the company or of any member of a company.

Clause 88. — This clause corresponds to section 168 of the Companies Act, 1956 and seeks to provide that if any default is made in holding a general meeting of the company or in complying with any directions of the Central Government, or Tribunal, the company and every officer of the company who is in default shall be punishable with fine.

Clause 89. — This clause corresponds to section 169 of the Companies Act, 1956 and seeks to provide that the Board may call an extraordinary general meeting on its own or on a request from such number of members holding not less than one-tenth of paid-up capital of the company. In case of company not having a share capital, such number of members having not less than one-tenth of the total voting power of all the members call an extraordinary general meeting. In case the Board does not call the meeting within twenty-one days

requisitionists may call the meeting. This clause further provides that any reasonable expenses incurred by the requisitionists shall be reimbursed.

Clause 90. — This clause corresponds to sections 171 and 172 of the Companies Act, 1956 and seeks to provide that general meeting may be called by giving not less than 21 days' notice to all members, legal representative of any deceased member or the assignees of the insolvent members, the auditors and directors in writing or through electronic mode. A shorter notice may also be given with the consent of ninety-five per cent. of the members entitled to vote.

Clause 91. — This clause corresponds to section 173 of the Companies Act, 1956 and seeks to provide that a statement setting out all the material facts concerning each item of special business to be transacted at a general meeting, shall be annexed to the notice calling such meeting. This clause further provides for all the businesses that shall be deemed to be special. In case of non-disclosure or insufficient disclosure in any statement made by director, manager or other key managerial personnel which results into any benefit for themselves or their relatives, shall have to be compensated.

Clause 92. — This clause corresponds to section 174 of the Companies Act, 1956 and seeks to provide that unless the articles of the company provide for a larger number, five members personally present in case of a public company and two members personally present in case of a private company shall be the quorum for a meeting. This clause further provides that if the quorum is not present within half-an-hour, the meeting shall stand adjourned for the next week at the same time and place or such other time and place as decided by the Board. However, the meeting called by requisitionist shall stand cancelled in the absence of quorum. In case of adjournment or of change of day, time and place of meeting, the company shall give not less than three days' notice to the members where quorum is not present in the adjourned meeting also, the members present shall be the quorum.

Clause 93. — This clause corresponds to section 175 of the Companies Act, 1956 and seeks to provide that members shall elect one among themselves to be the chairman by show of hands. The clause further provides that if a poll is demanded on the election of the Chairman, the Chairman elected by show of hands shall continue to be the Chairman of the meeting until some other person is elected as Chairman as a result of poll.

Clause 94. — This clause corresponds to section 176 of the Companies Act, 1956 and seeks to provide that a member who is entitled to attend and vote can appoint another person as a proxy to attend and vote at the meeting on his behalf, in writing or by electronic mode. However, proxy shall not have the right to speak at a meeting and shall not be entitled to vote except on poll.

Clause 95. — This clause corresponds to section 181 of the Companies Act, 1956 and seeks to provide that no member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or on which company has exercised any right or lien. No member can be prohibited from exercising his voting right on any other ground.

Clause 96. — This clause corresponds to section 177 of the Companies Act, 1956 and seeks to provide that at general meeting, a resolution put to vote shall, unless a poll is demanded or the voting is carried out electronically, be decided on a show of hands. A declaration by the Chairman and an entry in the minutes book is conclusive evidence that resolution is passed.

Clause 97. — This is a new clause and it provides that a member may exercise his vote at a meeting by electronic means.

Clause 98. — This clause corresponds to section 179 of the Companies Act, 1956 and seeks to provide that before or on declaration of result of the voting on any resolution by a show of hands, the Chairman of the meeting on his own or on demand made by members order for a poll. This clause further provides that the demand for poll may be withdrawn by

the persons who made the demand. The Chairman of the meeting shall appoint scrutiniser for observing the poll process and votes given on poll and to report thereon. The result of the poll shall be deemed to be the decision of the meeting on the resolution. The Chairman shall regulate the manner in which poll shall be taken.

Clause 99. — This clause corresponds to section 192A of the Companies Act, 1956 and seeks to provide that the Central Government may declare items of business that can be transacted only by postal ballot and also in respect of any item of business other than ordinary business and any business in respect of which directors or auditors have a right to be heard at any meeting may also be transacted through postal ballot.

Clause 100. — This clause corresponds to section 188 of the Companies Act, 1956 and seeks to provide that a company shall, on requisition in writing of certain number of members, give notice or circulate statement to members on proposed resolution intended to be moved in the meeting. The statement need not be circulated if the Central Government declares that the right conferred is being abused to secure needless publicity for defamatory matters.

Clause 101. — This clause corresponds to section 187A of the Companies Act, 1956 and seeks to provide that President of India or the Governor of a State, if he is a member of a company, may appoint such person as he thinks fit, to act as his representative at any meeting and to vote by proxy and postal ballot as member of the company.

Clause 102. — This clause corresponds to section 187 of the Companies Act, 1956 and seeks to provide that where a body corporate is a member or a creditor of the company and it authorises any person as its representative at any meeting of the company or any class of members of the company or at any meeting of creditors of the company, such representative shall be entitled to exercise the same rights and powers including right to vote by proxy and by postal ballot on behalf of the body corporate which he represents.

Clause 103. — This clause corresponds to section 189 of the Companies Act, 1956 and seeks to provide that a resolution shall be an ordinary resolution if the votes cast in favour of the resolution exceeds the votes, if any, cast against the resolution by the members. A resolution shall be special when it is duly specified in the notice, calling the general meeting and votes cast in favour is three times the votes cast against the resolution.

Clause 104. — This clause corresponds to section 190 of the Companies Act, 1956 and seeks to provide that where a special notice is required of any resolution, notice of the intention to move such resolution is to be given by such number of members in such manner as may be prescribed.

Clause 105. — This clause corresponds to section 191 of the Companies Act, 1956 and seeks to provide that where a resolution is passed at an adjourned meeting, the resolution shall be treated as passed on the day it was actually passed and not on any earlier date.

Clause 106. — This clause corresponds to section 192 of the Companies Act, 1956 and seeks to provide that a copy of every resolution and an agreement together with a explanatory statement shall be filed with the Registrar within 30 days of its passing. The Registrar shall register the same and in case of any default, every officer who is in default including the liquidator shall be liable.

Clause 107. — This clause corresponds to sections 193, 194, 195 and 197 of the Companies Act, 1956 and seeks to provide that every Company shall prepare, sign and keep minutes of proceedings of every General Meeting, including the meeting called by the requisitionists and all proceedings of meeting of any class of share holders or creditors or Board of Directors or Committee of the Board and also resolution passed by postal ballot. In case of meeting of Board of Directors or of a committee of Board, the minutes shall contain name of the directors present and also name of dissenting director or a director who has not concurred the resolution. The Chairman shall exercise his absolute discretion in respect of inclusion or non-inclusion of the matters which is regarded as defamatory of any person, irrelevant or detrimental to company's interest in the minutes. Minutes kept shall be evidence

of the proceedings recorded in a meeting. This clause also seeks to provide that every company shall observe secretarial standards with respect to general and Board meeting.

Clause 108. — This clause corresponds to section 196 of the Companies Act, 1956 and seeks to provide that the minutes book of general meetings shall be kept at the registered office of a Company and shall be open for inspection to members during business hours without any charge. A member shall be entitled for a copy of any minutes subject to payment of fees. The copy should be made available to him within seven days of his making request. Where the company refuses inspection or fails to furnish a copy of minutes within specified time, the Central Government is empowered to direct immediate inspection or sending a copy of minutes in the matter and the company and every officer of the company shall be punishable with fine.

Clause 109. — This new clause seeks to provide that every listed company shall prepare a report on each annual general meeting including the confirmation to the effect that the meeting was convened, held and conducted as per the provision of the Act and the rules made thereunder. A copy of this report shall be filed with the Registrar.

Clause 110. — This clause corresponds to section 205 of the Companies Act, 1956 and seeks to provide that dividend shall be declared by a company for any financial year at a general meeting out of the profits for that year or any previous year or years arrived at after providing for depreciation or out of money provided by the Central Government or a State Government for the payment of dividend. However, before the declaration of any dividend certain percentage of profit shall be transferred to the reserves of the company. In case of inadequacy of profits or loss or absence of profit in any financial year dividend can be declared and paid out of accumulated profits transferred to reserves by passing Board resolution unanimously and special resolution in annual general meeting. The clause provides for the manner of providing depreciation. The Board may declare interim dividend out of profits. The amount of dividend shall be deposited in a schedule bank in separate account within five days. Dividend shall be paid by cheque or warrant or in any electronic mode to the shareholders entitled to the payment of dividend. No dividend can be declared in the event of failure to repay the deposits accepted by company. Capitalisation of profits for issuing bonus shares is not prohibited.

Clause 111. — This clause corresponds to section 205A of the Companies Act, 1956 and seeks to provide that where the dividend is not paid or claimed within thirty days, the company shall, within seven days, transfer the total unpaid or unclaimed amount to a unpaid dividend account to be opened by the company in a scheduled bank. In case of any default in transferring the amount, the company shall be liable to pay interest on the amount as has not been transferred. The amount remaining unpaid or unclaimed for seven years shall be transferred to Investor Education and Protection Fund. A statement of such amount is required to be sent to the Authority administering the Fund.

Clause 112. — This clause corresponds to section 205C of the Companies Act, 1956 and seeks to provide that the Central Government shall establish a fund to be called the Investor Education and Protection Fund. The Fund shall be utilised for refund of unclaimed dividends, application monies due for refund and interest thereon, the promotion of investors' education, awareness and protection. To administer the fund, the Central Government shall constitute an authority consisting of Chairperson, maximum of seven members and Administrator. Accounts of the Fund would be audited by Comptroller and Auditor General and the audit report along with duly certified accounts to be forwarded to the Central Government. The authority shall prepare its annual report and the annual report along with audit report to be laid before each House of Parliament by the Central Government.

Clause 113. — This clause seeks to provide that all amount lying in the existing fund, *i.e.* Investor Education and Protection Fund as per section 205C of the Companies Act, 1956 shall stand credited to the Investor Education and Protection Fund established under this Act.

Clause 114. — This clause corresponds to section 206A of the Companies Act, 1956 and seeks to provide that where any instrument of transfer of shares is not registered, the amount of dividend shall be transferred to the Unpaid Dividend Account and to keep in abeyance the rights to any right shares or bonus shares.

Clause 115. — This clause corresponds to section 207 of the Companies Act, 1956 and seeks to provide that where the dividend has been declared but has not been paid or the warrants have not been posted within thirty days of declaration, every director who is knowingly party to the default shall be punishable with imprisonment up to two years with fine and the company shall be liable to pay interest of 18 per cent. per annum thereon.

Clause 116. — This clause corresponds to section 209 of the Companies Act, 1956 and seeks to provide that every company shall prepare and keep at its registered office books of account and other relevant books and papers which give a true and fair view of the state of the affairs of the company and its branch offices. However, if Board decides to keep books and other papers at any other place in India, a notice to this effect shall be given to the Registrar and relevant books and paper can also be kept in electronic mode. For branch offices of the company in India or outside, it shall be deemed to have complied with the provisions of this section, if summarised returns are sent periodically to the registered office. The books of accounts and other books and papers maintained by the company shall be open for inspection by any director. A person duly authorised by the Board can only inspect books of accounts of subsidiaries companies. This clause further provides that books of accounts of every company shall be kept for eight years. In case, an investigation has been ordered, the Central Government shall have power to ask the company to keep the books of accounts for a period longer than eight years.

Clause 117. — This clause corresponds to section 211 of the Companies Act, 1956 and seeks to provide that the financial statements shall give a true and fair view of the state of affairs of the company and shall comply with accounting standards. The financial statement shall be laid in the annual general meeting of that financial year. In case of subsidiary companies, the company shall prepare a consolidated statement of all subsidiaries and lay before the annual general meeting. The Central Government shall have the power to exempt a class or classes of companies from any of the requirement of this section.

Clause 118. — This clause corresponds to section 210 A of the Companies Act, 1956 and seeks to provide that the Central Government may by notification constitute an advisory committee to be called the National Advisory Committee on Accounting and Auditing Standards to advise the Central Government on accounting and auditing policies and standards for adoption. The clause further provides for the members who shall constitute the Advisory Committee. The members of the Advisory Committee shall be entitled to fees, travelling, conveyance and other allowances. The Advisory Committee in consultation with Indian Institute of Chartered Accountants of India shall make recommendations to the Central Government on the matters relating to accounting and auditing policies and standards.

Clause 119. — This clause corresponds to section 211(3C) of the Companies Act, 1956 and it seeks to provide that the Central Government may, after consultation with the Advisory Committee, notify the accounting standards for adoption by companies.

Clause 120. — This clause corresponds to sections 215, 216 and 217 of the Companies Act, 1956 and seeks to provide that the financial statement including consolidated financial statements should be approved by the Board of Directors before they are signed and submitted to auditors for their report. The auditor's report is to be attached to every financial statement. A report by the Board of Directors containing details on the matters specified including directors responsibility statement shall be annexed to every financial statement laid before company.

The Board's report and every annexure has to be duly signed. A signed copy of every financial statement shall be circulated, issued or published along with all notes or documents, the auditor's report and Board report.

Clause 121. — This clause corresponds to section 219 of the Companies Act, 1956 and seeks to provide that a copy of financial statement, auditor's report along with annexures/ attachments shall be sent to every member, every trustee for the debenture holder, and all other persons who are so entitled 21 days before the date of general meeting. A specific manner of circulation may be prescribed by the Central Government. Every member, trustee, etc. is allowed to inspect the financial statements and auditor's report, etc., at the registered office of the company during any business hours.

Clause 122. — This clause corresponds to section 220 of the Companies Act, 1956 and seeks to provide that copies of financial statement and all such documents which are annexed to the financial statement and adopted at the annual general meeting shall be filed with Registrar. In case a company does not hold an annual general meeting in any year, a statement of facts and reasons along with financial statement and attachment has to be filed with the Registrar. This clause further provides that in case the accounts are not adopted at annual general meeting or in adjourned meeting, the un-adopted accounts shall be filed with the Registrar and the Registrar shall take them in his records as provisional till the final accounts are filed.

Clause 123. — This clause corresponds to section 224 of the Companies Act, 1956 and seeks to provide that a company shall appoint an individual or a firm as an auditor at annual general meeting subject to his written consent who shall hold office till conclusion of next annual general meeting. A notice of appointment should be filed with the Register. The Comptroller and Auditor-General of India appoints auditor of Government Companies failing which Central Government/State Government appoints auditor on the request of the company. First auditor is appointed by Board within 30 days of incorporation and in case of failure to appoint, the members at a general meeting shall appoint and Comptroller and Auditor General of India shall appoint auditor of Government companies failing which Board shall appoint first auditor and in case of failure Central Government/State Government will appoint. The clause further provides for the provisions relating to the casual vacancy, resignation, reappointment and removal of auditor. The Tribunal is empowered to change the auditor in case of any fraud by him.

Clause 124. — This clause corresponds to sections 224(1B) and 226 of the Companies Act, 1956 and seeks to provide for appointment of only Chartered Accountant in practice as auditors. The clause further provides for the persons who are not eligible for appointment as an auditor of a company. An auditor who is disqualified subsequent to his appointment, has to vacate office.

Clause 125. — This clause corresponds to section 224 of the Companies Act, 1956 and seeks to provide for remuneration of auditors of the company. The remuneration is to be fixed in the general meeting. The clause further defines the term "remuneration".

Clause 126. — This clause corresponds to section 227 of the Companies Act, 1956 and seeks to provide for the powers and duties of auditors. Every auditor can access books of accounts, vouchers and seek such information and explanation from the company and enquire such matters as he consider necessary. In case of financial statements, auditor of holding company can access records of subsidiaries. The auditor has to make a report to the members on that accounts, financial statement or other documents required to be laid in general meeting give a true and fair view of the state of the company's affairs and such other matters as may be prescribed. The report shall state reasons for negative and qualified remarks. The clause also provides the manner in which audit report of a Government company shall be finalised by the Comptroller and Auditor General. This clause also provides to notify the auditing standard by the Central Government.

Clause 127. — This is a new clause and it seeks to provide that an auditor can do such other services as approved by the Board or audit committee. The clause further provides for the services which the auditor cannot perform.

Clause 128. — This clause corresponds to section 229 of the Companies Act, 1956 and seeks to provide that its auditor's report can be signed by the person appointed as an auditor of the company. He shall also sign or certify any other document of the company.

Clause 129. — This clause corresponds to section 231 of the Companies Act, 1956 and seeks to provide that auditor or his representative, qualified to be an auditor, shall get all the notices of general meetings and shall attend the same and be heard on any part of the business concerning him as the auditor.

Clause 130. — This clause corresponds to sections 232 and 233 of the Companies Act, 1956 and seeks to provide for the penalties for contravention of provisions of the clauses 123 to 129. In case an auditor knowingly or willfully contravenes he shall be punishable with imprisonment or with fine or with both. The Auditor is also required to refund remuneration received by him to company and for any damages to the company or to any person suffered due to misleading or incorrect statements of particulars made in his report.

Clause 131. — This clause corresponds to section 233B of the Companies Act, 1956 and seeks to empower Central Government after consultation with regulatory body to direct certain companies to include in the books of accounts particulars relating to utilisation of material or labour or to such other items of cost. The Central Government may direct the audit of cost records of the company by Cost Accountant in practice appointed by Board and on such remuneration as determined by the members. The clause further provides that the qualifications, disqualifications, rights, duties and obligations as apply to auditor shall also be applicable to cost auditor as well. The Central Government may call for further information and explanation if necessary after considering cost audit report.

Clause 132. — This clause corresponds to some of the provisions of sections 252, 253 and 259 of the Companies Act, 1956 and some new provisions. It seeks to provide that every company shall have a Board of Directors and prescribes the minimum and maximum number of directors. The clause also seeks to provide that every company shall have at least one director who would be ordinarily resident in India. The clause further provides the conditions for appointment of independent director. The clause also seeks to define the terms "independent director" and "nominee director" and seeks to provide that an Independent Director shall not be entitled to any remuneration, other than sitting fee, reimbursement of expenses for participation in Board meeting and profit related commission and stock options as approved by the members.

Clause 133. — This clause corresponds to some of the provisions of sections 254 to 256 and 264 of the Act and some new provisions and seeks to provide the manner in which the directors including the first directors shall be appointed by a company. The clause seeks to provide that other than first directors, the directors shall be appointed in general meetings. The clause further provides that every director would obtain DIN from the Central Government before he acts as a director in any company. Every proposed director shall furnish his DIN, a declaration that he is not disqualified to become a director and a consent to hold office as director before he is appointed. Further in case of independent directors, the Board shall give a report in the General meeting that every independent directors appointed fulfils the conditions specified for his appointment. The clause also provides for the manner in which rotation of directors shall take place.

Clause 134. — This clause corresponds to section 266A of the Companies Act, 1956 and seeks to provide that every individual intending to be appointed as director shall make an application for allotment of Director Identification Number (DIN) to the Central Government along with fee.

Clause 135. — This clause corresponds to section 266B of the Companies Act, 1956 and seeks to provide that the Central Government shall allot Director Identification Number (DIN) to the applicant within one month from the receipt of the application.

Clause 136. — This clause corresponds to section 266C of the Companies Act, 1956 and seeks to provide that no individual, who has already been allotted a Director Identification Number shall apply, obtain or possess another Director Identification Number.

Clause 137. — This clause corresponds to section 266D of the Companies Act, 1956 and seeks to provide that every existing director shall, intimate his Director Identification Number within one month of its receipt to the company or all companies wherein he is a director.

Clause 138. — This clause corresponds to section 266E of the Companies Act, 1956 and seeks to provide that every company shall furnish the Director Identification Numbers of all its directors to the Registrar or any other officer or authority as specified by the Central Government.

Clause 139. — This clause corresponds to section 266F of the Companies Act, 1956 and seeks to provide that every person or company, while furnishing any return, information or particulars shall mention the Director Identification Number in such return, information or particulars.

Clause 140. — This clause corresponds to section 266G of the Companies Act, 1956 and seeks to provide that if any individual or director, or a company contravenes any of the provisions, of clauses 133, 136 and 137 shall be punishable with fine and where the contravention is a continuing one, with a further fine.

Clause 141. — This clause corresponds to section 257 of the Companies Act, 1956 and seeks to provide that a person, not being a retiring director shall be eligible for appointment as a director at any general meeting. The clause further provides the manner in which the persons other than retiring director can stand for directorship and the company shall inform its members of the candidature of a person for the office of director.

Clause 142. — This clause corresponds to sections 260, 262 and 313 of the Companies Act, 1956 and contains some new provisions. The Board if authorised by articles may appoint any person, other than a person who fails to get appointed as a director in a general meeting, as an additional director at any time. The clause further seeks to provide that the Board may, if so authorised by its articles or by a resolution passed by the company, appoint a person, to act as an alternate director for a director during his absence for a period of not less than three months from India. The clause also seeks to provide that only a person, who is qualified to be appointed as an independent director, shall be eligible to be appointed as an alternate director in place of an independent director. The clause provides that an alternate director shall not hold office larger than permissible and shall vacate the office if and when the director in whose place he has been appointed returns to India. The clause further provides that in the case of a public company or a private company which is a subsidiary of a public company, the casual vacancy may be filled by the Board of Directors at a meeting of the Board. The clause also provides that any person so appointed shall hold office up to the date up to which the director in whose place he is appointed would have held office if it had not been vacated.

Clause 143. — This clause corresponds to section 263 of the Companies Act, 1956 and seeks to provide that at a general meeting of a company, a motion for the appointment of two or more persons as directors by a single resolution shall not be moved unless a proposal to move such a motion has first been agreed to at the meeting without any vote being cast against it.

Clause 144. — This clause corresponds to section 265 of the Companies Act, 1956 and seeks to provide that the articles of a company may provide for the appointment of not less than two-thirds of the total number of the directors in accordance with the principle of proportional representation.

