PLEASE ENSURE WHILE SUBMITTING THE APPLICATION IN RESPECT OF LOANS/CORPORATE GUARANTEE OR FURNISHING SECURITY UNDER SECTION 295 OF THE COMPANIES ACT, 1956 THAT THE FOLLOWING INFORMATION/DOCUMENTS HAVE BEEN FURNISHED:

1. The rate of interest proposed on the loan should not be less than four percent above the prevailing bank rate being the standard rate made public under section 49 of the R.B.I Act, 1934

2. The quantum of loan along with other loans taken, if any, should not exceed 25 times of gross salary drawn in the preceding six months prior to making of the application.

3. No guarantee commission shall be allowed to be paid to anyone in respect of the proposals.

The application should be accompanied by the following documents:

4. The proposal should be approved at the meeting of the Board of Directors. A certified copy of resolution passed should be submitted indicating the proposal of the company, terms and conditions, interest of the directors/relatives if any, clearly specifying (a) the rate of interest chargeable, (b) the schedule and terms of repayment,(c) the loan is not being made out of borrowed funds of the company (d) any other major or important condition having bearing on the loan/financial position of the company.

5. Wherever required, members' specific approval be obtained for the proposal The resolution along with explanatory statement should contain all the relevant details as mentioned in point 6 above. A certified copy of the resolution along with explanatory statement so passed should also be enclosed.

6. The proposal should be accompanied with the declaration that the company has not defaulted in making repayments to the investors the amounts as and when they become due to them.

7. Shareholding pattern of the companies (applicant & borrower)

8. List of Directors of the Board of both the companies (applicant & borrower companies wherever applicable) and disclosing inter-se interest, if any.

9. Copy of draft loan agreement.

10. If the loan is backed by any guarantees, then the name and particulars of the guarantors with their consent.

11. Company should give a declaration to the effect that funds proposed to be loaned are not required for its working capital requirements at least for a year.

12. A certified copy of the loan scheme for the employees of the company, if any.

13. Justification for quantum of loan/guarantee or furnishing security by the company.

14. In respect of all proposals, a certificate from the statutory auditors or a company secretary in whole –time practice to the following effect be enclosed stating therein that:

    a. the proposal is in conformity within the provisions of Section 372A of the Companies Act,1956.

    b. the company has not defaulted in:-
        1. the repayment of any fixed deposits accepted by the company under Section 58 A of the Companies Act, 1956 or part thereof or interest thereon
        2. Payment of dividend
        3. Redemption/repayment of debenture and timely payment of interest thereon
        4. Redemption of preference shares and

    c. the Company is regular in filing all forms / returns as required to be filed under the Companies Act 1956.

    d. the applicant company is not in any default on account of undisputed dues of the Central Govt. e.g. Income Tax, Central Excise etc. For this purpose, the status of disputed and undisputed dues shall be made available so as to enable the Ministry to form a view in the matter vis-à-vis the coverage thereof available and assessed against the Net Worth/Profits of the applicant company.

15. A NOC/ prior approval of public financial institutions/ banks in case any term loan is subsisting.

Source:MCA.ORG