Clause 145. — This clause corresponds to section 274 of the Companies Act, 1956 and seeks to provide the circumstances and situations under which a person shall not be eligible for appointment as a director of a company. The clause further provides for the situations in which a director shall not be eligible to be re-appointed as a director of that company or appointed in other public company for a period of five years. The clause also provides that a private company may by its articles provide for any other disqualifications in addition to those specified in this clause.

Clause 146. — This clause corresponds to section 275 of the Companies Act, 1956 and seeks to provide that no person, shall hold office as a director, in more than fifteen public limited companies at the same time.

Clause 147. — This is a new clause and seeks to provide that a director of a company shall act in accordance with the company's articles. It further seeks to provide for various duties of directors. In case of contravention, director is punishable with fine and if a director is found guilty of making any undue gain either to himself or to his relatives, partners or associates he shall also be liable to pay an amount, equal to that gain, to the company.

Clause 148. — This clause corresponds to section 283 of the Companies Act, 1956 and seeks to provide the grounds and circumstances under which the office of a director shall become vacant. The clause further provides that where a person acts as a director after he is aware that the office of director held by him has become vacant on account of any disqualification, he shall be punishable with fine. Where all the directors vacate their offices under any of the disqualifications, the promoter or, in his absence, the Central Government shall appoint the required number of directors who shall hold office till the directors are appointed in the general meeting. The clause also provides that a private company may provide for any other ground for vacation of office.

Clause 149. — This is a new clause and seeks to provide that a director may resign from his office by giving a notice in writing and the Board shall, on receipt of such notice intimate the Registrar and place such resignation in the subsequent general meeting of the company. The clause further provides for the date on which the notice of resignation shall take effect. The clause seeks to provide that where the number of directors is reduced below the quorum fixed, the continuing director or director(s) shall be deemed to constitute the quorum.

Clause 150. — This clause corresponds to sections 284 of the Companies Act, 1956 and seeks to provide that a company may, by ordinary resolution remove a director (not being a director appointed by the Tribunal under section 213). Special notice shall be required of any resolution, to remove a director or to appoint somebody in place of a director so removed. The clause further provides that the director shall be entitled to be heard on the resolution at the meeting. A vacancy created by the removal of a director may be filled by the appointment of another director in his place by the meeting at which he is removed. The clause seeks to provide that the director who was removed from office shall not be re-appointed as a director by the Board of Directors.

Clause 151. — This clause corresponds to sections 303 and 307 of the Companies Act, 1956 and seeks to provide that every company shall keep at its registered office a register containing particulars of its directors and the key managerial personnel including the details of securities held by each of them in the company or its holding, subsidiary or associate companies. A return containing particulars and documents of appointment or any change in the directors and the key managerial personnel shall be filed with the Registrar.

Clause 152. — This clause corresponds to section 304 of the Companies Act, 1956 and also seeks to provide the manner in which register kept under clause 151 shall be open for inspection. The members shall take extracts therefrom and obtain copies thereof free of cost. The clause seeks to provide that if any inspection as provided in this clause is refused, or if

any copy required thereunder is not sent within thirty days from the date of receipt of such request, the Registrar shall on an application made to him order immediate inspection and supply of copies required thereunder.

Clause 153. — This clause is a new clause which seeks to provide that where a company contravenes any of the provisions of this Chapter and no specific punishment is provided therein, the company, every director or employee who is responsible shall be punishable with fine.

Clause 154. — This clause corresponds to sections 285 and 286 of the Companies Act, 1956 and seeks to provide that every company shall hold the first meeting of the Board of Directors within thirty days of the date of its incorporation and hold a minimum number of four meetings of its Board of Directors every year. The participation of directors in a meeting of the Board may be either in person or through video conferencing or such other electronic means. The clause further provides that a notice of the meeting of Board shall be given to every director at his address registered with the company. The meeting of the Board may be called at shorter notice to transact urgent business where at least one independent director, if any, shall be present.

Clause 155. — This clause corresponds to sections 287 and 288 of the Companies Act, 1956 and seeks to provide that the quorum for a meeting of the Board of Directors of a company shall be one-third of its total strength or two directors, whichever is higher, and the directors participating by video conferencing or other electronic means shall be counted for quorum. It further provides that where the number of interested directors exceeds, or is equal to, two-thirds of the total strength of the Board, the number of directors who are not interested and present at the meeting, being not less than two, shall be the quorum. The clause further provides that the meeting shall stand adjourned if it could not be held for want of quorum.

Clause 156. — This clause corresponds to section 289 of the Companies Act, 1956 and seeks to provide that no resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation unless the resolution has been circulated in draft, to all the directors, or members of the committee at their addresses in India, and has been approved by a majority. The clause also provides that such a resolution shall be noted and made part of minutes at a subsequent meeting.

Clause 157. — This clause corresponds to section 290 of the Companies Act, 1956 and seeks to provide that any act done by a person as a director shall not be invalid if it is subsequently discovered that his appointment was invalid. The clause further provides that nothing shall be given validity to any act done by the director after his appointment has been noticed by the company to be invalid or to have terminated.

Clause 158. — This clause contains some provisions of section 292A of the Companies Act, 1956 and contains some new provisions and seeks to provide the requirement and manner of constituting audit, remuneration, stakeholders relationship committees of the Board. The clause also provides for the requirements in respect of such committees.

The Audit Committee shall consist of a minimum of three directors with independent directors forming a majority and at least one director having knowledge of financial management, audit or accounts.

The Chairman of an Audit Committee shall be an independent director.

Remuneration Committee shall consist of non-executive directors as appointed by the Board out of which at least one shall be an independent director. Such Remuneration Committee shall determine the company's policies relating to the remuneration of the directors, key managerial personnel and such other employees as may be decided by the Committee.

The clause further provides that the Board having a combined membership of the shareholders, debenture holders and other security holders of more than one thousand at any time during a financial year shall constitute a stakeholders relationship committee which shall consist of a chairman who is a non-executive director and such other members of the

Board as decided by the Board. Stakeholders Relationship Committee shall consider and resolve the grievances of stakeholders.

Clause 159. — This clause corresponds to sections 291 and 292 of the Companies Act, 1956 and seeks to provide that the Board of Directors shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do except those that are to be exercised or done by the company in general meeting. The clause further specifies the powers to be exercised by the Board of Directors on behalf of the company.

Clause 160. — This clause corresponds to section 293 of the Companies Act, 1956 and seeks to provide for the powers of the Board of Directors of a company to be exercised only with the consent of the company by a special resolution.

Clause 161. — This clause corresponds to section 293A of the Companies Act, 1956. It seeks to provide the manner and limits up to which a company shall be able to contribute the amount to any political party or to any person for a political purpose. The clause further provides the manner in which every company shall disclose in its profit and loss account any amount so contributed by it during any financial year.

Clause 162. — This clause corresponds to section 299 of the Companies Act, 1956 and seeks to provide the manner and periodicity in which every director shall make disclosures of his concern or interest in any company or bodies corporate, firms, or other association of individuals. It also seeks to provide that every director of a company who is concerned or interested in a contract or arrangement shall disclose the nature of his concern or interest at the meeting of the Board and shall not participate in such meeting. The clause further provides that a contract or arrangement entered into by the company without disclosure or with participation by a director who is so concerned or interested shall be voidable at the option of the company.

Clause 163. — This clause corresponds to section 295 of the Companies Act, 1956 and seeks to provide the circumstances and manner in which a company shall advance any loan to any of its directors or to any other person in whom he is interested or give any guarantee or provide any security in connection with any loan taken by him or such other person.

Clause 164. — This clause corresponds to section 372A of the Companies Act, 1956 and seeks to provide the manner in which and limits up to which a company shall give any loan or give any guarantee or provide security in connection with a loan to any other body corporate or person or acquire by way of subscription, purchase or otherwise, the securities of any other body corporate. The clause further provides that the companies as providing or associating loans shall disclose in financial statements full particulars of the loans given investments made or guarantees or securities provided. The clause also provides for the manner in which registers will be kept by a company to record transactions and the manner in which such registers shall be available for inspection. The clause exempts certain categories of companies from the provisions of this clause.

Clause 165. — This clause corresponds to section 49 of the Companies Act, 1956 and seeks to provide that all investments made or held by a company in any property, security or other asset shall be made and held by it in its own name. It also seeks to provide that the company may hold any shares in its subsidiary company in the name of any nominee of the company, if it is necessary to ensure that the number of members of the subsidiary company is not reduced below the statutory limit. The clause further provides that where any securities in which investments have been made by a company are not held by it in its own name, the company shall maintain a register containing such particulars and such register shall be open for inspection.

Clause 166. — This clause corresponds to section 297 of the Companies Act, 1956 and seeks to provide the manner in which contracts or arrangements by a company with related parties shall be made and disclosed. It provides for the matter that requires the consent of

Board of Directors of company or prior approval by special resolution. It seeks to provide that every such contract or arrangement shall be referred to in the Board's Report to the shareholders along with the justification. It also provide that where any contract or arrangement is entered into by a director or any other employee, without complying with the provisions and if it is not ratified by the approving authority, such contract or arrangement shall be voidable at the option of the Board.

Clause 167. — This clause corresponds to section 301 of the Companies Act, 1956 and seeks to provide the particulars and the manner in which such particulars shall be entered by the company in the registers of contracts or arrangements in which directors are concerned or interested. It further provides that the register kept under this clause shall be kept at the registered office of the company and open for inspection. The register shall also be produced at every annual general meeting of the company and shall remain open and accessible during the meeting to any person having the right to attend the meeting.

Clause 168. — This clause corresponds to section 302 of the Companies Act, 1956 and seeks to provide that every company shall keep at its registered office a copy of contract of service entered into by it with a managing or whole-time director or where such a contract is not in writing, a written memorandum setting out its terms shall be kept. It also provides that copies of such contract and the memorandum shall be open to inspection by any member. The provisions of this clause shall not apply to any private company.

Clause 169. — This clause corresponds to sections 319 and 320 of the Companies Act, 1956 and seeks to provide the circumstances and manner in which a director of a company shall receive any payment by way of compensation for loss of office or as consideration for retirement from office, etc. It further provides that where a director of a company receives payment of any amount in contravention of this clause or the proposed payment is made before it is approved by the meeting, the amount so received by the director shall be deemed to have been received by him in trust for the company.

Clause 170. — This is a new clause and seeks to provide for the manner in respect of regulation of arrangements between a company and its directors in respect of acquisition of assets for consideration other than cash. The clause provides that such arrangements shall require prior approval by a resolution in general meeting and if the director or connected person is a director of its holding company, approval is required to be obtained by passing a resolution in general meeting of the holding company. The clause also provides the circumstances when an arrangement entered into by a company or its holding company in contravention of the provisions is voidable at the instance of the company.

Clause 171. — This is a new clause and seeks to provide for the manner in which certain transactions or contracts are entered between a one person company and its sole member. It seeks to provide that where a One Person Company Limited by shares or by guarantee enters into a contract with the sole member of the company who is also director, the company shall, unless the contract is in writing, ensure that the terms of the contract or offer are contained in a memorandum or are recorded in the minutes of the first Board meeting held after entering into the contract and every such contract shall be informed to the Registrar.

Clause 172. — This is a new clause and seeks to prohibit whole-time director or any of its key managerial personnel from buying certain kinds of future contracts in relation to securities of the company. It further provides that where whole-time director or key managerial personnel acquires any securities in contravention of this clause he shall, surrender such securities and the company shall not register the same in his name in the register and if they are in dematerialised form, it shall inform the depository not to record such acquisition.

Clause 173. — This is a new clause and seeks to prohibit directors or key managerial person of the company to deal in securities of a company, or counsel, procure or communicate, directly or indirectly, about any unpublished price-sensitive information to any person.

Clause 174. — This clause corresponds to sections 197A, 267, 269, 317, 384, 385 and 388 of the Companies Act, 1956 and seeks to provide that no company shall appoint or employ a managing director and manager at the same time and further that no company shall appoint or reappoint any person as its managing director, whole-time director or manager for a term exceeding five years at a time. It also provides that no company shall appoint any firm, body corporate, or other association as its manager. The clause also provide the disqualification in respect of appointment of key managerial personnel. It also seeks to provide the manner in which a managing director, whole-time director or manager shall be appointed.

Clause 175. — This clause corresponds to section 309 of the Companies Act, 1956 seeks to provide that remuneration to managerial personnel can be paid either by way of a monthly payment or at a specified percentage of the net profits, or partly by monthly payment and partly by the percentage of net profits. It further provides that where any insurance is taken by a company on behalf of its managing director, whole-time director, manager, Chief Executive Officer, Chief Financial Officer or Company Secretary for indemnifying any of them against any liability in respect of any negligence, default, etc., for which they may be guilty, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

Clause 176. — This clause corresponds to section 309 of the Companies Act, 1956 and seeks to provide the kind of remuneration which can be paid to a director who is neither a whole-time director nor a managing director of a company. It provides that such a director can be paid fee for attending meetings of the Board or committees thereof. It further seeks to provide that such a director can be paid profit-related commission with the prior approval of members by a special resolution. The clause further provides that where any director draws or receives any sum as remuneration in excess, he shall refund such sum to the company.

Clause 177. — This clause corresponds to section 318 of the Companies Act, 1956 and seeks to provide the circumstances and manner in which any managing or whole-time director or manager, shall be entitled to receive payment by way of compensation for loss of office, or as consideration for retirement from office or in connection with such loss or retirement. The clause also specifies the quantum of such compensation.

Clause 178. — This is a new clause and seeks to provide that every company belonging to such class or description of companies, as prescribed by the Central Government, shall have whole-time key managerial personnel. It also seeks to provide that a whole-time key managerial personnel shall not hold office in more than one company at the same time except that of a director if company permits him in this regard.

Clause 179. — This clause corresponds to sections 209A and 234 of the Companies Act, 1956 and seeks to empower Registrar to call for any information, explanation or documents and to inspect books of accounts of the company, etc. The Company and its officers shall furnish the information or explanation in documents within the specified time. Where the Registrar is satisfied on the basis of information in documents that the business of the company is conducted in a fraudulent manner, he may, order an inquiry. Further, the Central Government can also order inquiry by the Registrar or by an inspector appointed by it.

Clause 180. — This clause corresponds to section 209A of the Companies Act, 1956 and seeks to provide the procedure to be adopted for inspection or inquiries to be made by the Registrar or Inspector. Every director, officer or employee shall be bound to provide the information or the documents called for. It empowers the Registrar and Inspector with the powers of the Civil Court under the Code of Civil Procedures, 1908 for summoning, examining on oath, inspection of books and other documents, etc.

Clause 181. — This clause corresponds to section 209A of the Companies Act, 1956 and seeks to provide that the Registrar or Inspector shall submit a report to the Central Government after inspection of books of accounts or the examining any person as the case

may be and will include in his recommendations for further investigation, if necessary, duly supported by reasons or documents.

Clause 182. — This clause corresponds to section 234A of the Companies Act, 1956 and seeks to provide for seizure of documents by the Registrar if he has reasonable ground to believe that the same is likely to be destroyed, mutilated, altered, falsified, etc., with the permission of special court. The Registrar has to return the seized documents within 180 days to the company from whose custody the documents were seized.

Clause 183. — This clause corresponds to section 235 of the Companies Act, 1956 and seeks to empower the Central Government to order an investigation into the affairs of a company either on the report of Registrar or on special resolution passed by a company or in public interest. Further, this clause also empowers Court or the Tribunal to order that the affairs of a company ought to be investigated. For the purpose of investigation, the Central Government has the power to appoint Inspector(s) and seek report.

Clause 184. — This clause corresponds to section 237 of the Companies Act, 1956 and seeks to empower the Tribunal to order an investigation by the Central Government in case an application is made by at least 100 members or by member having one-tenth of total voting power or one-fifth of the members in case of company with no share capital seek an investigation into the affairs of the company or on an application suggesting fraud, misfeasance or misconduct or when any information is withheld. This clause further empowers the Central Government to appoint Inspector(s) and seek report.

Clause 185. — This clause corresponds to sections 236 and 245 of the Companies Act, 1956 and seeks to provide that the company or the applicants have to give security for payment of the costs and expenses of the investigation and shall deposit amount not exceeding Rs. 25 lakhs towards the cost of investigation. It provides that on completion of investigation, the cost of investigation shall be worked out and notice thereof shall be served on the company for payment of such amount within specified time. The amount so payable shall be a charge on property and recoverable accordingly.

Clause 186. — This clause corresponds to section 238 of the Companies Act, 1956 and seeks to provide bar on firm, body corporate or other association for appointment as Inspector.

Clause 187. — This clause corresponds to section 247 of the Companies Act, 1956 and seeks to empower the Central Government to appoint one or more Inspectors to investigate and report on the membership of the company. Such an investigation shall include any arrangement or understanding observed in practice relevant for the purpose of investigation.

Clause 188. — This clause corresponds to section 240 of the Companies Act, 1956 and seeks to provide that it shall be the duty of all officer and employees of the company which is under investigation to produce books and papers and give all assistance to the Inspector. The clause provides for the powers of the Inspector. The Inspector may examine any person on oath and notes of such examination shall be taken in writing. In case of failure to furnish information or to appear for examination on oath, the offence is punishable with imprisonment and fine.

Clause 189. — This clause corresponds to section 239 of the Companies Act, 1956 and seeks to empower the Inspector to investigate the affairs of any other body corporate where such corporate body is or has been a holding company or subsidiary company or has the same Managing Director or Manager or where Board of Directors act on the directions of such company, and if necessary subject to prior approval of the Central Government, he can investigate into the affairs of such body corporate or Managing Director or Manager, etc., be done.

Clause 190. — This clause corresponds to section 240A of the Companies Act, 1956 and seeks to deal with seizure of documents by the Inspector when he has reasonable ground to believe that they are likely to be destroyed, mutilated, altered, falsified, etc. The Inspector has to return the seized documents after conclusion of investigation. It empowers

the Inspector to conduct search, seize books or papers in terms of the provisions of the Code of Criminal Procedure, 1973.

Clause 191. — This is a new clause and seeks to provide that where in connection with inquiry or investigation into the affairs of the company or a reference by the Central Government or on complaint by any person that transfer or disposal of funds, properties or assets is likely to take place which is prejudicial to the interest of company, its shareholders, creditors or in public interest then Tribunal may order freezing of such transfer, removal or disposal of assets for a maximum period of three years.

Clause 192. — This clause corresponds to section 250 of the Companies Act, 1956 and seeks to provide for imposition of restrictions by the Tribunal in connection with investigation under clause 187 on the securities of the company for a period not exceeding three years.

Clause 193. — This clause corresponds to sections 241 and 246 of the Companies Act, 1956 and seeks to provide for submission of the interim and final report of investigation to the Central Government. Such a report shall be in writing or printed. The Central Government shall forward a copy of report to the company and may furnish a copy on payment of prescribed fee to any person who is member of company or creditor of company or the body corporate affected. Wherever applicable, a report shall also be furnished to Court or Tribunal. Further, such a report can be submitted as evidence in any legal proceedings.

Clause 194. — This is a new clause and seeks to provide that no suit or proceedings shall lie in any Court or Tribunal or other authority in respect of any action initiated by the Central Government for making an investigation or for appointment of any inspector in this regard and no proceedings of an inspection shall be called in question or stayed by any Court or Tribunal or any authority till such investigation report is submitted.

Clause 195. — This clause corresponds to sections 242, 243 and 244 of the Companies Act, 1956 and seeks to empowers the Central Government to prosecute such person for the offence and cast duty on officers, employees or the company or body corporate to provide necessary assistance in connection with the prosecution. This clause further deals with action to be taken on the investigation report which includes winding up , misfeasance, recovery proceedings, etc.

Clause 196. — This clause corresponds to section 245 of the Companies Act, 1956 and seeks to provide that expenses of investigation shall be borne by the Central Government in the first instance. Thereafter, it shall be borne by person so convicted on a prosecution instituted or who is ordered to pay damages or restore the property to the extent he may be ordered to pay the said expenses as specified by the Court. Further, any amount which company is liable to pay shall be the first charge on the property.

Clause 197. — This clause corresponds to section 250A of the Companies Act, 1956 and seeks to provide with continuation of investigation even after voluntary winding up or application is pending before the Tribunal. Further, it provides that winding up order shall not absolve director or employee from participating in the proceedings before the Inspector or any liability as a result of findings by Inspector.

Clause 198. — This clause corresponds to section 251 of the Companies Act, 1956 and seeks to provide the rights of the legal Advisers or bankers of the body corporate or other person, not to disclose to the Tribunal or to the Central Government or to the Inspector any information as to the affairs of any of their customers, other than such company or body corporate.

Clause 199. — This is a new clause and seeks to provide that the provisions relating inspection or investigation under Chapter XIV shall also apply *mutatis mutandis* to inspection or investigation of foreign companies.

Clause 200. — This clause is a new clause which seeks to provide punishment for furnishing false statements, mutilation or destruction of documents during the course of inspection or investigation.

Clause 201. — This clause corresponds to section 391 of the Companies Act, 1956 and seeks to provide powers to Tribunal to make order on the application of the company or any creditor or member or in case of company being wound up, of liquidator for the proposed compromise or arrangements including debt restructuring, etc., between company, its creditors and members. An application by affidavit shall disclose all material facts relating to company, reduction of share capital, etc. Where a meeting is called, a notice shall be sent to all creditors, members, debenture holders individually or by advertisement which shall be accompanied by statement disclosing the details of compromise or arrangement. The order of the Tribunal sanctioning compromises or arrangement shall be filed with the Registrar. Takeover of companies have been included in compromises or arrangements. An aggrieved party may appeal to the Tribunal in the event of any grievances with respect to the takeover offer in case of companies other than listed companies.

Clause 202. — This clause corresponds to section 392 of the Companies Act, 1956 and seeks to provide powers to Tribunal to enforce compromise or arrangements with creditors and members as ordered under clause 201. The clause also provides that, if the Tribunal is satisfied that such compromise or arrangement cannot be implemented satisfactorily with or without modifications, and the company is unable to pay its debts as per the scheme, it may make an order for winding up of the company.

Clause 203. — This clause corresponds to section 394 of the Companies Act, 1956 and seeks to provide powers to Tribunal to order for holding meeting of the creditors or the members and to make orders on the proposed reconstruction, merger or amalgamation of companies. The clause provides for the manner and procedure in which the meeting so ordered by the Tribunal to be held. Where the Tribunal orders for transfer of any property or liability, that property or liability shall be transferred to and become the property or the liabilities of the transferee company and any property may, if the orders so directs, be freed from of any charge by virtue of compromises or arrangement. Every company shall file a certified copy of the order within thirty days with the Registrar for registration.

Clause 204. — This is a new clause and seeks to provide for merger or amalgamation between two small companies or between a holding company and its wholly owned subsidiary company by giving a notice of the proposed scheme inviting comments or objections by both the transferor and the transferee company. The scheme is to be approved by the respective members at a general meeting by passing a special resolution and by three-fourths in value of the creditors of respective companies. Transferee Company shall file a copy of the approved scheme with the Registrar and the Official Liquidator. If the Registrar is of the opinion that such a scheme is not in public interest or in interest of the creditors, he may file an application before the Tribunal stating his objections and requesting it to consider the scheme for reconstruction merger or amalgamation, etc., under clause 203. The Tribunal may direct accordingly or it may confirm the scheme by passing such order as it deems fit. The transferor company shall be deemed to be dissolved on registration of the scheme. This clause also provides for effects of registration of the scheme with the Registrar.

Clause 205. — This is a new clause and seeks to provide the mode of merger or amalgamation between registered companies under the proposed legislation and companies incorporated in the jurisdictions of such countries, as notified from time to time by the Central Government, by mutual agreement. This clause further provides that foreign company may merge or amalgamate into a company or *vice versa* and the terms and conditions of the scheme of merger or amalgamation may provide for the payment of consideration to the shareholders of the merging company in cash or partly in cash or partly in Indian Depository Receipts.

Clause 206. — This clause corresponds to section 395 of the Companies Act, 1956 and seeks to provide the manner in which the transferee company shall acquire shares of the

shareholders dissenting from the scheme or contract as approved by the majority shareholders holding not less than nine-tenths in value of the shares whose transfer is involved. The transferee company shall send a copy of the notice to the transferor company together with an instrument of transfer, to be executed and pay the consideration representing the price payable by the transferee company for the shares. Such consideration received by transferor company shall be paid into separate bank account and any other consideration shall be held by company in trust and shall be disbursed to the entitled shareholders.

Clause 207. — This clause corresponds to section 395 of the Companies Act, 1956 and seeks to provide the procedure and manner in which the registered holder of at least 90 per cent shares of a company shall notify the company of their intention to buy the remaining equity shares of minority shareholders, by virtue of an amalgamation, share exchange, conversion of securities, etc., provision for valuation of shares have been provided by a registered valuer. This clause provides for the procedure to be followed for acquiring shares held by minority shareholders.

Clause 208. — This clause corresponds to section 396 of the Companies Act, 1956 and seeks to provide power to Central Government to provide for amalgamation of two or more companies in public interest by passing an order to be notified in the Official Gazette. Every member or creditor or debenture holder shall have same interest or rights against transferee company as he had in original company and where the interest or right is less than his interest or right, he shall be entitled to compensation by transferee company. Any aggrieved person may approach Tribunal for reassessment of compensation.

Clause 209. — This clause seeks to provide mode of registration of offer of schemes or contract involving the transfer of shares. Every circular containing such offer and recommendation and containing a statement shall be accompanied by requisite information and must be registered with the Registrar before issue. The Registrar may refuse to register any such circular which does not contain the requisite information. This clause further seeks to provide that power to appeal shall lie with Tribunal in the event of refusal of registration of offer of scheme by Registrar of companies.

Clause 210. — This clause corresponds to section 396A of the Companies Act, 1956 and seeks to provide that no company which has been amalgamated or whose shares has been acquired by another company to dispose of its books of account and papers without the prior permission of the Central Government. The Government may appoint a person to examine books and papers to ascertain whether they contain any evidence of commission of offence in connection with promotion, formation, management, etc., of the company.

Clause 211. — This clause seeks to provide that the liability in respect of offences committed by the officers in default of transferor company prior to its merger or amalgamation or acquisition shall continue after such merger or amalgamation or acquisition.

Clause 212. — This clause corresponds to section 397 of the Companies Act, 1956 and seeks to provide the circumstances in which an application may be made to the Tribunal by any member of a company or by the Central Government for relief in cases of oppression and mismanagement in the affairs of the company.

Clause 213. — This clause corresponds to sections 397, 398, 402, 403 and 404 of the Companies Act, 1956 and seeks to provide for powers of Tribunal to pass an order with a view to bring to an end the matters complained of oppression and mis-management. The clause provides that a certified copy of order of Tribunal shall be filed with the Registrar. The Tribunal may make any interim order as it thinks just and equitable. Where Tribunal's order require alteration of articles, a certified copy of the same is to be filed with the Registrar.

Clause 214. — This clause corresponds to section 407 of the Companies Act, 1956 and seeks to provide for consequence of termination or modifications of certain agreements by an order passed by the Tribunal. Such order shall not give rise to any claims against the company by any person for damages or compensation for loss of office. Further, no such managing director or director or manager whose agreement is so terminated shall be appointed as such for a period of five years from the date of the order without the leave of the Tribunal.

Clause 215.— This clause corresponds to section 399 of the Companies Act, 1956 and seeks to provide that the members of a company not less than one hundred in number or not less than one-tenth of the total number of members whichever is less or any member(s) holding not less than one-tenth of the issued share capital and in case of company without share capital not less than one-fifth of the total number of its members can file an application to the Tribunal for relief in cases of oppression and mis-management. The clause further provides that the Tribunal may waive all or any of the requirements specified therein.

Clause 216.— This is a new clause and seeks to provide that any one or more members or one or more creditors may file an application before the Tribunal on behalf of the members and creditors if they are of the opinion that the management or control of the affairs of company are being conducted in a manner prejudicial to the interests of the company or its members or creditors to restrain the company from oppression or mis-management. The order passed by the Tribunal shall be binding on the company and all its members and creditors.

Clause 217. — This clause seeks to provide that clauses 312-316 (both inclusive) relating to power to punish for contempt of the Tribunal, etc., shall apply in relation to a fraudulent application made to the Tribunal for oppression and mis-management.

Clause 218.— This is a new clause and seeks to provide that valuation in respect of any property, stocks, shares, debentures, securities, goodwill or net worth of a company or its assets shall be valued by a person registered as a valuer, appointed by the audit committee or in its absence by the Board of Directors of the company.

Clause 219.— This is a new clause and seeks to provide the procedure for registration as valuer. The Central Government shall maintain a register called the register of valuers in which the names and addresses of persons registered as valuers are to be recorded. It also provides that a Chartered Accountant, Cost and Works Accountant, Company Secretary or other persons possessing prescribed qualifications may apply to the Central Government to be registered as a valuer. The clause further provides that no company or body corporate shall be eligible to apply as registered valuer.

Clause 220.— This is a new clause seeking to provide powers to the Central Government for appointment of a committee of experts to recommend suitable names for the purpose of inclusion in the register of valuers.

Clause 221.—This is a new clause seeking to restricts a person to practice, describe or project himself as a registered valuer unless he is registered as a valuer. Further, the clause seeks to provide for submission of the report of valuation of any assets by a registered valuer in such form and verified in such manner as may be prescribed. The registered valuer shall not charge at a rate exceeding the rate prescribed.

Clause 222.— This is a new clause and seeks to provide that a registered valuer or a person who has made an application for registration as a valuer is sentenced to a term of imprisonment for any offence or found guilty of misconduct in his professional capacity, shall immediately after such conviction or finding intimate the particulars thereof to the Central Government.

Clause 223. — This is a new clause and seeks to provide the circumstances under which the name of a valuer may be removed from the register or restored in the register by the Central Government. The Central Government shall review the performance of all registered valuers once in three years and may remove the name of any person after giving opportunity of being heard.

Clause 224. — This clause corresponds to section 560 of the Companies Act, 1956 and seeks to provide the circumstances under which the Registrar shall send a notice to the company and all the directors of the company of his intention to remove the name of the company from the register. The clause further provides that a company by a special resolution or with the consent of seventy-five per cent. members in terms of share capital may also file an application to the Registrar for removing the name of the company from the register. Where company is regulated under special law, approval of the regulatory body constituted, shall also be obtained and enclosed with application.

The clause further seeks to provide that at the expiry of the time mentioned in the notice, the Registrar may strike off the name of the company from the register, and on the publication in the Official Gazette of this notice, the company shall stand dissolved. However, the Registrar, before passing an order shall satisfy himself that sufficient provision has been made for the realisation of all amount due to the company and for the payment or discharge of its liabilities and obligations by the company within a reasonable time. The liability of every director, manager or other officer exercising any power of management and every member of company dissolved shall continue and may be enforced as if company had not been dissolved.

Clause 225.—This is a new clause and seeks to provide certain situations in which no application can be made by the company under sub-clause (2) of clause 224 for removing its name from the register. It further provides penalty if a company files an application in violation of the conditions prescribed. An application filed by a company for removing its name shall be withdrawn by the company or rejected by the Registrar as soon as conditions for removing name of the company from register is brought to his notice.

Clause 226.—This clause seeks to provide that where a company is dissolved it shall cease to operate as a company and the Certificate of Incorporation is deemed to have been cancelled except for the purpose of realising the amount due to the company and for the payment or discharge of the liabilities or obligations of the company.

Clause 227.—This is a new clause and seeks to provide penalty in case fraudulent application is made for removal of name of the company from the register with the object of evading the liabilities of the company or with the intention to deceive the creditors or to defraud any other persons. Further, the Registrar may also recommend prosecution against the persons responsible for the filing of such applications.

Clause 228.—This clause corresponds to sub-section (6) of section 560 of the Companies Act, 1956 and seeks to provide that any person, aggrieved by an order of the Registrar notifying a company as dissolved under clause 224 can file an appeal to the Tribunal within 3 years for restoration of the name of the company in the register. If Tribunal is of the opinion that removal of name is not justified or in the absence of any ground, may order for restoration of the name. The company shall file the copy of order with Registrar and the Registrar shall restore the name and issue a fresh Certificate of Incorporation. The clause further provides that where the name of the company is struck off from the register, the name of the company may be restored, if the Tribunal, on an application by the company, any member or creditor, is satisfied that the company was carrying on business or was in operation or otherwise and it is just to restore the name of company to the register before the expiry of twenty years.

Clause 229.— This clause corresponds to section 424A of the Companies Act, 1956 and seeks to provide the manner in which a company be declared sick. In case a company fails to pay its debt, the creditor may file an application to the Tribunal for determination that the company be declared as a sick company. An applicant may at any time apply for stay of proceedings of winding up. The Tribunal may pass an order on the application. The company at its own may also file an application to the Tribunal for declaring it as a sick company. After filing application before the Tribunal the company shall not dispose of its assets except as required in the normal course of business and the Board of Directors shall not take any steps likely to prejudice the interests of the creditors. The Tribunal shall determine whether the company is sick or not within sixty days.

Clause 230.— This clause seeks to provide that any secured creditor of sick company or the company may make an application to the Tribunal for the determination of the measures that may be adopted with respect to the revival and rehabilitation of such company. This clause further provides for certain conditions to be fulfilled in case the financial assets of the sick company had been acquired as per the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002. An application shall be accompanied

by audited financial statements of the company and a draft scheme of revival and rehabilitation of the company along with fee.

Clause 231.— This is a new clause and seeks to provide that the Tribunal shall fix a date of hearing not later than ninety days from date of the receipt of an application and appoint an interim administrator to convene a meeting of creditors of the company to ascertain whether it is possible to revive and rehabilitate the sick company. In case, no draft scheme is filed by the company, the Tribunal may direct the interim administrator to take over the management of the company to protect and preserve the assets of the sick company and for its proper management.

Clause 232.— This is a new clause and seeks to provide that the interim administrator shall appoint a committee of creditors having not more than seven members including a representative of every class of creditor, if any. The interim administrator may direct any promoter, director or any other key managerial personnel to attend any meeting of the committee of creditors and to furnish such information as considered necessary by the interim administrator.

Clause 233.— This is a new clause and seeks to provide that if the Tribunal is satisfied with the report of the interim administrator wherein the creditors representing three-fourths in value of the amount outstanding against the sick company present and voting have resolved that it is not possible to revive and rehabilitate such company, the Tribunal shall order that the proceedings for the winding up of the company be initiated. In case where they have resolved for revival of the company or shall appoint a company administrator for the company and advise such administrator to prepare a scheme of revival and rehabilitation of the sick company. The Tribunal may, appoint an interim administrator as the company administrator.

Clause 234.— This is a new clause and seeks to provide that the interim administrator or company administrator shall be appointed by the Tribunal from a panel of advocates, company secretaries, chartered accountants, cost and works accountants, etc. The Tribunal may direct the company administrator to take over the assets or management of the company to assist him in the management of the company. The company administrator may engage the services of experts.

Clause 235.— This clause corresponds to section 424H of the Companies Act, 1956 and seeks to provide that the company administrator shall prepare a complete inventory of all assets and liabilities, all books of account, a list of shareholders and creditors, a valuation report in respect of the shares and assets in order to arrive at the reserve price for the sale of any industrial undertaking of the company or for the fixation of the lease rent or share exchange ratio, proforma accounts of company where audited accounts are not available and a list of workmen of the company.

Clause 236.— This clause corresponds to section 424D of the Companies Act, 1956 and seeks to provide that the company administrator shall prepare a scheme of revival and rehabilitation of the sick company. The clause further provides for the various measures to be considered while preparing the scheme.

Clause 237.— This clause corresponds to section 424D of the Companies Act, 1956 and seeks to provide that the scheme prepared by the company administrator will be placed before the separately convened meetings of secured and unsecured creditors of the sick company. If the scheme is approved by the unsecured and secured creditors, the company administrator shall submit the scheme before the Tribunal for sanctioning the scheme. Where the scheme relates to amalgamation of the sick company with any other company, such scheme shall be laid before the general meetings of the companies for approval by their shareholders and separately in the meetings of secured and unsecured creditors. On the receipt of the scheme, the Tribunal after satisfying that the scheme had been validly approved pass an order sanctioning such scheme. The sanction accorded by the Tribunal shall be conclusive evidence and a copy of the sanctioned scheme shall be filed with the Registrar by the sick company.

Clause 238.—This clause seeks to provide that on and from the date of the coming into operation of the sanctioned scheme, its provisions shall be binding on the sick company and the transferee company and also on the shareholders, creditors and guarantors of the said companies.

Clause 239.—This clause corresponds to section 424G of the Companies Act, 1956 and seeks to provide that the Tribunal for effective implementation of the scheme may authorise the company administrator to implement a sanctioned scheme. Where it is difficult to implement the scheme for any reason or the scheme fails due to non-implementation of obligations by the parties concerned, the company administrator or in his absence, the company, the secured creditors, or the transferee company in a case of amalgamation, may make an application before the Tribunal for modification of the scheme or to declare the scheme as failed, as the case may be, and may request that the company may be wound up. The Tribunal shall, pass an order for modification of the scheme or declaring the scheme as failed and pass an order for the winding up of the company.

Clause 240.— This is a new clause and seeks to provide that if the scheme is not approved by the creditors in the manner specified, the company administrator shall submit a report to the Tribunal and the Tribunal shall order for the winding up of the sick company.

Clause 241.— This clause corresponds to section 424K of the Companies Act, 1956 and seeks to provides that if it appears to the Tribunal in the course of scrutiny or implementation of any scheme that any person who has taken part in the promotion, formation or management of the sick company or its undertaking has misapplied or retained, or become liable or accountable for, any money or property of the sick company; or has been guilty of any misfeasance, malfeasance or nonfeasance or breach of trust in relation to the sick company, the Tribunal may by order, direct him to repay or restore the money or property, with or without interest, as it thinks just, or to contribute to the assets of the sick company. Further, if the Tribunal is satisfied on the basis of the information and evidence with respect to any person who by himself or along with others had diverted the funds or property or had managed the affairs of the company in a manner highly detrimental to the interests of the company, the Tribunal shall, direct the public financial institutions, scheduled banks and State level institutions not to provide, any financial assistance for a maximum period of ten years to such person or any firm of which such person is a partner or any company or other body corporate of which such person is a director or to disqualify a person from being appointed as a director for a period of six years.

Clause 242.— This clause corresponds to section 424L of the Companies Act, 1956 and seeks to provide the punishment if any person violates the provisions relating to the revival and rehabilitation of sick companies or any scheme, or any order, of the Tribunal or the Appellate Tribunal or makes a false statement or gives false evidence or attempts to tamper the records of reference or appeal filed under this Act.

Clause 243.— This is a new clause and seeks to provide that no appeal shall lie and no injunction shall be granted by any court or other authority in respect of any action taken or proposed to be taken in pursuance of any power conferred by or under this Chapter. Further, no civil court shall have any jurisdiction in respect of matter which Tribunal or Appellate Tribunal is empowered.

Clause 244.— This clause corresponds to section 441C of the Companies Act, 1956 and seeks to provide that a Fund to be called the Rehabilitation and Insolvency Fund shall be formed for the purposes of rehabilitation, revival and liquidation of sick companies. The clause provides for the amounts to be credited to the Fund. The Fund shall be managed by an independent administrator to be appointed by the Central Government. The fund can be utilised only by the companies who contributed to the fund to the extent to its contribution for making payment to the workmen protecting the assets of company, etc.

Clause 245.— This clause corresponds to section 425 of the Companies Act, 1956. The clause seeks to provide two modes of winding up such as by the Tribunal or voluntary.

Clause 246.—This clause corresponds to sections 433 and 434 of the Companies Act, 1956 and seeks to provide the circumstances under which a company may be wound up by the Tribunal. The clause further seeks to define the circumstances when a company is deemed to be unable to pay its debts.

Clause 247.—This clause corresponds to section 439 of the Companies Act, 1956 and seeks to authorise the persons or authority who can file or present a petition to the Tribunal for the winding up of a company. This clause further seeks to authorise a secured creditor, holder of any debenture and trustee for the holders of debentures and contributory to file the petition for winding up of a company. A petition filed by the company for winding up shall be accompanied by a statement of affairs of the company.

Clause 248.— This clause corresponds to section 443 of the Companies Act, 1956 and seeks to provide the time within which the Tribunal may pass an order either dismissing the petition for winding up or make an order for winding up; or make any interim order or appoint a provisional liquidator. The clause further provided that when a petition is presented on just and equitable ground, the Tribunal may refuse it if it is of the opinion that any other remedy is available.

Clause 249.— This clause corresponds to section 439A of the Companies Act, 1956 and seeks to empower the Tribunal to direct the company to file its objections along with a statement of its affairs when a petition is made by a person other than the company. Failure to file the statement of affairs will forfeit the right to oppose the petition and the directors and officers as found responsible for such non-compliance, shall be punishable. The clause further seeks to provide punishment to the directors and other officers of the company who have contravened the provisions of this clause such as non filing of the statement of affairs and completed and audited books of account of the company.

Clause 250.— This clause corresponds to sections 448, 449 and 450 of the Companies Act, 1956. This clause seeks to provide for the appointment of provisional liquidator or the Company Liquidator for the purpose of winding up of a company from a panel of professionals maintained by the Central Government. Such professionals must be having atleast ten years of experience in company matters or such other qualifications. The clause also empowers the Central Government to remove the name of a person from the panel of professionals on the ground of misconduct, fraud, etc., after giving him an opportunity of being heard. The clause further provides that the Tribunal shall specify the terms and conditions and fee payable to the liquidator.

Clause 251.— This is a new clause and seeks to provide the grounds on which the Tribunal may remove the provisional liquidator or the Company Liquidator as liquidator of the company. In case of death, resignation or removal, the Tribunal may transfer the work assigned to another Company Liquidator after recording the reasons in writing. The clause also authorises the Tribunal to recover such loss or damage from the liquidator who fails to perform his duty after providing him a reasonable opportunity of being heard.

Clause 252.— This clause corresponds to sections 444 and 445 of the Companies Act, 1956 and seeks to provide for the order of Tribunal for the winding up of a company to the Company Liquidator and the Registrar within a period of fifteen days from the date of passing of such order. The Registrar on receipt of orders make an endorsement of it in its record and notify the same in the Official Gazette. The order of the Tribunal would be deemed to be a notice of discharge to the officers, employees and workmen of the company except when the business of the company is continued.

Clause 253.— This clause corresponds to section 447 of the Companies Act, 1956 and seeks to provide that the winding up order shall operate in favour of all the creditors and contributories of the company.

Clause 254.—This clause corresponds to section 446 of the Companies Act, 1956 and seeks to provide that on passing of winding up order or appointment of provisional liquidator, all suits, etc., by or against the company shall not be commenced or if pending, to be proceeded, except with the leave of the Tribunal. The clause further seeks to provide for the time frame within which an application seeking leave is to be disposed of by the Tribunal. However, this provision shall not apply to any proceedings pending in appeal before the Supreme Court or a High Court.

Clause 255.—This clause seeks to provide the jurisdiction of Tribunal to entertain or dispose of any suit or proceedings or claim by or against the company and also to entertain or dispose of any question of law arising before or after winding up.

Clause 256.—This clause corresponds to section 455 of the Companies Act, 1956 and seeks to provide for submission of report containing the particulars of the nature and details of assets of the company, amount of issued, subscribed and paid-up capital, etc., to the Tribunal by Company Liquidator within sixty days from the date of order of the Tribunal. The clause also seeks to provide that the Company Liquidator shall include in his report the manner in which the company was promoted or formed and whether any fraud has been committed by any person in its promotion or formation. The Company Liquidator shall also report on the viability of the business of the company or the steps which are necessary for maximising the values of the assets of the company. The clause also entitle the creditor or a contributory of the company to inspect the report submitted and to take copies thereof or extracts therefrom on payment of the fee.

Clause 257.—This is a new clause and seeks to empower the Tribunal to consider the report of Company Liquidator and fix a time limit or revise the time-limit already fixed within which the entire proceedings shall be completed and the company dissolved. The clause further seeks to empower the Tribunal to order for sale of assets of the company or appointment of sale committee to assist the Company Liquidator in sale. The clause seeks to empower the Tribunal, to order for investigation where a report is received from the Company Liquidator or the Central Government or any person that a fraud has been committed in respect of the company and also order such steps as may be necessary to protect, preserve or enhance the value of the assets of the company.

Clause 258.—This clause corresponds to section 456 of the Companies Act, 1956 and seeks to cast duty upon provisional liquidator or the liquidator on the order of the Tribunal to take into his custody all the property, effects and actionable claims to which the company is entitled to and take such steps and measures, as may be necessary, to protect and preserve the properties of the company. This clause further provides that all the property and effects of the company shall be deemed to be in the custody of the Tribunal from the date of the order for the winding up of the company. This clause also provides for filing of an application by the Company Liquidator seeking directions of the Tribunal with regard to surrender or transfer of any money, property, books and papers by any trustee, receiver, banker, agent, officer or other employee of the company.

Clause 259.—This is a new clause and seeks to provide for co-operation by the promoters, directors, officers and employees, past and present, of the company to the Company Liquidator in discharge of his functions and duties. This clause further seeks to provide that if any of the aforesaid person fails to discharge his obligations, he shall be punishable with imprisonment or with fine or with both.

Clause 260.—This clause corresponds to section 467 of the Companies Act, 1956 and seeks to provide for settlement of list of contributories, rectification of register of members, to make calls on or adjust the rights of contributories, etc. This clause further provides for adoption of procedure by the Tribunal while settling the list and rights of contributories.

Clause 261.—This is a new clause and seeks to put obligations on directors and managers of limited company whose liability is unlimited, to contribute in addition to his liability to contribute as an ordinary member. The clause further provides for the exemptions

when a past Director or manager shall not be liable to make further contribution as if he were at the commencement of winding up, a member of an unlimited company.

Clause 262.— This clause corresponds to sections 464 and 465 of the Companies Act, 1956 and seeks to provide for the constitution of a committee of inspection by the Tribunal to advise the Company Liquidator and to report to the Tribunal on matters as the Tribunal may direct. This clause further provides the maximum number of members being creditors or contributories and other persons as directed by Tribunal, who can become members of the committee. The clause also seeks to direct Company Liquidator to convene a meeting of the creditors and contributories to ascertain the composition of the committee of inspection. It finally seeks to provide that the meeting of committee of inspection shall be chaired by the Company Liquidator.

Clause 263.—This is a new clause and seeks to provide that the Company Liquidator shall make quarterly reports to the Tribunal with respect to the progress of the winding up of the company. The clause further provides that the Tribunal may, on an application by the Company Liquidator, review the orders made by it and make such modifications as it thinks fit.

Clause 264.—This clause corresponds to section 466 of the Companies Act, 1956 and seeks to empower the Tribunal to stay the proceedings of winding up for such time not exceeding one hundred and eighty days and on after satisfying itself that it is fair and just to revive and rehabilitate the company. The clause provides that before making an order, the Tribunal may require the Company Liquidator to furnish a report of any relevant facts or matter. The clause further cast duty upon the Company Liquidator to forward a copy of every order to the Registrar who shall make an endorsement of the order in the books and records relating to the company.

Clause 265.—This clause corresponds to section 457 of the Companies Act, 1956 and seeks to provide the powers exercisable by the Company Liquidator *viz.* power to carry on the business of the company, to sell the movable and immovable property of the company, to defend or institute any suit, to raise any money on the security of assets of the company, etc. The clause finally provides that the Company Liquidator shall perform the duties as may be specified by the Tribunal.

Clause 266.— This clause corresponds to section 459 of the Companies Act, 1956 and seeks to allow the Company Liquidator, with the sanction of the Tribunal, to appoint chartered accountants or company secretaries or cost accountants or legal practitioners or such other professionals as may be necessary to assist him in the performance of his duties and functions. The clause further seeks for disclosure by the person to the Tribunal of any conflict of interest or lack of independence in respect of his appointment.

Clause 267. —This clause corresponds to section 460 of the Companies Act, 1956 and seeks to allow Company Liquidator to administer the distribution of assets among its creditors in accordance with the directions given by the resolution of the creditors or contributories at any general meeting or by the committee of inspection. In case of conflict, the directions given by the creditors or contributories at any general meeting are deemed to override any directions given by the committee of inspection. The clause further seeks to empower the Company Liquidator to summon general meetings of the creditors or contributories. Any person aggrieved by any act or decision of the Company Liquidator may apply to the Tribunal who may confirm, reverse or modify the act or decision and make such further order as it think just in the circumstances.

Clause 268.—This clause corresponds to section 461 of the Companies Act, 1956 and seeks to provide that the Company Liquidator shall keep proper books and make necessary entries. He shall also prepare the minutes of the proceedings at meetings. The clause further provides that the books may be inspected by any creditor or contributory or through his agent.

Clause 269.—This clause corresponds to section 462 of the Companies Act, 1956 and seeks to provide for the maintenance of books of account by the Company Liquidator. The Company Liquidator shall present to the Tribunal a receipt and payments account in duplicate duly verified by a declaration, twice in each year during his tenure of office. It also seeks for filing of copy of such audited accounts with the Registrar and the Tribunal. This clause further seeks to provide that the Company Liquidator shall send the printed copy of the audited accounts to every creditor and every contributory. This clause also provides for forwarding a copy of accounts to Central or State Government in case of a Government Company.

Clause 270.—This clause corresponds to section 469 of the Companies Act, 1956 and seeks to provide that the Tribunal may pass an order requiring the contributory to contribute any amount due by him. This clause further provides in case of an unlimited company, contributory can set off any amount payable to him by the company. A director or manager can similarly set off the amount when their liability is unlimited in a limited company. This clause finally provides that such set off facility shall also be given to a contributory after all the creditors have been repaid in full irrespective of whether the company is limited or unlimited.

Clause 271.—This clause corresponds to section 470 of the Companies Act, 1956 and seeks to provide that the Tribunal may, at any time after the passing of a winding up order, make calls on all or any of the contributories to the extent of their liability, for payment of any money which the Tribunal considers necessary to satisfy the debts and liabilities of the company.

Clause 272.—This clause corresponds to section 475 of the Companies Act, 1956 and seeks to provide that the Tribunal shall adjust the rights of the contributories among themselves and distribute any surplus among the persons entitled.

Clause 273.—This clause corresponds to section 476 of the Companies Act, 1956 and seeks to provide that the Tribunal may order for payment out of the assets, of the costs, charges and expenses incurred in winding up in order of priority, when the assets of the company are insufficient to satisfy its liabilities.

Clause 274.— This clause corresponds to section 477 of the Companies Act, 1956 and seeks to provide that the Tribunal may summon and examining before it any officer of the company or person known or suspected to have in his possession any property or books or papers, of the company, or known or suspected to be indebted to the company or capable of giving information relating to formation, promotion or affairs of the company. This clause further provides that the Tribunal may direct the liquidator to file before it a report in respect of property, debt, etc., of the company in possession of other persons. It also seeks to empower Tribunal to impose an appropriate cost if any officer or person so summoned fails to appear before the Tribunal at the appointed time without a reasonable cause.

Clause 275.—This clause corresponds to section 478 of the Companies Act, 1956 and seeks to provide that the Tribunal may order examination of any person on the report made by the Company Liquidator that in his opinion, a fraud has been committed by such person in promotion or formation or the conduct of the business of the company. The person shall be examined on oath and shall answer all the questions as put by the Tribunal. It also seeks to provide that any creditor or contributories may also take part in the examination either personally or by any agent with the permission of the Tribunal. It provides that Company Liquidator shall take part in the examination and undertake such legal assistance as may be sanctioned by the Tribunal.

Clause 276.—This clause corresponds to section 479 of the Companies Act, 1956 and seeks to provide that the Tribunal may pass an order at any time either before or after passing a winding up order, to arrest a contributory or any person having property, accounts or papers who is about to abscond or quit India or is about to remove or conceal any of his

property, for the purpose of evading payment of calls or to avoid examination of affairs of the company. It further seeks to provide that the books and papers and movable property shall be seized and kept safely until Tribunal orders.

Clause 277.—This clause corresponds to section 481 of the Companies Act, 1956 and seeks to provide that the Company Liquidator shall make an application to the Tribunal for dissolution of a company which has been completely wound up. The Tribunal shall make an order that the company be dissolved from the date of the order, and the company shall be dissolved accordingly. A copy of the order shall be filed by the Company Liquidator within thirty days with the Registrar who shall record in the register. This clause further seeks to provide punishment with fine for failure on the part of liquidator in forwarding copy to Registrar.

Clause 278.—This clause corresponds to section 483 of the Companies Act, 1956 and seeks to provide that the provisions contained in Chapter XX shall have no effect in case of any order made by any Court in any proceedings for the winding up of a company immediately before the commencement of this Act and an appeal against such order shall be filed before such authority competent to hear such appeals before the commencement of the Act.

Clause 279.—This clause corresponds to section 484 of the Companies Act, 1956 and seeks to provide the circumstances for voluntarily winding up of a company. This clause provides that the company may be wound up if the company passes a resolution requiring the company to be wound up voluntarily as a result of the expiry of the period for its duration, if any, fixed by its articles or on the occurrence of any event in respect of which the articles provide that the company should be dissolved. Alternatively, the company may be voluntarily wound up by passing a special resolution.

Clause 280.—This clause corresponds to section 488 of the Companies Act, 1956 and seeks to provide for making declaration of solvency by the company director at least five weeks before the date of passing of resolution to winding up of the company and delivered to the Registrar for registration. The declaration shall be accompanied by a copy of auditor's report on the Profit and Loss Account and Balance Sheet of the company and a copy of report by registered valuer on the assets of the company. This clause further seeks to provide that where the declaration of the directors proved to be wrong, such directors shall be punishable with imprisonment or with fine or with both.

Clause 281.—This clause corresponds to section 500 of the Companies Act, 1956 and seeks to provide for calling of meeting of the company and its creditors at which the resolution for the voluntary winding up is to be proposed. This clause provides that where two-thirds creditors are of the opinion that the company be wound up voluntarily, it shall be wound up voluntarily and where they pass a resolution that the company be wound up by Tribunal, an application be filed with the Tribunal. The resolution so passed at a creditors meeting is required to be filed with the Registrar within ten days of the passing thereof.

Clause 282.—This clause corresponds to section 485 of the Companies Act, 1956 and seeks to provide for publication of resolution to wind up voluntarily by advertisement in the Official Gazette and also in some newspaper circulating in the district where the registered office or the principal office of the company is situated.

Clause 283.—This clause corresponds to section 486 of the Companies Act, 1956 and seeks to give effect that the date of commencement of voluntary winding up shall be the date of passing of the resolution for the same.

Clause 284.—his clause corresponds to section 487 of the Companies Act, 1956 and seeks to restrict the company to carry on the business except to the extent necessary for its beneficial winding up.

Clause 285.—This clause corresponds to section 502 of the Companies Act, 1956 and seeks to provide that in case of voluntary winding up, the company shall appoint a Company

Liquidator in general meeting from panel prepared by the Central Government. In case creditors do not approve the appointment of such Company Liquidator, creditors shall appoint another Company Liquidator. This clause further seeks to provide for filing of a declaration by such liquidator disclosing conflict of interest or lack of independence in respect of his appointment, if any, with the company and the creditors and such obligation shall continue throughout the term of appointment.

Clause 286.—This clause corresponds to section 492 of the Companies Act, 1956 and seeks to provide for removal of liquidator by the company or creditor where the appointment has been made by company or creditor, respectively. This clause also seeks to provide for vacation of office by liquidator and appointment of Company Liquidator in case of vacancy occurring as a result of death, resignation, removal or otherwise.

Clause 287.—This clause corresponds to section 493 of the Companies Act, 1956 and seeks to provide for giving of notice to the Registrar of the appointment of a Company Liquidator along with the name and particulars of the Company Liquidator.

Clause 288.—This clause corresponds to section 491 of the Companies Act, 1956 and seeks to provide that on the appointment of a Company Liquidator, all the powers of the Board of directors and of the managing or whole-time directors and manager, if any, shall cease, except for the purpose of giving notice of such appointment to the Registrar.

Clause 289.—This clause corresponds to section 512 of the Companies Act, 1956 and seeks to provide the powers and duties of a liquidator in a voluntary winding up such as settlement of the list of contributories, call general meetings of the company for the purpose of obtaining the sanction of the company by ordinary or special resolution, maintain regular and proper books of account, pay the debts of the company and shall adjust the rights of the contributories among themselves and observe due care and diligence in the discharge of his duties.

Clause 290.—This clause corresponds to section 503 of the Companies Act, 1956 and seeks to provide for appointment of committee by the creditors or by the company in general meeting to supervise the voluntary liquidation and assist the Company Liquidator in discharging his or its functions.

Clause 291.—This clause corresponds to section 508 of the Companies Act, 1956 and seeks to provide for submission of quarterly report on progress of winding up of company by the Company Liquidator. The clause further provides that a meeting of the members and the creditors be called as and when necessary but at least one meeting each of creditors and members be held in every quarter and apprise them of the progress of the winding up of the company. This clause further seeks to provide punishment with a fine, if the Company Liquidator fails to comply with the provisions of this clause.

Clause 292.—This clause corresponds to section 519 of the Companies Act, 1956 and seeks to empower the Tribunal to consider the report of the Company Liquidator and order for investigation, if the report specifies that a fraud has been committed by any person in respect of the company. It also seeks for examination and attendance of any person indulging in the promotion or formation or the conduct of business of the company.

Clause 293.—This clause corresponds to section 509 of the Companies Act, 1956 and seeks to provide for preparation of report by the Company Liquidator regarding winding up of company showing that the property and assets of the company have been disposed of and its debt are fully discharged or discharged to the satisfaction of the creditors and call a general meeting of the company for the purpose of laying the final winding up accounts before it, and passing of resolution for company's dissolution. Company Liquidator is required to file the report along with copy of the final winding up accounts and resolution passed in the meeting with the Registrar. It also seeks to provide for filing of application by the liquidator with the Tribunal with the request for passing of order dissolving the company and the Tribunal shall pass such order within sixty days from the date of receipt of such

application. It further seeks to provide for filing of the order of Tribunal with the Registrar within thirty days. This clause seeks to cast duty upon the Registrar for publication of a notice in the Official Gazette that the company is dissolved.

Clause 294.—This clause corresponds to section 494 of the Companies Act, 1956 and seeks to empower the Company Liquidator of the transferor company to accept shares, etc., by way of compensation wholly or in part for sale of property, etc., of the company where the transferor company is proposed to be wound up voluntarily and the whole or any part of its business or property is proposed to be transferred or sold to the transferee company. This clause further seeks to provide that the liquidator may abstain from carrying the resolution into effect or to purchase his interest at a price to be determined by agreement or the registered valuer, where any member of the transferor company did not vote in favour of the special resolution and expresses his dissent in writing addressed to the Company Liquidator within seven days after passing of the resolution. It also seeks to provide that if the Company Liquidator elects to purchase the member's interest, the purchase money, raised by him in such manner as may be determined by a special resolution, shall be paid before the company is dissolved.

Clause 295.—This clause corresponds to section 511 of the Companies Act, 1956 and seeks to provide for distribution of property of the company on its winding up in satisfaction of its liabilities *pari passu* unless the articles of the company otherwise provides.

Clause 296.—This clause corresponds to section 517 of the Companies Act, 1956 and seeks to empower Tribunal to amend, vary, confirm or set aside the arrangement entered into between a company and its creditors. The arrangement as aforesaid shall be sanctioned by a special resolution and also by the creditors holding three-fourths in value of debt.

Clause 297.—This clause corresponds to section 518 of the Companies Act, 1956 and seeks to allow Company Liquidator or any contributory or creditor to apply to the Tribunal for determination of any question arising in the course of winding up of a company or in respect of the enforcing of calls, the staying of proceedings or any other matter. The Tribunal may pass an order staying the proceedings in the winding up forthwith to the Registrar who shall make a minute of the order in his books relating to the company.

Clause 298.—This clause corresponds to section 520 of the Companies Act, 1956 and seeks to provide for the payment of all costs, charges and expenses properly incurred in the winding up, including the fee of the Company Liquidator out of the assets of the company in priority to all other claims.

Clause 299.—This clause corresponds to section 528 of the Companies Act, 1956 and seeks to provide that all debts payable on a contingency, and all claims against the company, present or future, certain or contingent, ascertained or sounding only in damages shall be as proof against the company.

Clause 300.—This clause corresponds to section 529 of the Companies Act, 1956 and seeks to provide for application of existing insolvency rules under the law of solvency in winding up of insolvent companies with regard to debts, valuation of annuities, etc. This clause further seeks to provide that the liquidator shall enforce such charge on the security of secured creditors representing workmen's portion therein. Any person entitled to any dividend may make his claim.

Clause 301.—This clause corresponds to section 529A of the Companies Act, 1956 and seeks to provide that workmen's dues and debts due to secured creditors shall be paid in priority to all other debts.

Clause 302.—This clause corresponds to section 530 of the Companies Act, 1956 and seeks to provide for payment of various outstanding claims or dues which will be paid in priority of other debts such as all revenues, taxes, cesses due to the Central Government or State Government, all wages as salary for the time work or payable by way of commission,

amount due under Employees State Insurance Act and Workmen's Compensation Act, sum due under provident, pension and gratuity fund. The debts mentioned in this clause shall be paid in full forthwith. If the goods of the company being distain by any person, such debts shall be given first priority.

Clause 303.—This clause corresponds to section 531 of the Companies Act, 1956 and seeks to provide that the Tribunal, after satisfying itself, may declare the transaction relating to preference transfer of property, movable or immovable, or any delivery of goods, payment, execution made, taken or done by or against a company within six months before making winding up application as invalid and restore the position.

Clause 304.—This clause corresponds to section 531A of the Companies Act, 1956 and seeks to provide that the Tribunal may declare any transfer of property, movable or immovable, or any delivery of goods, etc., made by a company within a period of one year before the presentation of a petition for winding up, as void against the Company Liquidator being such transfer was not in good faith.

Clause 305.—This clause corresponds to section 532 of the Companies Act, 1956 and seeks to provide for declaration of any transfer or assignment by a company of all its properties or assets to trustees for the benefit of all its creditors as void.

Clause 306.—This clause corresponds to section 533 of the Companies Act, 1956 and seeks to provide protection to the creditor of a company which is being wound up and where the creditor or the person preferred has been paid by the company with the fraudulent motive on the part of the company to relieve from liability or reduce the liability of a person who has stood surety or guarantee to the creditor on behalf of the company.

Clause 307.—This clause corresponds to section 534 of the Companies Act, 1956 and seeks to prohibit companies which are in insolvent condition from creating any floating charges on their assets, with a view to securing past liabilities. It also empowers the Central Government to prescribe by rules regarding the rate of floating charge.

Clause 308.—This clause corresponds to section 535 of the Companies Act, 1956 and seeks to enable the company liquidator to get rid of onerous property by disclaiming it. This clause further seeks to provide the time schedule within which the company liquidator and Tribunal are required to complete such actions as necessary. The Tribunal before or on granting leave to disclaim may require such notices to be given to persons interested and impose such terms and conditions of granting leave, and make such other order in the matter as the Tribunal considers just.

Clause 309.—This clause corresponds to section 536 of the Companies Act, 1956 and seeks to empower the Company Liquidator in voluntary winding up to sanction transfers after winding up and declare any alteration in the status of members of the company made after the commencement of the winding up as void. This clause further seeks to provide declaration of any disposition of the property, etc., as void, if the same is made without the order of the Tribunal in the case of a winding up by the Tribunal.

Clause 310.—This clause corresponds to section 537 of the Companies Act, 1956 and seeks to prohibit any attachment, sale, distress, etc., without leave of the Tribunal against the estate or effects of the company, after the commencement of the winding up. This clause provides for non-applicability of above provisions to the proceedings for recovery of any tax or impost or any dues payable to the Government.

Clause 311.—This clause corresponds to section 538 of the Companies Act, 1956 and seeks to provide that if any past or present officer of the company commits certain offences, such as not delivering movable and immovable property of the company, not delivers books and papers of the company, not giving true disclosures, guilty of fraud, etc., shall be punishable with imprisonment or with fine or with both. The clause further provides punishment to any person who pawns, pledges or disposes of any property in circumstances which amount to

an offence and who takes or otherwise receives the property, knowing it to be pawned, etc., shall be punishable with imprisonment or with fine or with both.

Clause 312.—This clause corresponds to section 540 of the Companies Act, 1956 and seeks to provide that if any person who which is found to have given false pretences or by means of any other fraud, induced any person to give credit to the company, to defraud the creditors, conceal or removed any part of the property is punishable with imprisonment or with fine or with both.

Clause 313.—This clause corresponds to section 541 of the Companies Act, 1956 and seeks to provide that a company which is being wound up should keep proper books of account throughout the period of two years immediately preceding the commencement of the winding up.

Clause 314.—This clause corresponds to section 542 of the Companies Act, 1956 and seeks to provide that for frauds by past or present officers and liability for fraudulent conduct of business is punishable with imprisonment or with fine or with both. This clause further seeks to confer power upon Tribunal to fix the responsibility of erring directors or officer of the company for fraudulent conduct of business.

Clause 315.—This clause corresponds to section 543 of the Companies Act, 1956 and seeks to confer power upon the Tribunal to assess the damages against delinquent directors, manager, liquidator or officer of the company for misapplication, retainer, misfeasance or breach of trust.

Clause 316.—This clause corresponds to section 544 of the Companies Act, 1956 and seeks to provide that the Tribunal to extend the liability of ex-partners or directors of the company under clause 314 relating to fraudulent conduct of business or under clause 315 relating to misfeasance or breach of trust.

Clause 317.—This clause corresponds to section 545 of the Companies Act, 1956 and seeks to provide that the Tribunal may prosecute the delinquent officers and members of the company for being guilty of offence in relation to the company.

Clause 318.—This clause corresponds to section 546 of the Companies Act, 1956 and seeks to provide that the Company Liquidator shall exercise general powers of winding up of the company's affairs relating to compromising, setting, and collecting debts and paying out claims, etc., subject to the sanction of the Tribunal.

Clause 319.—This clause corresponds to section 547 of the Companies Act, 1956 and seeks to provide that in case of every invoice, business letters, etc., issued by the company after the winding up of the company shall contain a statement that the company is wound up.

Clause 320.—This clause corresponds to section 548 of the Companies Act, 1956 and seeks to provide that the books and papers of the company be *prima facie* evidence of the truth of all matters purporting to be recorded therein, in case a company is wound up.

Clause 321.—This clause corresponds to section 549 of the Companies Act, 1956 and seeks to provide for inspection of books and papers relating to winding up of a company by the creditors and contributories. It finally provides that the above provisions shall not exclude or restrict any right conferred by any law on the Central Government or State Government or any officer or authority of the Government.

Clause 322.—This clause corresponds to section 550 of the Companies Act, 1956 and seeks to provide for disposal of books and papers after the affairs of a company have been completely wound up and it is about to be dissolved. It further provides that no responsibility shall be imposed upon regarding the books and papers after expiry of five years from the dissolution of the company. It also seeks to empower the Central Government to prescribe by rules the period, form and manner of retention of such books and papers of company which has been wound up.

Clause 323.—This clause corresponds to section 551 of the Companies Act, 1956 and seeks to provide for furnishing of information or statement where the winding up of a company is not concluded within one year after its commencement and duly audited by a person qualified to act as auditor of the company, within two months after the expiry of the year. Such statement shall be filed periodically. It also seeks to empower the Central Government to prescribe by rules such form and manner in which the statement is to be filed by the Company Liquidator.

Clause 324.—This clause corresponds to section 552 of the Companies Act, 1956 and seeks to provide for making payments into the Public Accounts of India in the Reserve Bank of India by the Official Liquidator.

Clause 325.—This clause corresponds to section 553 of the Companies Act, 1956 and seeks to provide that the Company Liquidator shall make payments into a scheduled Bank and credit it into a Special Bank Account known as the Company Liquidation Account opened by him of the monies received by him as liquidator. The clause finally provide for payment of interest and penalty, in case, of the Liquidators retains any specified sum for more than the prescribed period.

Clause 326.—This clause corresponds to section 554 of the Companies Act, 1956 and seeks to provide that the funds of the company in winding up shall not be kept in private banking account.

Clause 327.—This clause corresponds to section 555 of the Companies Act, 1956 and seeks to provide that unpaid dividends and undistributed assets of the companies being wound up which are in the hands of the Liquidator shall be paid by the Liquidator into the Company Liquidation Dividend and Undistributed Assets Account. The clause also seeks to provide that the above provisions shall also be applied in case of dissolution of a company. It also seeks to provide that the Liquidator shall forthwith furnish a statement to the Central Government. This clause also seeks to provide that the Liquidator shall be given a receipt from the Reserve Bank of India for the money paid by him. This clause also seeks to provide that the Tribunal may pass an order for the payment of required sum to the claimant out of the said account.

Clause 328.—This clause corresponds to section 556 of the Companies Act, 1956 and seeks to provide that if the Company Liquidator fails to make good the defaults committed by him within fourteen days from the date of service of notice on him. The Tribunal may make an order to make good the default on request by any creditor, contributory, etc.

Clause 329.—This clause corresponds to section 557 of the Companies Act, 1956 and seeks to empower the Tribunal, in all matters relating to winding up of a company, to ascertain the wishes of creditors or contributories by calling their meetings.

Clause 330.—This clause corresponds to section 558 of the Companies Act, 1956 and seeks to provide for filing affidavit before any court, Tribunal, Judge or person lawfully authorised to receive affidavits in India and in any other country, as the case may be.

Clause 331.—This clause corresponds to section 559 of the Companies Act, 1956 and seeks to empower the Tribunal to declare dissolution of company void on an application made by the Company Liquidator of the company or by any other person at any time within two years from the date of dissolution. It also seeks to provide for filing of order of the Tribunal, with the Registrar who shall register the same and if such person fails so to do, he shall be punishable with fine.

Clause 332.—This clause corresponds to section 441 of the Companies Act, 1956 and seeks to provide that where before the presentation of petition for winding up by Tribunal, a resolution for voluntary winding up has been passed, the proceedings of voluntary winding up of a company shall commence from the date of passing of the resolution, unless the Tribunal, on proof of fraud or mistake, thinks otherwise. It also seeks to provide that in any

other case, the winding up of a company by the Tribunal shall be deemed to commence at the time of the presentation of the petition for the winding up.

Clause 333.—This clause corresponds to section 458A of the Companies Act, 1956 and seeks to provide that while computing the period of limitation specified for any suit or application in the name and on behalf of a company which is being wound up by the Tribunal, the period from the date of commencement of the winding up of the company to a period of one year immediately following the date of the winding up order shall be excluded.

Clause 334.—This is a new clause which seeks to empower the Central Government for appointment of as many Official Liquidators as it may consider necessary and may also appoint Joint, Deputy or Assistant Official Liquidators to assist him in discharge of his functions in relation to the winding up of companies by the Tribunal. It also seeks to provide that the salary and allowances to the Official Liquidator, etc., shall be paid by the Central Government.

Clause 335.—This clause corresponds to section 457 of the Companies Act, 1956 and seeks to provide for the powers and duties of the Official Liquidator. The Official Liquidator shall exercise powers such as conducting inquiries or investigations, maintaining information and records, etc., of the companies under winding up.

Clause 336.—This is a new clause which seeks to provide for winding up of company having assets of book value not exceeding one crore rupees through summary procedure. This clause also seeks to empower the Tribunal to appoint Official Liquidator as the liquidator of the company, who shall submit a report to the Tribunal indicating whether any fraud has been committed in promotion, formation or management of affairs of the company. It also seeks to provide that the Tribunal if satisfied that fraud has been committed, may order for the investigation of the affairs of the company. The clause finally provides that the Tribunal may order for the winding up of the company after considering the investigation report.

Clause 337.—This is a new clause which seeks to provide that the Official Liquidator shall dispose of all the assets and collect the amount payable to the company from the debtors and contributories. It also seeks to provide that the Official Liquidator shall deposit the amount recovered into the public account of India in the Reserve Bank of India.

Clause 338.—This is a new clause which seeks to provide for settlement of claims of creditors by the Official Liquidator.

Clause 339.—This is a new clause which seeks to provide that any creditor aggrieved by the decision of the Official Liquidator may apply to the Tribunal who shall either dismiss the application or modify order of Official Liquidator. If the claim has been accepted, the Official Liquidator shall make payment to the creditors.

Clause 340.—This is a new clause which seeks to provide for submission of final report to the Tribunal by the Official Liquidator when he is satisfied that the company can be finally wound up. The Tribunal shall on receiving the report order for the dissolution of the company. After the order is passed, the Registrar shall strike off the name of the company from the register of companies and a notification to this effect be published in the Official Gazette.

Clause 341.—This clause corresponds to section 591 of the Companies Act, 1956 and seeks to provide that where not less than 50 per cent. of the paid up capital of foreign company is held by one or more citizens of India or one or more companies incorporated in India or by one or more citizens and one or more companies of India, such company shall comply with provisions as if it were a company incorporated in India.

Clause 342.—This clause corresponds to sections 592 and 593 of the Companies Act, 1956 and seeks to provide for the documents which every foreign company shall deliver to the Registrar for registration after the establishment of their place of business in India. It also

seeks to provide that if any alterations are made or occur in the documents, the foreign company shall deliver a return in this regard to the Registrar.

Clause 343.—This clause corresponds to section 594 of the Companies Act, 1956 and seeks to provide that every foreign company shall, in every calendar year prepare a balance sheet and profit and loss account and shall lay before the company in general meeting and deliver a copy of such documents to the Registrar. In case such document is not in English, a certified translation thereof in English shall also be filed. Further every foreign company shall also file a list of the places of business in India as at the date of its balance sheet.

Clause 344.—This clause corresponds to section 595 of the Companies Act, 1956 and seeks to provide that every foreign company shall exhibit on the outside of every office or place where it carries on business in India, the name of the company and the country in which it is incorporated, in English and in local languages in general use in the locality in which the office or place is situated. The foreign company will write its name, liability of its members and name of the country in which it is incorporated in legible English characters in all business letters, billheads, letter paper, and prospectus, etc.

Clause 345.—This clause corresponds to section 596 of the Companies Act, 1956 and seeks to provide the manner in which documents which are required to be served on a foreign company shall be deemed to be sufficiently served.

Clause 346.—This clause corresponds to section 600 of the Companies Act, 1956 and seeks to provide that the provisions relating to issue of debentures, preparation and filing of annual return, preparation of books of account and manner in which they may be kept, registration of charges and inspection and investigation of books of account shall apply *mutatis mutandis* to a foreign company.

Clause 347.—This clause corresponds to section 601 of the Companies Act, 1956 and seeks to provide the fee which a foreign company will have to pay to the Registrar for registering any document.

Clause 348.—This clause corresponds to section 602 of the Companies Act, 1956 and seeks to define the expressions “certified”, “director” and “place of business” for foreign companies.

Clause 349.—This clause corresponds to section 603 of the Companies Act, 1956 and seeks to provide the guidelines for issue of prospectus in India offering to subscribe for securities of a company incorporated outside India. The condition requiring or binding an applicant for securities to waive compliance with any requirement shall be treated as void. This clause further provides that in case of non-compliance, a director or other person responsible for issue of prospectus shall not incur any liability by reason of non-compliance or contravention if it is proved that he had no knowledge or contravention was an honest mistake of fact. This section shall not apply in case the prospectus is issued to existing members or debenture holders of a company.

Clause 350.—This clause corresponds to section 604 of the Companies Act, 1956 and seeks to provide that if the prospectus includes a statement purporting to be made by an expert, such statement must be included in the prospectus in the form and context in which it is included and there does not appear in the prospectus, a statement that he has given and has not withdrawn his consent.

Clause 351.—This clause corresponds to section 605 of the Companies Act, 1956 and seeks to provide that a copy of the prospectus of a company incorporated or to be incorporated outside India certified by the Chairman and two other directors of the company as having been approved by resolution of the managing body has to be delivered to the Registrar for registration along with the required documents.

Clause 352.—This clause corresponds to section 605A of the Companies Act, 1956 and seeks to provide rules applicable for the offer of Indian Depository Receipts, the

requirement of disclosures in prospectus or letter of offer issued in connection with Indian Depository Receipts, the manner in which the Indian Depository Receipts shall be dealt with in a depository mode and by custodian and underwriters; and the manner of sale, transfer or transmission of Indian Depository Receipts by a company incorporated or to be incorporated outside India.

Clause 353.—This clause corresponds to sections 606 and 607 of the Companies Act, 1956 and seeks to provide that the provisions relating to criminal and civil liability for misstatement in a prospectus, fraudulently inducing persons to invest money shall apply to the issue of a prospectus by a company incorporated or to be incorporated outside India.

Clause 354.—This clause corresponds to section 598 of the Companies Act, 1956 and seeks to provide that where a company fails to comply with any of the provisions relating to companies incorporated outside India, the company shall be punishable with fine.

Clause 355.—This clause corresponds to section 599 of the Companies Act, 1956 and seeks to provide that any failure by a company to comply with the provisions of the Chapter relating to companies incorporated outside India shall not affect the validity of any contract, dealing or transaction entered into by the company or its liability to be sued in respect thereof. However, the company will not be entitled to bring any suit, claim, set-off, etc., until it has complied with the provisions of this Chapter.

Clause 356.—This clause corresponds to section 619A of the Companies Act, 1956 and seeks to provide that where the Central Government is a member of a Government company, it shall arrange to prepare an annual report on the working and affairs of the company along with audit report and comments of Comptroller and Auditor General and laid before both Houses of Parliament. It also seeks to provide that where a State Government is a member of a Government Company, it shall also prepare an annual report along with aforesaid enclosures and laid before both the Houses of the State Legislature.

Clause 357.—This clause corresponds to section 620 of the Companies Act, 1956 and seeks to provide that the Central Government, may notify any provisions of this Act which shall not be applicable or shall apply with modification to any Government Company. This clause further seeks to provide that such notification shall be laid in draft before each House of Parliament before it is so notified and shall be subject to modification by both the Houses.

Clause 358.—This clause corresponds to section 609 of the Companies Act, 1956 and seeks to provide that for the purpose of registration of companies, the Central Government shall establish such number of offices at such places and with such jurisdiction as it thinks fit. It further seeks to provide that the Central Government may appoint a Director General of Registration, such number of Registrars, Additional, Joint, Deputy and Assistant Registrars as it considers necessary for the registration of companies. This clause also provides for the terms and conditions of service, including the salaries payable to persons aforesaid. It finally provides that the Central Government may direct the preparation of seal or seals for authentication of documents required in connection with the registration of companies.

Clause 359.—This clause corresponds to section 610A of the Companies Act, 1956 and seeks to permit companies to file returns and documents on paper or in electronic form or stored on any electronic data storage device or computer readable media by the Registrar and further seeks to provide that such filings shall also be deemed to be a document for the purposes of this Act and shall be admissible as evidence in any proceedings thereunder.

Clause 360.—This clause corresponds to section 610B of the Companies Act, 1956 and seeks to empower the Central Government to make rules in regard to filing of various applications, documents, returns, etc., service or delivery of any document, notice or communication, etc., maintenance of various applications, documents and returns filed, manner of inspection of the various documents, payment of fees, charges or other sums payable in the electronic form and the manner in which various registry functions *viz.* alteration

of memorandum, articles, prospectus, issuing certificate of incorporation, etc., shall be performed by Registrar in electronic form. This clause also seeks to provide that the Central Government may notify a scheme to carry out the provisions of this clause.

Clause 361.—This is a new clause and seeks to empower the Central Government to provide in the rules that the electronic form shall be exclusive, or in the alternative or in addition to the physical form.

Clause 362.—This clause corresponds to section 610D of the Companies Act, 1956 and seeks to provide that the Central Government may provide such value added services through the electronic form and levy fee thereon.

Clause 363.—This clause corresponds to section 610E of the Companies Act, 1956 and seeks to provide that all the provisions of the Information Technology Act, 2000 relating to the electronic records, shall apply in relation to the records in electronic form as specified under this Act.

Clause 364.—This clause corresponds to section 611 of the Companies Act, 1956 and seeks to provide that any document to be filed, registered or recorded under this Act shall be on payment of fee and charges.

Clause 365.—This clause corresponds to section 612 of the Companies Act, 1956 and seeks to provide that all fees, charges and other sums received by any Registrar, Additional, Joint, Deputy, or Assistant Registrar, or any other officer of the Central Government shall be paid into the public account of India in the Reserve Bank of India.

Clause 366.—This clause corresponds to section 615 of the Companies Act, 1956 and seeks to provide that the Central Government may order any company, to furnish such information or statistics with regard to its constitution or working, within specified time. Such an order shall be published in the Official Gazette. This clause further seeks to provide that the Central Government for the purpose of satisfying itself may order such company to produce such records or documents or allow inspection thereof or furnish such further information as that Government may consider necessary. This clause also seeks to provide that where a foreign company carries on business in India, all the references in this section shall be applicable to the foreign company as well.

Clause 367.—This clause corresponds to section 620A of the Companies Act, 1956 and seeks to provide that the Central Government may notify a company to be a Nidhi company. The Central Government may also notify the provisions of this Act which shall not apply or shall to a Nidhi Company. This clause finally provides that the notification shall be laid before each House of Parliament.

Clause 368.—This clause corresponds to section 10FD and 10FR of the Companies Act, 1956 and seeks to provide definitions of Chairperson, Judicial Members, Member, President, Technical Member in Appellate Tribunal and Tribunal.

Clause 369.—This clause corresponds to section 10FB of the Companies Act, 1956 and seeks to deal with the constitution of National Company Law Tribunal (NCLT). The NCLT shall consist of President and such number of Judicial and Technical Members as Central Government may deem necessary.

Clause 370.—This clause corresponds to section 10FD of the Companies Act, 1956 and seeks to provide the qualifications of President and Members of the Tribunal.

Clause 371.—This clause corresponds to section 10FR of the Companies Act, 1956 and seeks to deal with the formation of the National Company Law Appellate Tribunal (NCLAT) consisting of Chairperson and Judicial and Technical Members which shall not exceed eleven.

Clause 372.—This clause corresponds to section 10FR of the Companies Act, 1956 and seeks to provide that Chairperson of NCLAT shall be a judge of Supreme Court or Chief Justice of High Court, the Judicial Member shall be a judge of High Court or Judicial Member

of Tribunal for 5 years. The Technical Member shall be a person having atleast experience of 25 years in banking, management, economics, etc.

Clause 373.— This clause corresponds to section 10FX of the Companies Act, 1956 and seeks to provide that President of the Tribunal and Chairperson or the Judicial Members of the Appellate Tribunal shall be appointed after consultation with Chief Justice of India. Members of the Tribunal and Technical Member of the Appellate Tribunal shall be appointed on the recommendations of a Selection Committee consisting of Chief Justice of India or his nominee, Secretary in the Ministry of Corporate Affairs as Convener of Selection Committee, Secretary in the Ministry of Law and Justice and two other Secretaries of the Government of India to be nominated by the Central Government.

Clause 374.— This clause corresponds to sections 10FE and 10FT of the Companies Act, 1956 and seeks to provide the terms of office of President, Chairperson and Members of the Tribunal or Appellate Tribunal.

Clause 375.— This clause corresponds to sections 10FG and 10FW of the Companies Act, 1956 and seeks to provide the salary, allowances and other terms and conditions of service of Members of the Tribunal or Appellate Tribunal.

Clause 376.— This clause corresponds to sections 10FH and 10FS of the Companies Act, 1956 and seeks to provide that in the event of death, resignation, absence, etc., of the President or Chairperson, the senior-most Member of the Tribunal or Appellate Tribunal shall discharge the duties of President or Chairperson, as the case may be.

Clause 377.— This clause corresponds to sections 10FI and 10FU of the Companies Act, 1956 and seeks to deal with the resignation of President, Chairperson, Members. It provides that President, Chairperson or member may address his resignation to the Central Government.

Clause 378.— This clause corresponds to sections 10FJ and 10FV of the Companies Act, 1956 and seeks to provide the grounds for removal of the Chairperson or President or Members of the Appellate Tribunal or Tribunal by the Central Government in consultation with the Chief Justice of India. It provides removal on the ground of insolvency, conviction of offence involving moral turpitude, on being mentally or physically incapable, etc. The Central Government in consultation with the Supreme Court will regulate the procedure for the inquiry, if any, of the alleged misbehaviour of the members.

Clause 379.— This clause corresponds to sections 10FK and 10GA of the Companies Act, 1956 and seeks to provide that the Central Government in consultation with Tribunal and Appellate Tribunal may provide the officers and staff of the Tribunal or Appellate Tribunal who shall discharge their function under the superintendence and control of the Chairperson or President or Members, as the case may be.

Clause 380.— This clause corresponds to section 10FL of the Companies Act, 1956 and seeks to provide for the constitution Benches of the Tribunal. It provides that the Principal Bench shall be at New Delhi. Further, it provides that powers of the Principal Bench shall be exercised by two Members and a single Member may also function as a Bench in certain cases. The President may for disposal of the case(s) relating to rehabilitation, restructuring or reviving the winding up of companies may constitute Special Benches consisting of three or more members. Lastly, in case of difference of opinion, matter shall be decided by the majority.

Clause 381. — This clause corresponds to section 10FM of the Companies Act, 1956 and seeks to provide that the Tribunal may rectify any mistake within two years from the date of order passed by it. This clause further provides that a copy of each order shall be sent to all the concerned parties by the Tribunal.

Clause 382.— This clause corresponds to section 10FQ of the Companies Act, 1956 and seeks to provide appeal against the order of the Tribunal in the Appellate Tribunal. It provides that appeal may be filed within 45 days from the date of order and in case Appellate Tribunal is satisfied that delay is justified then further period of 45 days is allowed. The Appellate Tribunal after according an opportunity of hearing may confirm, modify or set aside order of the Tribunal and provide copy of order to the Tribunal and parties to appeal.

Clause 383.— This is a new clause to provide expeditious disposal of cases before Tribunal or Appellate Tribunal. It provides that the Tribunal or the Appellate Tribunal shall make every effort to dispose of cases within three months from the date of commencement of proceedings before Tribunal or filing of appeal before Appellate Tribunal.

Clause 384.— This clause corresponds to section 10GF of the Companies Act, 1956 and seeks to provide that an appeal against the order of the Appellate Tribunal shall be filed before the Supreme Court within sixty days and in case of justified delay within a further period of sixty days only on any question of law arising from such an order.

Clause 385.— This clause corresponds to section 10FZA of the Companies Act, 1956 and seeks to provide the procedure to be adopted by the Tribunal or Appellate Tribunal to dispose of any proceeding. It provides that Tribunal or Appellate Tribunal shall not follow the Code of Civil Procedure, 1908 but would be guided by the principles of natural justice. The Tribunal or the Appellate Tribunal may regulate their own procedure. However, while discharging their functions, it would have the power vested with the Civil Court in respect of any suit for summoning and enforcing the attendance of any person, examining him on oath, etc. Orders passed by it shall be enforced as a decree passed by the court and may be sent for execution to the court under whose jurisdiction, the company or the person, as the case may be, has registered office or resides respectively.

Clause 386.— This clause corresponds to section 10G of the Companies Act, 1956 and seeks to provide that the Tribunal or the Appellate Tribunal shall have the same powers of contempt as that of High Court under the provisions of the Contempt of Courts Act, 1971.

Clause 387.— This clause seeks to provide that the Tribunal or the Appellate Tribunal may by general or special order authorise any person to inquire into the matter connected with any proceeding and report to it.

Clause 388.— This clause corresponds to section 10FY of the Companies Act, 1956 and seeks to provide that the President, Chairperson, Members, Officers and employees of the Tribunal and the Appellate Tribunal shall be treated as public servants within the meaning of section 21 of the Indian Penal Code.

Clause 389.— This clause corresponds to section 10FZ of the Companies Act, 1956 and seeks to provide for protection of action taken in good faith by the President, Chairperson, members, officers, etc., of the Tribunal or Appellate Tribunal.

Clause 390.— This clause corresponds to section 10FP of the Companies Act, 1956 and seeks to provide for the power of the Tribunal to take the assistance of Chief Metropolitan Magistrate, Chief Judicial Magistrate or the District Collector for taking into custody all property, books of account, etc. and acts thereof shall not be questioned in any court or before any authority in case of a sick company or winding up of any company.

Clause 391.— This clause corresponds to section 10GB of the Companies Act, 1956. This clause seeks to provide that no civil court shall have jurisdiction in respect of any matters that are assigned to the Tribunal or the Appellate Tribunal.

Clause 392.— This clause corresponds to section 10GC of the Companies Act, 1956 and seeks to provide that proceedings of the Tribunal or Appellate Tribunal shall not be invalid merely on the ground of existence of any vacancy or defect in its constitution.

Clause 393. — This clause corresponds to section 10GD of the Companies Act, 1956 and seeks to provide that a party to the proceeding may appear in person or authorise a Chartered Accountant, Cost Accountant, Company Secretary or Legal Practitioners to present the case before the Tribunal or the Appellate Tribunal.

Clause 394. — This clause corresponds to section 10GE of the Companies Act, 1956 and seeks to provide that provisions of the Limitations Act, 1963 shall apply to the proceedings before the Tribunal or the Appellate Tribunal.

Clause 395. — This clause corresponds to sections 10FA and 647A of the Companies Act, 1956 and seeks to provide that on formation of Tribunal, all matters pending before Company Law Board shall stand transferred to the Tribunal. Similarly, all proceedings relating to compromise, arrangements and reconstruction and winding up of the companies pending before District Courts and High Courts shall be transferred to the Tribunal except winding up proceedings pending before District Courts or High Courts.

Clause 396. — This is a new clause which deals with the establishment of Special Courts by the Central Government in consultation with the Chief Justice of the High Court within whose jurisdiction the Judge to be appointed is working. It further provides that person so appointed as Judge of Special Court shall be the one who immediately before such appointment is holding the office of Session Judge or an Additional Sessions Judge.

Clause 397. — This is a new clause which seeks to provide that all offences under this Act shall be triable by the Special Courts. However, where an accused is produced before Magistrate, the Magistrate may order detention of such person and if he considers the detention unnecessary, he shall forward the case to the Special Court. The Special Court would have the liberty to try summary in a summary way for offences punishable with imprisonment for a term not exceeding three years although it may order for the regular trial.

Clause 398. — This is a new clause which seeks to provide that the High Courts shall have the power of appeal or revision as if special courts were Court of Session trying cases within the local limits of the jurisdiction of the High Court.

Clause 399. — This is a new clause which seeks to provide for the application of Code to the proceedings before the Special Court. It provides that Special Court shall be deemed to be a Court of Session and the provisions of the Code of Criminal Procedure, 1973 shall apply to the Special Court.

Clause 400. — This clause corresponds to some of the provisions of sections 621 to 631 of the Companies Act, 1956 and seeks to provide that every offence punishable under this Act shall be non-cognizable. The Court shall take cognizance only on complaint made by Registrar, shareholder of the company of a person authorised by Central Government.

Clause 401. — This is a new clause which provides that till such time Special Courts are established, the existing Court of Session will continue to exercise jurisdiction. However, it will not affect the powers of High Court to transfer any case.

Clause 402. — This clause corresponds to section 621A of the Companies Act, 1956 and seeks to provide that any offence which is not punishable with imprisonment only or imprisonment and also with fine may be compounded by the aggrieved person.

Clause 403. — This clause corresponds to section 624A of the Companies Act, 1956 and seeks to provide that the Central Governments may appoint any number of Company Prosecutors who shall have the same powers and privileges as that of Public Prosecutor.

Clause 404. — This clause corresponds to section 624B of the Companies Act, 1956 and seeks to provide that the Central Government shall have the power to direct the Company Prosecutor or authorise any other person to appeal against the order of acquittal passed by any court, other than a High Court.

Clause 405. — This is a new clause which deals with compensation for accusation without reasonable cause before the Special Court or Court of Session.

Clause 406.— This clause corresponds to section 626 of the Companies Act, 1956 and seeks to provide that any fine imposed or any part thereof may be applied towards payment of cost of proceedings or towards payment of reward to person on whose information the proceedings were instituted.

Clause 407.— This clause corresponds to section 628 of the Companies Act, 1956 and seeks to provide that if in any return, report, etc., any person who makes a false statement or omits material facts, shall be punishable with imprisonment and with fine.

Clause 408.— This clause corresponds to section 629 of the Companies Act, 1956 and seeks to provide that in case of giving false evidence, the concerned person shall be liable to imprisonment and fine.

Clause 409. — This clause corresponds to section 629A of the Companies Act, 1956 and seeks to provide for punishment where no specific punishment or penalty is provided elsewhere in the Companies Act.

Clause 410.— This clause seeks to provide that if any default is repeated, it shall be punishable with imprisonment as provided and twice the amount of fine for such default.

Clause 411.— This clause corresponds to section 630 of the Companies Act, 1956 and seeks to provide penalty for wrongful procession or holding of the property of the company by any officer or employee of company.

Clause 412.— This clause corresponds to section 631 of the Companies Act, 1956 and seeks to provide punishment for improper use of the title words ‘limited’, ‘private limited’ or ‘OPC limited’.

Clause 413.— This is a new clause which provides that Central Government may appoint adjudicating officers for adjudging penalty under the provision of this Act. The company or officer shall be given an opportunity to be heard before imposing any penalty. Aggrieved person may appeal to Regional Director. Any person not paying penalty shall be punished with imprisonment or fine or with both.

Clause 414.— This is a new clause and seeks to deal with dormant company. It provides that a dormant company shall be one which has not been carrying any business or has not made any significant accounting transaction in the last two financial years. Such a company may make an application to Registrar for obtaining the status of a dormant company. The Registrar shall maintain the register of dormant company, which shall keep the minimum number of directors and pay annual fees. This clause further provides that in case of a company which has not filed Balance Sheet, Profit and Loss Account or annual return for two financial years, the Registrar shall enter the name in the register maintained for dormant company. However, if the dormant company fails to comply with the requirements of this clause then the Registrar shall have the power to strike off its name.

Clause 415.— This clause seeks to provide that no suit, prosecution or other legal proceedings shall lie against the Government or any other person authorised by the Government for acts done or intended to be done in good faith.

Clause 416.— This clause corresponds to section 635AA of the Companies Act, 1956 and seeks to provide that no officer of the Government or any other person shall be compelled to disclose to any court, tribunal or other authority the source of any information which has led to an order of investigation into the affairs of the company.

Clause 417.— This clause corresponds to section 637 of the Companies Act, 1956 and seeks to empower the Central Government to delegate any of its powers or functions to any authority or officer by notification. It provides that any power can be delegated other than power to make rules. It further provides that a copy of notification shall be placed before both the Houses of Parliament.

Clause 418.— This clause corresponds to section 637A of the Companies Act, 1956 and seeks to provide that while according approval, sanction, consent, confirmation, etc., giving directions or granting exemptions, the Central Government or the Tribunal may impose such conditions or restrictions as it think fit.

Clause 419.— This clause corresponds to section 637B of the Companies Act, 1956 and seeks to provide that whenever any application is to be made to Central Government or any document is required to be filed with Registrar within specified time, the Central Government may, after recording the reasons for delay, condone the delay.

Clause 420.— This clause corresponds to section 638 of the Companies Act, 1956 and seeks to provide that the Central Government shall prepare annual report on the working of the Act and shall be laid before both the Houses of Parliament.

Clause 421.— This clause seeks to provide that in case of one person company or small company, the Central Government may by notification exempt the compliance of certain provisions. However, a copy of draft notification shall be laid before both the House of Parliament.

Clause 422.— This clause corresponds to section 11 of the Companies Act, 1956 and seeks to provide that the number of persons in any association or partnership shall not exceed one hundred. This clause further provides that the above restriction shall not apply to an association or partnership, constituted by professionals and Hindu Undivided Family.

Clause 423.— This clause deals with repealing of Companies Act, 1956 and Registration of Companies (Sikkim) Act, 1961. However, the provisions relating to Producer Companies shall be applicable *mutatis mutandis* as if Companies Act has not been repealed. It further provides that till the formation of Tribunal and Appellate Tribunal, the provisions of Companies Act, 1956 with regard to Company Law Board shall continue to apply.

Clause 424.— This clause corresponds to section 10FA of the Companies Act, 1956 and seeks to provide that on the constitution of the Tribunal and Appellate Tribunal, the Company Law Board shall stand dissolved. It provides that consequent upon formation of the Tribunal or Appellate Tribunal, the persons holding the office of Chairman, Vice-Chairman or Members shall stand vacated without any compensation for premature termination. Further, the officials on deputation shall be reverted to their parent cadre and the officials of the Board shall become officials of the Central Government with the same rights and privileges.

Clause 425.— This is a new clause which seeks to provide that Central Government may by order remove any difficulties which may arise in giving effect to the provisions within three years of commencement of the Act by publishing it in the Official Gazette and laying before each House of Parliament.

Clause 426.— This clause corresponds to section 642 of the Companies Act, 1956 and seeks to provide that the Central Government shall have the power to make rules. Every rule made under this clause shall be laid before both the Houses of the Parliament.

FINANCIAL MEMORANDUM

Clause 112 provides for establishment of Investor Education and Protection Fund for promotion of investor awareness and protection. To carry out the objectives of the Fund, the Central Government shall constitute an Authority with such members but not exceeding seven, as the Central Government may appoint, to administer the Fund. This clause is similar to section 205C of the Companies Act, 1956 (hereinafter referred to as the existing Act).

Clause 118 provides for constitution of National Advisory Committee on Accounting and Auditing Standards (NACAAS) to advise the Central Government on the formulation and laying down of accounting and auditing policies and Accounting and Auditing standards for adoption by companies or their auditors. The members of the Advisory Committee shall be entitled to such fees, travelling, conveyance and other allowances as may be prescribed in the rules. This clause is similar to section 210A of the existing Act.

Clause 183 of the Bill empowers the Central Government to appoint inspectors to investigate the affairs of companies. Clause 195 of the Bill empowers the Central Government to prosecute the offenders on the basis of the report of the investigation. The expenses on investigation, under certain circumstances are to be initially defrayed by the Central Government out of the moneys provided by the Parliament and are ultimately recoverable from the persons concerned. Clause 179 empowers the Registrars and the officers authorised by the Central Government to inspect the books of account of companies. These clauses are similar to the provisions of section 235, 242 and 209A of the existing Act.

Clause 244 empowers the Central Government to appoint an independent administrator to manage the Rehabilitation and Insolvency Fund. This clause is similar to sections 441A to 441D of the Companies Act, 1956 with some modifications.

Clause 334 empowers Central Government to appoint Official liquidators including Joint, Deputy or Assistant Official Liquidators who are to be the whole time officers of the Central Government, *i.e.*, whose salary shall be paid by Central Government. Clause 334 is similar to the provisions of section 448 of the existing Act.

Clause 358 of the Bill empowers the Central Government to establish registration offices to appoint a Director-General of Registration and Registrars, Additional, Joint and Assistant Registrars and to prescribe terms and conditions of their service. Clause 358 is similar to the provisions of section 609 of the existing Act.

Clauses 369, 371 and 375 of the Bill provide for the constitution of the National Company Law Tribunal and National Company Law Appellate Tribunal respectively. These clauses are similar to sections 10FB to 10FG and 10FR to 10FX of the Companies Act, 1956. For establishment of these institutions, the funds are already being provided by the Parliament.

Clause 396 of the Bill empowers the Central Government to establish, by notification, such number of Special Courts as may be necessary for the purpose of providing speedy trial of offences under the proposed legislation. The intention under this clause is to designate specified Judge or Judges from existing judicial set up to try on offences under the proposed Bill.

Clause 403 of the Bill empowers the Central Government to appoint Company Prosecutors for the conduct of prosecutions arising out of the proposed legislation. The Company Prosecutors already appointed under the existing Act will continue to function under the proposed legislation.

Clause 413 of the Bill provides for appointment of adjudicating officers to impose penalties for procedural non-compliance. The officers not below the rank of Registrar shall be notified as 'adjudicating officers'.

The expenditure on an authority to administer Investor Education and Protection Fund, National Advisory Committee on Accounting and Auditing Standards, inspecting officers, administrator to manage the Rehabilitation and Insolvency Fund, appointment of whole time Official liquidators (including Joint, Deputy or Assistant Official Liquidators), setting up of registration offices, appointment of Director-General of Registration and Registrars, Additional, Joint and Assistant Registrars, constitution of National Company Law Tribunal and National Company Law Appellate Tribunal, Special Courts, appointment of adjudicating officers and appointment of Company Prosecutors will be met out of the existing budgetary allocations of the Ministry of Corporate Affairs.

The Bill, therefore, will not involve any additional expenditure of recurring or non-recurring nature.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Item (a) of sub-clause (1) of clause (2) proposes to empower the Central Government to prescribe the salient features of a prospectus to be contained in abridged prospectus.

Sub-item (iv) of item (m) of sub-clause (1) of clause (2) proposes to empower the Central Government to prescribe items of costs for a class of companies specified under section 131.

Sub-item (i) of item (zzzg) of sub-clause (1) of clause 2 proposes to empower the Central Government to prescribe the amount of paid-up share capital for being a small company which shall not be more than five crore rupees.

Sub-item (ii) of item (zzzg) of sub-clause (1) of clause 2 proposes to empower the Central Government to prescribe the amount of turnover which shall not be more than twenty crore rupees for being a small company.

Sub-clause (1) of clause 3 proposes to empower the Central Government to prescribe the manner in which the name of subscriber to a memorandum of a company shall be given for complying with the requirements for registering a company under the Act.

Second proviso to sub-clause (1) of clause 3 proposes to empower the Central Government to prescribe time and form for intimation by the sole member of a one person company for change of name of his successor to the Registrar of Companies.

Sub-clause (1) of clause 4 proposes to empower the Central Government to prescribe the manner and conditions for issuing licence to a company to be formed for charitable objects, etc.

Item (b) of sub-clause (3) of clause 5 proposes to empower the Central Government to prescribe words or expressions which can be a part of name of a company only with the previous approval of the Central Government.

Sub-clause (4) of clause 5 proposes to empower the Central Government to prescribe the form, manner and fees required for making an application to Registrar for keeping a name reserved by a company.

Sub-clause (5) of clause 5 proposes to empower the Central Government to prescribe the fee required for serving the name for a further period of sixty days.

Sub-clause (6) of clause 5 proposes to empower the Central Government to prescribe the form of Memorandum of Association of a company.

Sub-clause (2) of clause 6 proposes to empower the Central Government to prescribe the matters to be contained in Article of Association of a company.

Sub-clause (6) of clause 6 proposes to empower the Central Government to prescribe model articles for different types of companies.

Item (a) of sub-clause (1) of clause 7 proposes to empower the Central Government to prescribe the manner in which a memorandum is to be signed by all subscribers.

Item (b) of sub-clause (1) of clause 7 proposes to empower the Central Government to prescribe form of declaration in which an advocate, Chartered Accountant, Cost Accountant or Company Secretary or director, manager, etc., engaged in the formation of a company, shall declare that all requirements of the Act and rules in respect of registration and the matters precedent or incidental thereto have been complied with.

Item (e) of sub-clause (1) of clause 7 proposes to empower the Central Government to prescribe the items for proof of identity of a subscriber to the memorandum of a company.

Item (f) of sub-clause (1) of clause 7 proposes to empower the Central Government to prescribe the particulars regarding proof of identity of a person who has been mentioned as first director in the Articles of the company.

Item (g) of sub-clause (1) of clause 7 proposes to empower the Central Government to prescribe the form and manner in which the interests of first directors of a company in other firms or bodies corporate are to be furnished/disclosed along with their consent to act as director.

Sub-clause (2) of clause 7 proposes to empower the Central Government to prescribe the form for certificate of incorporation to be issued by the Registrar.

Item (a) sub-clause (1) of clause 10 proposes to empower the Central Government to prescribe a form of declaration and manner of its verification to be filed by a director or subscriber in respect of payment of value of shares for which they have agreed as their subscription.

Item (b) of sub-clause (1) of clause 10 proposes to empower the Central Government to prescribe the manner in which verification of registered office shall be furnished to the Registrar.

Sub-clause (2) of clause 11 proposes to empower the Central Government to prescribe the manner in which the verification of the company's registered office is to be made.

Item (d) of sub-clause (3) of clause 11 proposes to empower the Central Government to prescribe the documents on which the company is to get its name printed.

Sub-clause (4) of clause 11 proposes to empower the Central Government to prescribe the manner for verification of change in the situation of the company's registered office.

Proviso of sub-clause (6) of clause 12 proposes to empower the Central Government to prescribe time and manner in which the company has to file the order of the Central Government approving the alteration involving transfer of registered office of a company from one State to another with the Registrar of each State.

Sub-clause (2) of clause 13 proposes to empower the Central Government to prescribe the manner in which copy of altered Articles of Association are to be filed with the Registrar.

Sub-clause (1) of clause 16 proposes to empower the Central Government to prescribe fee, which members are required to pay to the company for sending a copy of the memorandum, articles, agreements and resolutions referred to in clause 106, on his request.

Sub-clause (1) of clause 19 proposes to empower the Central Government to prescribe the electronic modes and other modes in which the documents can be served on a company or an officer thereof.

Sub-clause (2) of clause 19 proposes to empower the Central Government to prescribe the electronic modes and other modes in which the documents can be served to the Registrar or any member of the company.

Sub-item (i) of item (a) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe such other persons whose names, etc., are to be given in prospectus.

Sub-item (ii) of item (a) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe time for issue of allotment letters and refunds, etc., relating to issue of securities.

Sub-item (iii) of item (a) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe manner of disclosure about details of monies, *i.e.* utilised and unutilised out of issue.

Sub-item (v) of item (a) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe the other persons whose consent is required for issue of prospectus.

Sub-item (viii) of item (a) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe capital structure of the company, in prospectus.

Sub-item (ix) of item (a) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe particulars of the terms of the present issue, in prospectus.

Sub-item (xiii) of item (a) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe details of directors, proposed directors including their appointments and remuneration and extent of their interests in the company, in prospectus.

Sub-item (i) of item (b) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe this in addition to reports of the auditor of the company with respect to profit, loss, assets and liabilities of the company, in prospectus.

Sub-item (ii) of item (b) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe matters relating to company's subsidiaries, in prospectus.

Sub-item (iii) of item (b) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe the manner in which reports are to be made by the auditors for last five financial years in prospectus.

Item (d) of sub-clause (1) of clause 23 proposes to empower the Central Government to prescribe matters and reports to be included in prospectus issued by a company in addition to information required under this section.

Second proviso of sub-section (2) of section 24, empower the Central Government to notify public financial institutions on non-banking financial companies to whom first proviso shall not apply.

Sub-clause (2) of clause 26 proposes to empower the Central Government to prescribe changes, which have occurred in the first offer of the security and the succeeding offer of securities to be included in information memorandum.

Sub-clause (3) of clause 34 proposes to empower the Central Government to prescribe the manner and time within which the minimum amount has not been subscribed within a period of one hundred and twenty days from the date of issue of prospectus.

Sub-clause (4) of clause 34 proposes to empower the Central Government to prescribe the manner in which a return of allotment has to be filed with the Registrar by companies.

Item (b) of sub-clause (3) of clause 35 proposes to empower the Central Government to prescribe time, in which the monies received from applicant in pursuance of the prospectus, has to be returned.

Sub-clause (6) of clause 35 proposes to empower the Central Government to prescribe the conditions on which a company may pay commission to any person for subscription to its securities.

Clause 36 proposes to empower the Central Government to prescribe conditions and manner in which a company may issue depository receipts to be dealt in depository mode in any foreign country.

Sub-clause (3) of clause 40 proposes to empower the Central Government to prescribe the manner of issue of a share certificate or the duplicate thereof the form of such certificate and the particulars to be entered in the register of members and other matters.

Item (d) of sub-clause (1) of clause 48 proposes to empower the Central Government to prescribe rules for issuing sweat equity shares by unlisted companies.

Sub-clause (2) of clause 49 proposes to empower the Central Government to prescribe conditions for issuing and redeeming preferential shares.

First proviso to sub-clause (2) of clause 49 proposes to empower the Central Government to prescribe infrastructure projects, for which a company may issue preferential shares for

more than twenty years. It also proposes to empower the Central Government to prescribe the percentage of shares which shall be redeemed on an annual basis.

Sub-clause (1) of clause 50 proposes to empower the Central Government to prescribe share transfer form and time within which this has to be delivered to the company.

Proviso of sub-clause (1) of clause 50 proposes to empower the Central Government to prescribe time if, within which, the instrument of transfer of securities is not been delivered, the company may registered the transfer of securities on the terms of indemnity.

Sub-clause (3) of clause 50 proposes to empower the Central Government to prescribe the manner of notice of the application to be given by a company to the transferee in case of transfer of partly paid shares.

Sub-clause (1) of clause 53 proposes to empower the Central Government to prescribe the form in which an application is to be made to the Tribunal for rectification of register of members and also to notify competent court outside India in respect of foreign industries or debenture holders residing outside India.

Item (a) of sub-clause (1) of clause 56 proposes to empower the Central Government to prescribe terms and conditions relating to the time within which the offer of shares has to be accepted or renounced by a shareholder.

Item (b) of sub-clause (1) of clause 56 proposes to empower the Central Government to prescribe conditions to issue shares to its employees under the scheme of employee stock option.

Item (c) of sub-clause (1) of clause 56 proposes to empower the Central Government to prescribe the conditions for valuation report of a registered valuer to determine the price of shares.

Sub-clause (1) of clause 57 proposes to empower the Central Government to prescribe the form for filing notice for alteration of share capital to the Registrar.

Item (d) of sub-clause (2) of clause 61 proposes to empower the Central Government to notify higher ratio of debt to capital and free reserves for a class or classes of companies.

Item (g) of sub-clause (2) of clause 61 proposes to empower the Central Government to prescribe rules for buy-back of securities by a company, which is not listed with any stock exchange.

Sub-clause (6) of clause 61 proposes to empower the Central Government to prescribe the form of declaration of solvency by directors of a company.

Sub-clause (9) of clause 61 proposes to empower the Central Government to prescribe particulars to be entered in register maintained regarding securities bought back by a company.

Sub-clause (10) of clause 61 proposes to empower the Central Government to prescribe particulars to be filed, by a company, with Registrar of Companies and Securities and Exchange Board of India after completion of buy-back of securities.

Explanation to clause 61 proposes to empower the Central Government to notify securities as specified securities other than employees stock option.

Sub-clause (3) of clause 64 proposes to empower the Central Government to prescribe terms and conditions and class of companies which can issue secured debentures.

Sub-clause (5) of clause 64 proposes to empower the Central Government to prescribe the conditions for governing the appointment of trustees for issue of debentures by a company.

Sub-clause (13) of clause 64 proposes to empower the Central Government to prescribe rules for securing of the issue of debentures, the form of debenture trust deed, the procedure for debenture holder to inspect trust deed and to obtain copies thereof and other related matters.

Sub-clause (1) of clause 65 proposes to empower the Central Government to prescribe the manner in which a holder of shares or debentures of a company may nominate any person to whom his shares or debentures shall vest in the event of his death.

Sub-clause (2) of clause 65 proposes to empower the Central Government to prescribe the manner in which joint holder of shares and debentures may nominate any person in case of death of all the joint holders.

Sub-clause (3) of clause 65 proposes to empower the Central Government to prescribe the manner in which a nomination is to be varied or cancelled.

Sub-clause (4) of clause 65 proposes to empower the Central Government to prescribe the manner in which any person may be appointed and become entitled to the shares or debentures of the company, in the event of the death of the nominee during his minority.

Sub-clause (2) of clause 66 proposes to empower the Central Government to make rules in consultation with the Reserve Bank of India with respect to acceptance of deposits from members.

Item (a) of sub-clause (2) of clause 66 proposes to empower the Central Government to prescribe the form and manner in which particulars are to be contained in circular to members of company for inviting deposits.

Item (d) of sub-clause (2) of clause 66 proposes to empower the Central Government to prescribe the manner and limit for providing insurance against deposits.

Sub-clause (1) of clause 69 proposes to empower the Central Government to prescribe the form and manner in which a charge can be created and fee to be charged thereon.

Proviso of sub-clause (1) of clause 69 proposes to empower the Central Government to prescribe additional fee on payment of which an application for registering charges can be made within a period of three hundred days.

Sub-clause (2) of clause 69 proposes to empower the Central Government to prescribe the form and manner in which certificate of registration of charges is to be issued by Registrar of Companies to the company or person in whose favour the charge is created.

Clause 70 proposes to empower the Central Government to prescribe the form and manner in which a person in whose favour the charge is created may apply for registration of charge when company fails to do so and also the fee and additional fee which Registrar may charge for such registration.

Sub-clause (1) of clause 73 proposes to empower the Central Government to prescribe the form and particulars to be included in register of charges to be kept by the Registrar.

Sub-clause (2) of clause 73 proposes to empower the Central Government to prescribe fee to be paid by a person for inspecting the register of charges.

Sub-clause (1) of clause 74 proposes to empower the Central Government to prescribe the form in which a company shall intimate the Registrar of the payment or satisfaction of charges.

Sub-clause (1) of clause 75 proposes to empower the Central Government to prescribe time within which a notice is to be given to the company and Registrar for appointment of a receiver and to prescribe fee for registering particulars of the receiver, person or instrument with the Registrar.

Sub-clause (1) of clause 76 proposes to empower the Central Government to prescribe the form and manner of register of charges and floating charges to be kept by a company at its registered office and the particulars to be incorporated in the Register.

Item (b) of sub-clause (2) of clause 76 proposes to empower the Central Government to prescribe fee for inspecting the register of charges by a person other than a member.

Sub-clause (1) of clause 78 proposes to empower the Central Government to prescribe the form and manner in which following registers are to be maintained: —

- (a) Register of members indicating separately equity and preference shares held by each member and residing in India and outside;
- (b) Register of debenture holders;
- (c) Register of any other security holders.

Sub-clause (4) of clause 78 proposes to empower the Central Government to prescribe the manner in which part of the registers referred to in sub-clause (1) of clause 78, called “foreign register” are to be kept in any country outside of India.

Sub-clause (1) of clause 79 proposes to empower the Central Government to prescribe the form of declaration by a person to the company who does not hold the beneficial interests in shares but whose name is there as a member in the register of members of the company, specifying the name and other particulars of the person who holds the beneficial interest in such shares.

Sub-clause (2) of clause 79 proposes to empower the Central Government to prescribe particulars to be included in declaration to the company by a person who holds or acquires a beneficial interest in the shares of a company but whose name is not there in the register of members of the company.

Sub-clause (3) of clause 79 proposes to empower the Central Government to prescribe the form and particulars to be included therein in case of any change in a declaration made by a person to the company who holds the beneficial interest in shares of the company and the person whose name is there in register of members of the company but who does not hold any beneficial interest in such shares.

Sub-clause (4) of clause 79 proposes to empower the Central Government to prescribe the form of return in which declarations are made under this section to be filed by a company with the Registrar.

Sub-clause (1) of clause 81 proposes to empower the Central Government to prescribe the manner of notice to be given to members of a company before closing the register of members or debenture holders or any other security holders.

Sub-clause (1) of clause 82 proposes to empower the Central Government to prescribe form containing the particulars in respect of annual return.

Item (j) of sub-clause (1) of clause 82 proposes to empower the Central Government to prescribe the form of annual return and other matters to be included therein.

Proviso to sub-clause (1) of clause 82 proposes to empower the Central Government to prescribe the paid-up capital and turnover of a company or whose shares are listed on a recognised stock exchange, shall, in addition to being signed by Managing Director and the Company Secretary shall also be signed by a Company Secretary in whole-time practice and to prescribe the form for such certification.

Sub-clause (2) of clause 82 proposes to empower the Central Government to prescribe the extracts of the annual return that shall form part of the Board’s Reports.

Sub-clause (3) of clause 82 proposes to empower the Central Government to prescribe fee and additional fee for filing annual return with the Registrar.

Sub-clause (2) of clause 83 proposes to empower the Central Government to prescribe fee for inspecting the registers maintained under sub-clause (1) of clause 78 by a person who is not a members, debenture holders of company.

Item (b) of sub-clause (3) of clause 83 proposes to empower the Central Government to prescribe fee for a copy of registers or entries or returns maintained under sub-clause (1) of clause 78.

Sub-clause (4) of clause 89 proposes to empower the Central Government to prescribe the manner in which a meeting may be called by the requisitionists in case the Board fails to call the meeting.

Sub-clause (1) of clause 90 proposes to empower the Central Government to prescribe the manner for calling a general meeting of the company.

Clause 94 proposes to empower the Central Government to prescribe the manner and the conditions subject to which a proxy can be appointed by shareholders.

Clause 97 proposes to empower the Central Government to prescribe the manner in which a member may exercise his vote at a meeting by electronic means.

Sub-clause (5) of clause 98 proposes to empower the Central Government to prescribe the manner in which the Chairman of meeting shall get the poll process scrutinised and report thereon.

Sub-clause (1) of clause 99 proposes to empower the Central Government to prescribe the manner and matters on which a business can be transacted at a general meeting through postal ballot.

Clause 104 proposes to empower the Central Government to prescribe the number of members who can give a notice of their intention to move a resolution requiring special notice and the manner in which such notice of the resolution shall be given.

Sub-clause (1) of clause 106 proposes to empower the Central Government to prescribe the matters and the manner in which the resolutions passed in general meeting are to be filed with the Registrar.

Sub-clause (1) of clause 107 proposes to empower the Central Government to prescribe the time within which and manner in which a company shall prepare and keep minutes of proceedings of every general meeting, meeting called by requisitionists, meeting of class of shareholders or creditors, resolution passed by postal ballot and meetings of the Board and any of its committees.

Sub-clause (10) of clause 107 proposes to empower the Central Government to prescribe the secretarial standards for general and Board meetings of a company.

Sub-clause (2) of clause 108 proposes to empower the Central Government to prescribe fee for furnishing a copy of minutes of any general meeting to any member of the company.

Sub-clause (1) of clause 109 proposes to empower the Central Government to prescribe the manner in which a report on annual general meeting shall be prepared.

Sub-clause (2) of clause 109 proposes to empower the Central Government to prescribe fee to be paid by member of a company for being furnished with copy of minutes, etc.

Item (a) of sub-clause (2) of clause 110 proposes to empower the Central Government to prescribe rate of depreciation on assets of the company.

Sub-clause (4) of clause 111 proposes to empower the Central Government to prescribe the form of statement to be filed by company with authority administering the fund on transfer of unpaid money to Investor's Education and Protection Fund.

Item (g) of sub-clause (2) of clause 112 proposes to empower the Central Government to prescribe other amounts which shall be transferred to Investor's Education and Protection Fund.

Sub-clause (3) of clause 112 proposes to empower the Central Government to prescribe rules for utilisation of Investor's Education and Protection Fund.

Sub-clause (5) of clause 112 proposes to empower the Central Government to prescribe the form in which authority shall maintain accounts and other relevant records after consulting Comptroller and Auditor-General of India.

Sub-clause (8) of clause 112 proposes to empower the Central Government to prescribe the form and time for preparing annual report by the authority giving a full account of its activities during the financial year.

Second proviso of sub-clause (1) of clause 116 proposes to empower the Central Government to prescribe the manner in which books of account can be kept in electronic mode.

Sub-clause (3) of clause 116 proposes to empower the Central Government to prescribe the conditions for making inspection of books of account and other records by a director.

Sub-clause (1) of clause 117 proposes to empower the Central Government to prescribe the form of in which financial statements are to be prepared by a company at the end of each financial year.

Sub-clause (4) of clause 118 proposes to empower the Central Government to prescribe fees, traveling, conveyance and other allowances to the members of National Advisory Committee on Accounting and Auditing Standards.

Proviso to sub-clause (1) of clause 120 proposes to empower the Central Government to prescribe the manner in which financial statements shall be authenticated.

Proviso to sub-clause (1) of clause 121 proposes to empower the Central Government to prescribe the net worth and turnover of companies and manner in which such company shall circulate their Financial Statements.

Sub-clause (1) of clause 122 proposes to empower the Central Government to prescribe the manner to file the financial statements with the Registrar.

Sub-clause (2) of clause 122 proposes to empower the Central Government to prescribe the manner to file the financial statements where annual general meeting has not been held along with the statement of facts and reasons for not holding the annual general meeting with the Registrar.

Proviso of sub-clause (1) of clause 123 proposes to empower the Central Government to prescribe the conditions for making an appointment of an auditor in a company.

Sub-item (i) of item (d) of sub-clause (3) of clause 124 proposes to empower the Central Government to prescribe the percentage which a person or his relative or partner should not hold as securities of the company or its subsidiary, etc., for being eligible for appointment as an auditor of a company.

Sub-item (iii) of item (d) of sub-clause (3) of clause 124 proposes to empower the Central Government to prescribe the amount given by a person or his relative or partner as a guarantee or security in connection with the indebtedness of any third person to the company or its subsidiary, or its holding or associate company or a subsidiary of such holding company which shall disqualify a person from being appointed as an auditor of the company.

Item (e) of sub-clause (3) of clause 124 proposes to empower the Central Government to prescribe the business relationships which if a person has with the company or its subsidiary, or its holding or associate company, or a subsidiary of such holding company shall not be appointed as an auditor of the company.

Item (g) of sub-clause (3) of clause 124 proposes to empower the Central Government to prescribe the number of companies beyond which a person shall not be appointed as an auditor of the company.

Sub-clause (1) of clause 126 proposes to empower the Central Government to prescribe the matters, which an auditor shall inquire into as he consider necessary for the performance of his duties.

Sub-clause (2) of clause 126 proposes to empower the Central Government to prescribe the matters, which an auditor shall include in its report to the members of the company.

Item (j) of sub-clause (3) of clause 126 proposes to empower the Central Government to prescribe additional matters to be included in auditors' report.

Sub-clause (8) of clause 126 proposes to empower the Central Government to prescribe the powers and duties of branch auditors or company's auditor with reference to the audit of branch offices of a company.

Sub-clause (1) of clause 131 proposes to empower the Central Government to prescribe the items of cost to be included in the books of account kept by specified class of companies.

Sub-clause (2) of clause 131 proposes to empower the Central Government to specify the manner in which audit of cost records of a company shall be conducted.

Sub-clause (3) of clause 131 proposes to empower the Central Government to prescribe the manner in which a Cost Accountant shall be appointed in a company.

Sub-clause (3) of clause 132 proposes to empower the Central Government to prescribe amount of paid-up share capital for listed companies which shall be required to appoint one-third of its total directors as independent directors. It also proposes to empower the Central Government to prescribe minimum number of independent directors in case of public companies and subsidiaries of any public company which are not listed.

Item (c) of sub-clause (5) of clause 132 proposes to empower the Central Government to prescribe other qualifications to be possessed by an independent director.

Sub-clause (5) of clause 133 proposes to empower the Central Government to prescribe the time within which and manner in which consent given by a director shall be filed with the registrar.

Sub-clause (6) of clause 133 proposes to empower the Central Government to prescribe the procedure and principles in accordance with which directors shall retire by rotation under such sub-clause.

Sub-clause (7) of clause 133 proposes to empower the Central Government to prescribe the time and procedure in respect of making of appointment of director in case a company fails to re-appoint a director or to appoint a person as a director in place of a retiring director.

Clause 134 proposes to empower the Central Government to prescribe the form, manner and the fees payable in respect of application for Director Identification Number.

Clause 135 proposes to empower the Central Government to prescribe manner in which Director Identification Number shall be allotted by the Central Government.

Sub-clause (1) of clause 138 proposes to empower the Central Government to specify apart from Registrar any other authority to whom Director Identification Number may be furnished by a company under such sub-clause.

Sub-clause (1) of clause 141 proposes to empower the Central Government to prescribe the sum of money to be deposited in connection with proposing the candidature of a person as a director in the company.

Sub-clause (2) of clause 141 empowers the Central Government to prescribe the manner in which the company shall inform its members of the candidature of a person for office of director.

Sub-clause (1) of clause 149 proposes to empower the Central Government to prescribe manner and form in which Board shall intimate Registrar in respect of notice of resignation given by a director under this sub-clause.

Proviso to sub-clause (1) of clause 149 of the Bill proposes to empower the Central Government to prescribe the manner in which a director himself may forward a copy of his resignation to the Registrar under this clause.

Sub-clause (1) of clause 150 proposes to empower the Central Government to prescribe the procedure to be followed by a company while removing a director from his office before the expiry of period of his office.

Sub-clause (1) of clause 151 proposes to empower the Central Government to prescribe the particulars in respect of directors and key managerial personnel to be entered in the register required to be kept by the company pursuant to this clause.

Sub-clause (2) of clause 151 proposes to empower the Central Government to prescribe the particulars and documents to be contained in the return to be filed with the Registrar under such sub-clause.

Proviso to sub-clause (1) of clause 154 proposes to empower the Central Government to issue directions by way of notifications, to the effect that provisions in respect of sub-clause (1) shall not apply in relation to any class or description of companies or shall apply subject to such exceptions, modifications or conditions as may be specified in the notification.

Sub-clause (2) of clause 154 proposes to empower the Central Government to prescribe other means of communication, which are capable of recording and recognising the participation of the directors and of recording and storing the proceedings of such meetings, which may be used for holding meetings of the Board.

Proviso to sub-clause (2) of clause 154 proposes to empower the Central Government to specify such matters which shall not be dealt with in a meeting of the Board through video conferencing or other electronic means.

Sub-clause (1) of clause 158 proposes to empower the Central Government to prescribe class or description of companies which shall have to constitute an audit committee and a remuneration committee of the Board.

Sub-clause (1) of clause 162 proposes to empower the Central Government to prescribe the manner in which a director shall make disclosure in respect of companies, firms and other bodies corporate in which he has any concern or interest.

Sub-clause (5) of clause 164 proposes to empower the Central Government to prescribe the limits up to which such class of companies governed by section 12 of the Securities and Exchange Board of India Act, 1992 which may be prescribed by the Central Government, shall give loan, or guarantee or make investments. This sub-clause also seeks to empower Central Government to prescribe class of companies governed by section 12 of the Securities and Exchange Board of India Act, 1992 in respect of which limits prescribed *supra* would be applicable.

Sub-clause (8) of clause 164 empower the Central Government to prescribe the particulars which shall be included and the manner in which a register shall be kept by a company giving loan or providing guarantee, etc.

Sub-clause (9) of clause 164 empower the Central Government to prescribe the fees payable for taking extracts or obtaining copies of any part of register maintained under sub-clause (8) by any company.

Sub-clause (3) of clause 165 proposes to empower the Central Government to prescribe the particulars to be contained in the register to be kept by a company in respect of securities, which are not held in its name.

Proviso to sub-clause (1) of clause 166 proposes to empower the Central Government to prescribe the lower limit of paid-up capital of a company or the upper limit of transactions of a company for entering into contract or arrangement, except with the prior approval by way of special resolution.

Sub-clause (1) of clause 167 proposes to empower Central Government to prescribe particulars and manner in which register(s) in respect of contracts or arrangements to which sub-clause (2) of clause 162 applies shall be kept by every company.

Sub-clause (4) of clause 167 proposes to empower the Central Government to prescribe the manner and fees payable for inspection of register maintained under sub-clause (1).

Sub-clause (1) of clause 169 proposes to empower the Central Government to prescribe the particulars, with reference to payment proposed to be made by transferee or person, which are to be disclosed to members in view of provisions of such sub-clause.

Sub-clause (2) of clause 169 proposes to empower the Central Government to prescribe limits or priorities in respect of any payment made by a company to a managing director or whole-time director or manager of the company by way of compensation for loss of office or as consideration for retirement from office or in connection with such loss or retirement, which shall not be effected by the provisions of sub-clause (1) of this clause.

Sub-clause (1) of clause 175 proposes to empower the Central Government to prescribe the manner in which net profits of a company shall be computed for the purpose of ascertaining the payment of remuneration to a managing or whole-time director or a manager of a company.

Sub-clause (1) of clause 178 proposes to empower the Central Government to prescribe class or description of companies who shall be required to have whole-time key managerial personnel.

Item (b) of sub-clause (3) of clause 193 proposes to empower the Central Government to prescribe fee for furnishing a copy of the final report.

Sub-clause (4) of clause 193 proposes to empower the Central Government to prescribe the manner in which Inspector may authenticate the report.

Sub-clause (3) of clause 201 proposes to empower the Central Government to prescribe the other methods which shall be disclosed in the statement apart from the disclosure indicated in the said sub-clause.

Sub-clause (5) of clause 201 proposes to empower the Central Government to prescribe the form and accompanied documents in which a notice shall be sent under sub-clause (3) of the said clause.

Sub-clause (10) of clause 201 proposes to empower the Central Government to prescribe rules regarding the manner, terms and conditions for takeover offer to be made.

Sub-clause (11) of clause 201 proposes to empower the Central Government to prescribe the manner in which an aggrieved party may appeal to the Tribunal, in the event of any grievances with respect to the takeover offer in case of unlisted companies.

Sub-clause (2) of clause 204 proposes to empower the Central Government to prescribe the manner in which the transferee company shall file a copy of the approved scheme with the Registrar and the Official Liquidator.

Sub-clause (10) of clause 204 proposes to empower the Central Government to prescribe fee due on revised capital for filing an application with the Registrar along with the scheme registered and indication the revised authorised capital.

Sub-clause (1) of clause 205 proposes to empower the Central Government to notify the names of countries to which the provisions of the Chapter shall apply.

Sub-clause (1) of clause 206 proposes to empower the Central Government to prescribe the manner in which the notice is to be given by the transferee company to any dissenting shareholders that the transferee company desired to acquire his share.

Sub-clause (2) of clause 207 proposes to empower the Central Government to prescribe the rules for determining the price for buying of equity shares from the minority shareholders.

Sub-clause (3) of clause 207 proposes to empower the Central Government to prescribe the rules for determining the price for buying of equity shares from the majority shareholders.

Sub-clause (3) of clause 208 proposes to empower the Central Government to prescribe the authority for assessment of compensation to be paid to the member or creditor by the transferee company.

Item (a) of sub-clause (1) of clause 209 proposes to empower the Central Government to prescribe the information and the manner in which every circular containing the offer shall be accompanied with.

Sub-clause (2) of clause 219 proposes to empower the Central Government to prescribe qualifications of persons for registration as a registered valuer other than chartered accountants, cost and works accountants and company secretaries and form to apply for licensing a registered valuer.

Sub-clause (3) of clause 219 proposes to empower the Central Government to prescribe fee for filing application to the Central Government for registration as a registered valuer.

Item (b) of sub-clause (3) of clause 219 proposes to empower the Central Government to prescribe rules to make the valuation.

Sub-clause (1) of clause 220 proposes to empower the Central Government to prescribe the number of experts and their minimum qualification for appointment of such experts in the committee of experts.

Sub-clause (2) of clause 221 proposes to empower the Central Government to prescribe form in which valuation report shall be submitted as well as the manner of its verification.

Sub-clause (3) of clause 221 proposes to empower the Central Government to prescribe the maximum rate which shall be charged by the registered valuer.

Sub-clause (4) of clause 223 proposes to empower the Central Government to prescribe the enquiry officers as well as their powers.

Sub-clause (1) of clause 224 proposes to empower the Central Government to specify the notice period for removal of name of a company.

Sub-clause (2) of clause 224 proposes to empower the Central Government to prescribe the format of public notice to be issued by the Registrar.

Sub-clause (4) of clause 224 proposes to empower the Central Government to prescribe the manner in which public notice shall be published by the Registrar.

Sub-clause (1) of clause 229 proposes to empower the Central Government to prescribe the manner in which an application is to be filed to the Tribunal.

Item (b) of sub-clause (2) of clause 230 proposes to empower the Central Government to prescribe particular and documents and manner of authentication as well as the requisite fee for an application to be made to Tribunal in respect of revival and rehabilitation of sick company.

Item (c) of sub-clause (2) of clause 230 proposes to empower the Central Government to prescribe the draft scheme of revival and rehabilitation.

Sub-clause (1) of clause 234 proposes to empower the Central Government to notify the name of the professionals such as advocates, company secretary, chartered accountant, cost and works accountant to be appointed as interim administrator or company administrator.

Sub-clause (4) of clause 244 proposes to empower the Central Government to prescribe the rules regarding the manner in which the rehabilitation and insolvency fund shall be managed.

Sub-clause (5) of clause 247 proposes to empower the Central Government to prescribe the form and manner in which a statement of affairs is to be filed along with the petition for winding up before the Tribunal.

Sub-clause (1) of clause 249 proposes to empower the Central Government to prescribe the form and manner in which the company is to file its objection along with a statement of its affairs on receipt of orders of the Tribunal on a petition for winding up filed by any person other than the company.

Sub-clause (2) of clause 250 proposes to empower the Central Government to maintain a panel of professionals consisting of their names, experience and other qualifications and also empower to notify the category/class of professionals who can be considered for appointment as provisional liquidator.

Sub-clause (5) of clause 250 proposes to empower the Central Government to prescribe the form in which a declaration is to be filed by the provisional liquidator or Company Liquidator, disclosing conflict of interest or lack of independence in respect of his appointment, if any, with the Tribunal.

Sub-clause (5) of clause 256 proposes to empower the Central Government to prescribe the fee for payment of taking copies or extracts of statements to be submitted by the Company Liquidator.

Sub-clause (5) of clause 262 proposes to empower the Central Government to prescribe the form and manner relating to the convening of the meetings, the procedure to be followed thereat and other matters relating to conduct of business by the committee of inspection.

Sub-clause (1) of clause 263 proposes to empower the Central Government to prescribe the form and manner in which a periodical reports on the progress of the winding up of the company is to be made to the Tribunal by the Company Liquidator.

Sub-clause (2) of clause 266 proposes to empower the Central Government to prescribe the form in which the person appointed to assist Company Liquidator shall disclose information relating to any conflict of interest or lack of independence in respect of his appointment.

Sub-clause (1) of clause 268 proposes to empower the Central Government to prescribe the form and manner in which the Company Liquidator shall keep proper books, minutes of the proceedings at the meeting and other matters in relation to the company under liquidation.

Sub-clause (1) of clause 269 proposes to empower the Central Government to prescribe the form and manner in which the Company Liquidator shall maintain proper and regular books of account including accounts of all receipts and payments made by him in relation to the company under liquidation.

Sub-clause (2) of clause 269 proposes to empower the Central Government to prescribe the following :—

- (a) number of times the Company Liquidator shall present to the Tribunal account of receipts and payment made to the Liquidator;
- (b) form in which receipts and payments shall be presented to the Tribunal;
- (c) form of declaration and manner of its verification.

Sub-clause (4) of clause 285 proposes to empower the Central Government to prescribe the form and manner in which a declaration shall be by the Company Liquidator disclosing any conflict of interest or lack of independence in respect of his appointment with the company and the creditors and such obligation shall continue throughout the term of his or its appointment.

Sub-clause (4) of clause 289 proposes to empower the Central Government to prescribe the form and manner in which the Company Liquidator shall maintain regular and proper

books of account. This clause also empower the Central Government to authorise any officer, apart from members and creditors and to inspect such books of account.

Sub-clause (1) of clause 291 proposes to empower the Central Government to prescribe the form and manner of Report on the progress of winding up in which the Company Liquidator shall present it to creditors.

Sub-clause (2) of clause 293 proposes to empower the Central Government to prescribe the form and manner in which meeting of the company shall be called for the purpose of laying the final winding up accounts.

Item (b) of sub-clause (4) of clause 293 proposes to empower the Company Liquidator to prescribe the manner in which Company Liquidator shall file application along with his report to tribunal for passing an order on dissolution of company.

Sub-clause (4) of clause 297 proposes to empower the Central Government to prescribe the form and manner in which a copy of an order staying the proceedings in the winding up shall be forwarded by the company to the Registrar.

Item (b) of sub-clause (1) of clause 302 proposes to empower the Central Government to prescribe the limit on amount payable on account of all wages or salary including wages payable for time or piece work and salary earned wholly or in part by way of commission, etc.

Sub-clause (2) of clause 318 proposes to empower the Central Government to prescribe the circumstances, conditions, restrictions and limitations under which the Company Liquidator shall exercise powers without sanction of the Tribunal.

Sub-clause (3) of clause 318 proposes to empower the Central Government to prescribe the manner in which any creditor or contributory may file application to the Tribunal on powers exercised by Company Liquidator.

Sub-clause (1) of clause 321 proposes to empower the Central Government to prescribe the rules in accordance of which any creditor or contributory of the company may inspect the books and papers of the company.

Sub-clause (1) of clause 323 proposes to empower the Central Government to prescribe the form and manner in which a statement is to be filed duly audited by a person qualified to act as auditor of the company, in relation to company where winding up is not concluded within one year after its commencement.

Sub-clause (4) of clause 323 proposes to empower the Central Government to prescribe the fee on payment of which in which any creditor or contributory of the company may inspect the statement and receive a copy thereof or an extract therefrom.

Clause 324 proposes to empower the Central Government to prescribe the manner and time in which Company Liquidator shall pay the monies received by him as liquidator of any Government company, into the public account of India in the Reserve Bank of India.

Sub-clause (1) of clause 325 proposes to empower the Central Government to prescribe the manner and time in which the Company Liquidator shall deposit the monies received by him in his capacity as Company Liquidator in a scheduled bank to the credit of special bank account.

Sub-clause (3) of clause 327 proposes to empower the Central Government to prescribe the form and manner in which the liquidator shall furnish the statement indicating therein all sums included in payment, the nature of the sums, the names and last known addresses of the persons entitled to participate therein, the amount to which each is entitled and the nature of his claim thereto.

Sub clause (1) of clause 335 proposes to empower the Central Government to prescribe the power and duties of Official Liquidator.

Item (c) to sub-clause (2) of clause 335 proposes to empower the Central Government to prescribe the statistics, information and records relating to companies under winding up, which the Official Liquidator may maintain.

Sub clause (4) of clause 336 proposes to empower the Central Government to prescribe the form and manner of the report to be submitted by Official Liquidator to tribunal on any fraud which has been committed in promotion, formation or management of the affairs of the company.

Sub-clause (1) of clause 338 proposes to empower the Central Government to prescribe the manner in which Official Liquidator shall call upon the creditors to prove their claim.

Sub-clause (2) of clause 338 proposes to empower the Central Government to prescribe the manner in which the Official Liquidator shall prepare a list of claims of creditors.

Clause 341 proposes to empower the Central Government to notify certain companies to comply with the provisions of Chapter XXI and such other provisions of this Act with regard to the business carried on by it in India as if it were a company incorporated in India.

Item (c) of sub-clause (1) of clause 342 proposes to empower the Central Government to prescribe particulars to be contained in the list of the directors and secretary to be filed by foreign companies.

Sub-clause (3) of clause 342 proposes to empower the Central Government to prescribe form in which all the alteration has to be delivered by the foreign company to the Registrar for registration.

Sub-clause (3) of clause 343 proposes to empower the Central Government to prescribe form in which a copy of list of all places of business established by the company in India has to be delivered by foreign company to the Registrar.

Clause 347 proposes to empower the Central Government to prescribe the fee for registering documents with the Registrar by foreign companies.

Clause 351 proposes to empower the Central Government to prescribe such documents of foreign companies which has or has not established a place of business in India for the purpose of registration of prospectus.

Clause 352 proposes to empower the Central Government to frame rules for following:—

- (a) the offer of Indian Depository Receipts;
- (b) the requirement of disclosures in prospectus or letter of offer issued in connection with Indian Depository Receipts;
- (c) the manner in which the Indian Depository Receipts shall be dealt with in a depository mode and by custodian and underwriters; and
- (d) the manner of sale, transfer or transmission of Indian Depository Receipts.

Sub-clause (1) of clause 357 proposes to empower the Central Government to give directions, by notification in the Official Gazette that any of the provisions of the Bill shall not apply to any Government Company or shall apply to any Government Company with such exception, modification and adaptation as may be specified in the notification.

Sub-clause (1) of clause 358 proposes to empower the Central Government to establish such number of offices and at such places as it thinks fit specifying their jurisdiction for the purpose of registration of companies under this Act.

Sub-clause (2) of clause 358 proposes to empower the Central Government to prescribe power which shall be exercisable by Director General of Registration, Registrars, Additional, Joint, Deputy and Assistant Registrars.

Sub-clause (3) of clause 358 proposes to empower the Central Government to make rules in regard to prescribing the terms and conditions of service, including the salaries payable to persons appointed under this clause.

Sub-clause (4) of clause 358 proposes to empower the Central Government to direct preparation of seal or seals for authentication of documents required for, or connected with, the registration of companies.

Clause 359 proposes to empower the Central Government to prescribe the manner of authentication of documents filed by company in electronic form, etc., for the purpose.

Item (a) of sub-clause (1) of clause 360 proposes to empower the Central Government to make rules of filing for various application, documents and returns, etc., in electronic form including the manner of their authentication.

Item (b) of sub-clause (1) of clause 360 proposes to empower the Central Government to make rules of service or delivery of any document, notice or communication, etc., in the electronic form and the manner of their authentication.

Item(c) of sub-clause (1) of clause 360 proposes to empower the Central Government to make rules for maintenance of various applications, documents and return filed with the Registrar in the electronic form and manner of their registration or authentication.

Item (d) of sub-clause (1) of clause 360 proposes to empower the Central Government to make rules regarding the manner of inspection of the various documents maintained in the electronic form.

Item (e) of sub-clause (1) of clause 360 proposes to empower the Central Government to make rules for payment of fees, charges or other sums payable through the electronic form.

Item (f) of sub-clause (1) of clause 360 proposes to empower the Central Government to make rules and the manner in which various registry functions shall be performed by Registrar in electronic form.

Sub-clause (2) of clause 360 proposes to empower the Central Government to frame, by notification, a scheme to carry out the provisions of sub-clause (1) of this clause.

Clause 362 proposes to empower the Central Government to provide value-added services through electronic form and levy fee thereon.

Sub-clause (1) of clause 364 proposes to empower the Central Government to prescribe fee and charges required to be paid on account of giving, filing, registering or recording of any document or fact under the provisions of this Act.

Proviso to sub-clause (1) of clause 364 proposes to empower the Central Government to prescribe the additional fee for documents to be submitted, filed, registered or recorded, on any fact or information required under this Act.

Sub-clause (1) of clause 366 proposes to empower the Central Government to issue an order requiring any company or companies to furnish information or statistics with regard to its or their or its constitution or working and time or to produce records or documents in its possession or allow inspection thereof by any officer or furnish such further information as that Government may consider necessary.

Sub-clause (2) of clause 367 proposes to empower the Central Government to give directions, by notification in the Official Gazette, that any of the provisions of the Act shall apply to any Nidhi or shall apply to any Nidhi with such exception, modification and adaptation as may be specified in the notification.

Clause 369 proposes to empower the Central Government to constitute by notification a Tribunal to be known as National Company Law Tribunal and appointment of Chairperson and judicial and technical member thereof.

Clause 371 proposes to empower the Central Government to constitute by notification an Appellate Tribunal to be known as National Company Law Appellate Tribunal and appointment of Chairperson and judicial and technical member thereof.

Clause 375 proposes to empower the Central Government to prescribe for salary, allowances and other terms and conditions payable to the Members of the Tribunal/Appellate Tribunal.

Sub-clause (3) of clause 379 proposes to empower the Central Government to prescribe for salary, allowances and other terms and conditions payable to the officers/employees of the Tribunal/Appellate Tribunal.

Clause 380 proposes to empower the Central Government to prescribe the number of benches of NCLT.

Sub-clause (3) of clause 382 proposes to empower the Central Government to prescribe the form and fee for filing an appeal against the order of the Tribunal.

Item (h) of sub-clause (2) of clause 385 proposes to empower the Central Government to prescribe matters other than those specified in this sub-clause, in respect of which the Tribunal and Appellate Tribunal shall be the same powers as are vested in a civil court.

Sub-clause (1) of clause 396 proposes to empower the Central Government to specify the number of special courts to be established for the purpose of providing speedy trial of offences under this Act.

Sub-clause (1) of clause 413 proposes to empower the Central Government to prescribe the manner of imposing penalty by an officer not below the rank of Registrar.

Sub-clause (6) of clause 413 proposes to empower the Central Government to prescribe form, manner and fee for filing an appeal by the aggrieved person against the order made by adjudicating officer.

Sub-clause (1) of clause 414 proposes to empower the Central Government to prescribe manner for obtaining the status of a dormant company for such companies which are registered under this Act for a future project or to hold an asset or intellectual property and has no significant accounting transaction or is an inactive company.

Sub-clause (2) of clause 414 proposes to empower the Central Government to prescribe form of certificate to be issued by Registrar allowing the status of a dormant company.

Sub-clause (3) of clause 414 proposes to empower the Central Government to prescribe form of register of dormant companies to be maintained by the Registrar.

Sub-clause (5) of clause 414 proposes to empower the Central Government to prescribe minimum number of directors, documents to be filed and annual fee to be paid to Registrar by a dormant company to retain its dormant status and also empower the Central Government to prescribe form of application, documents and fee to be paid to Registrar for becoming an active company.

Sub-clause (2) of clause 418 proposes to empower the Central Government to prescribe fee for application to be made to the Central Government or to the Tribunal in respect of any approval, sanction, consent, confirmation or recognition and also in respect of any direction or exemption to be given or granted by the Government or the Tribunal.

Sub-clause (1) of clause 422 proposes to empower the Central Government to prescribe maximum number of persons for forming association or partnership unless it is registered under this Act or is formed under any other law for the time being in force.

Proviso 4 to sub-clause (2) of clause 424 proposes to empower the Central Government to prescribe the manner in which provident fund, superannuation fund, welfare fund or other fund for the benefit of the officer and other employees of the Company Law Board, who has become officers and employees of the Central Government shall be dealt with by it consequent upon dissolution of Company Law Board.

The matters in respect of which notification may be issued or rules may be made in accordance with the aforesaid provisions of the Bill are matters of procedure and detail and it is not practicable to provide for them in the Bill itself.

The delegation of legislative power is, therefore, of a normal character.

LOK SABHA

A

BILL

to consolidate and amend the law relating to companies.

(Shri Salman Khurshid, Minister of Corporate Affairs)

LOK SABHA

CORRIGENDA

to

THE COMPANIES BILL, 2009

[To be/As introduced in Lok Sabha]

1. Page (i), against clause No. 22, -

for "Powers of"

read "Power of"

2. Page (vi), against clause No. 217, -

for "sections 212 and 216"

read " sections 212 or 216"

3. Page 2, in lines 36 and 37,-

omit "published in the Official Gazette,"

4. Page 5, after line 7,-

insert "corporate laid before it in its annual general meeting is made up:

Provided that on an application made by a company or body corporate, the Tribunal may, if it is satisfied that the circumstances so warrant, allow any period as its financial year, whether that period is a year or not;

(zr) "foreign company" means any company or body corporate incorporated outside India which has a place of business in India whether established before or after the commencement of this Act;

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

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

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

5. Page 7, line 36,-
for "Companies Act (Sikkim) 1961;"
read "Companies (Sikkim) Act, 1961;"
6. Page 26, line 20,-
for "term which extend"
read " term which may extend "
7. Page 27, line 6,-
for "duplicate of a certificate"
read "duplicate certificate "
8. Page 28, line 14,-
for "five lakhs rupees"
read "five lakh rupees"
9. Page 28, line 16,-
for "twent-five thousand"
read "twenty-five thousand"
10. Page 28, line 35,-
for "the share premium"
read "the securities premium"
11. Page 28, line 36,-
for "the share premium"
read "the securities premium"

12. Page 56, line 2,-
for "one lakh rupees which may"
read "one lakh rupees but which may"
13. Page 56, line 20,-
for "section 205(C)"
read "section 205 C"
14. Page 71, line 3,-
for " or State Government"
read " or the State Government"
15. Page 78, in the marginal heading against clause 160 ,-
for "estriptions n powers of oard"
read "Restrictions on powers of Board"
16. Page 79, in the marginal heading against clause 161 ,-
for "contribution"
read "contributions"
17. Page 79, in the marginal heading against clause 162 ,-
for "Disclosure interest director"
read "Disclosure of interest by director"

18. Page 112, line 39,-
for "strike its name off the register,"
read "strike off its name from the register,"
19. Page 113, line 40,-
for "Secton 224"
read "section 224"
20. Page 114, line 17,-
for "struck off the"
read "struck off from the"
21. Page 114, line 29,-
for "proceedings"
read "proceeding"
22. Page 114, line 38,-
for "obligations"
read "obligation"
23. Page 115, line 25,-
for "the receipt;"
read " its receipt;"
24. Page 115, line 46,-
for "the committee."
read "that committee."

25. Page 116, line 15,-
for "if it so thinks"
read "if it thinks"
26. Page 116, line 44,-
for "referred to under"
read "referred to in"
27. Page 117, line 6,-
for "such sick company;"
read "the sick company;"
28. Page 117, line 7,-
for "such sick company"
read "the sick company"
29. Page 117, line 8,-
for "such sick company"
read "such company"
30. Page 117, line 10,-
for "a sick company"
read "the sick company"
31. Page 117, lines 13,-
for "such sick"
read "the sick"

32. Page 117, line 20,-
for "the company"
read "the sick company"
33. Page 121, line 41,-
for "and manner "
read "and in such manner"
34. Page 122, line 21,-
for "pursuing that"
read "pursuing for"
35. Page 122, lines 26 and 27,-
for "affairs in such form and manner as may be prescribed within thirty days of the order:"
read "affairs within thirty days of the order in such form and in such manner as may be prescribed:"
36. Page 123, line 9,-
for "from panel"
read "from the panel"
37. Page 123, line 17,-
for "or its appointment."
read "appointment."
38. Page 123, line 40,-
for "of hearing to"
read "of being heard to"

39. Page 124, line 24,-
for "instituted "
read "instituted, or is instituted,"
40. Page 124, line 25,-
for "made or such scheme has been submitted, before"
read "made or is made or such scheme has been submitted, or is submitted, before"
41. Page 124, line 26,-
for "after the winding up order is made."
read "after the order for the winding up of the company."
42. Page 125, line 24,-
for "dissolved:"
read "be dissolved: "
43. Page 125, line 29,-
for "company dissolved."
read "company be dissolved."
44. Page 125, line 41,-
for "order such steps,"
read "order for taking such steps and measures,"
45. Page 126, line 11,-
for "*prima facie*"
read "or appears to be"

46. Page 126, line 30,-
for "company to"
read "company "
47. Page 127, line 44,-
for "such time not"
read "such time but not"
48. Page 127, line 47,-
for "three-fourth"
read "three-fourths "
49. Page 128, line 9,-
for "on receipt of application"
read "on an application"
50. Page 128, line 12,-
omit "on any application"
51. Page 130, line 6,-
for "furnish the Tribunal"
read "furnish to the Tribunal"
52. Page 136, line 15,-
for "and such"
read "and in such"

53. Page 164, line 3,-
omit "(Accounts Branch)"
54. Page 165, line 12,-
for "allowance"
read "allowances"
55. Page 184, line 11,-
for "If a copy has not field"
read " If a company has not filed"
56. Page 186, line 13,-
for " Companies Act,"
read "the Companies Act, "
57. Page 189, line 30,-
for "fulfillment"
read " fulfilment "
58. Page 189, line 9 from the bottom,-
for "correspond"
read "corresponds "
59. Page 194, line 26,-
for "schedule bank"
read "scheduled bank"

60. Page 195, in lines 18, 20, 21 and 23,-

for "accounts"

read " account "

61. Page 196, line 12 from the bottom,-

for "accounts"

read "account"

62. Page 196, line 11 from the bottom,-

for "consider"

read "considers"

63. Page 197, line 10,-

for "willfully"

read " wilfully"

64. Page 197, line 16,-

for "accounts"

read "account"

65. Page 200, line 4,-

for "caluse"

read "clause"

66. Page 202, line 3,-

for "provide"

read "provides"

67. Page 203, line 6,-
for "provide"
read "provides"
68. Page 203, line 11,-
for "seeks"
read "and seeks"
69. Page 203, line 14 from the bottom,-
for "accounts"
read "account"
70. Page 203, line 5 from the bottom,-
for "Procedures"
read "Procedure"
71. Page 203, in the last line,-
for "accounts"
read "account"
72. Page 204, line 23,-
for "deposit amount"
read "deposit an amount"
73. Page 206, in lines 12, 13 and 29,-
for "compromises"
read "compromise"

74. Page 206, line 13,-
for "arrangements"
read "arrangement"
75. Page 216, line 5 from the bottom,-
for "his"
read "This"
76. Page 220, line 4 from the bottom,-
for " after expiry"
read "after the expiry"
77. Page 226, line 11 from the bottom,-
for "constitution Benches"
read "constitution of Benches"
78. Page 228, line 12,-
for "before District Courts and High Courts"
read "before any District Court or a High Court"
79. Page 228, line 13,-
for "before District Courts or High Courts"
read "before any District Court or a High Court"
80. Page 228, line 16 from the bottom,-
for "by Central Government"
read by the Central Government"

81. Page 228, line 8 from the bottom,-

for "Governments"

read "Government"

82. Page 230, line 20,-

for "of Companies Act,1956 and Registration"

read "of the Companies Act, 1956 and the Registration"

83. Page 230, line 23,-

for "of Companies"

read "of the Companies"

NEW DELHI;

July 30, 2009

Sravana 8, 1931 (Saka)