Date: 1 February 2021

# VIRTUAL COACHING CLASSES
## ORGANISED BY BOS (ACADEMIC), ICAI

# FINAL LEVEL
# PAPER 4: CORPORATE AND ECONOMIC LAWS

**Faculty: CA S SRIKANTH**

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# Meetings of Board and Its Powers XII

***All Rule nos. quoted are with reference to the Companies (Meetings of Board and its Powers) Rules, 2014 unless otherwise stated.***


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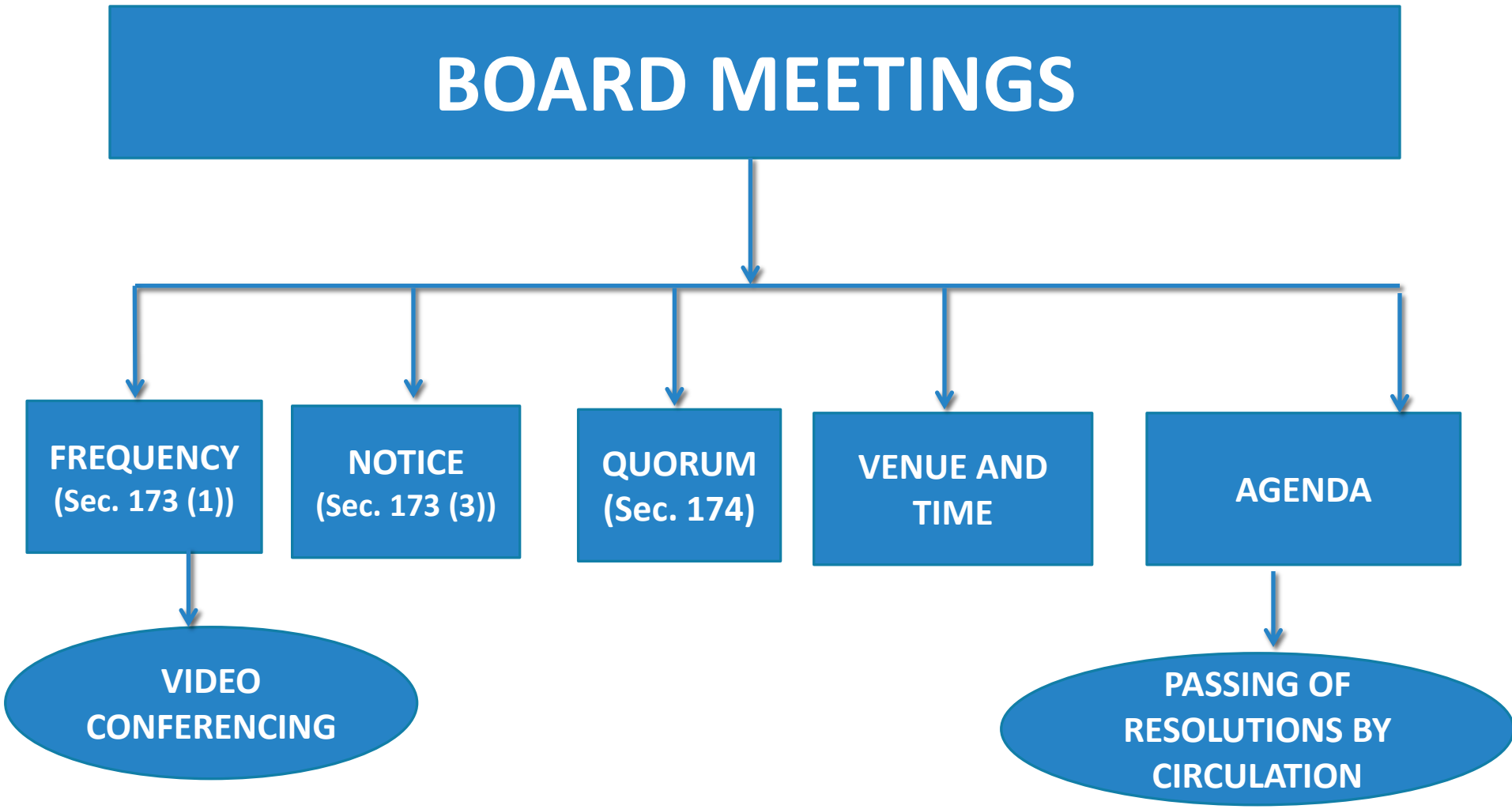
# BOARD MEETINGS





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# FREQUENCY OF MEETINGS (173 (1))



- Every company shall hold the first meeting of the Board of Directors within thirty days of the date of its incorporation
- thereafter it shall hold **A MINIMUM NUMBER OF FOUR MEETINGS OF ITS BOARD OF DIRECTORS** every year in such a manner that **NOT MORE THAN ONE HUNDRED AND TWENTY DAYS SHALL INTERVENE BETWEEN TWO CONSECUTIVE MEETINGS** of the Board:


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# EXCEPTIONS (173 (5))

**A One Person Company,**

**Small company,**

**Dormant company, and**

**a Private company (if such Private company is a start-up)**

**shall be deemed to have complied with the provisions of this section if AT LEAST ONE MEETING OF THE BOARD OF DIRECTORS HAS BEEN CONDUCTED IN EACH HALF OF A CALENDAR YEAR and the gap between the two meetings is NOT LESS THAN NINETY DAYS:**

**The private company should not have committed a default in filing its financial statements under Section 137 or Annual Return under Section 92 with the Registrar.**

**Section 173 & 174 do not apply to an OPC which has only ONE DIRECTOR.**


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# EXCEPTIONS

**BOARD OF DIRECTORS OF A SECTION 8 COMPANY SHALL HOLD AT LEAST ONE MEETING WITHIN EVERY SIX CALENDAR MONTHS.**

**This is subject to the conditions that the company has not committed a default in filing its financial statements under Section 137 or Annual Return under Section 92 with the Registrar.**

***(Notification No. G.S.R.466(E) dated 5th June, 2015 as amended by Notification No. G.S.R. 584 (E) dated 13h June, 2017)***


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# PRACTICAL PROBLEM 1

**Adekar Industries Limited conducted Board meetings during 2019 on 5.3.2019, 2.7.2019, 31.10.2019 and an emergency board meeting on 15.11.2019.**

**Has the company complied with Sec. 173 (1) of the Companies Act, 2013?**

| BM No | Date | Gap (Days) |
|---|---|---|
| 1 | 5.3.2019 | |
| 2 | 2.7.2019 | 117 |
| 3 | 31.10.2019 | **121** |
| 4 | 15.11.2019 | 14 |

**Thus, it can be seen that though the company has conducted 4 Board Meetings in 2019, the gap between BM 2 & BM 3 is 121 i.e > 120 days.**

**Therefore, the company HAS NOT complied with Sec. 173 (1)**


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# PRACTICAL PROBLEM 2

**Pulp Fiction Private Limited an online start up company has held Board Meetings on 15.3.2019 and on 30.6.2019.**

**Has the company complied with Sec. 173 (5) of the Companies Act, 2013 as applicable to a Private Company which is a start up?**

**a private company (if such private company is a start-up) shall be deemed to have complied with the provisions of Sec. 173 if at least one meeting of the board of directors has been conducted in each half of a calendar year and the gap between the two meetings is not less than ninety days.**

**It can be seen that though the gap between the two Board Meetings is not less than 90 days, both the meetings have been held in the first half of calendar year 2019.**

**Therefore, the company HAS NOT complied with Sec. 173 (5) as applicable to a Private Company which is a start up**


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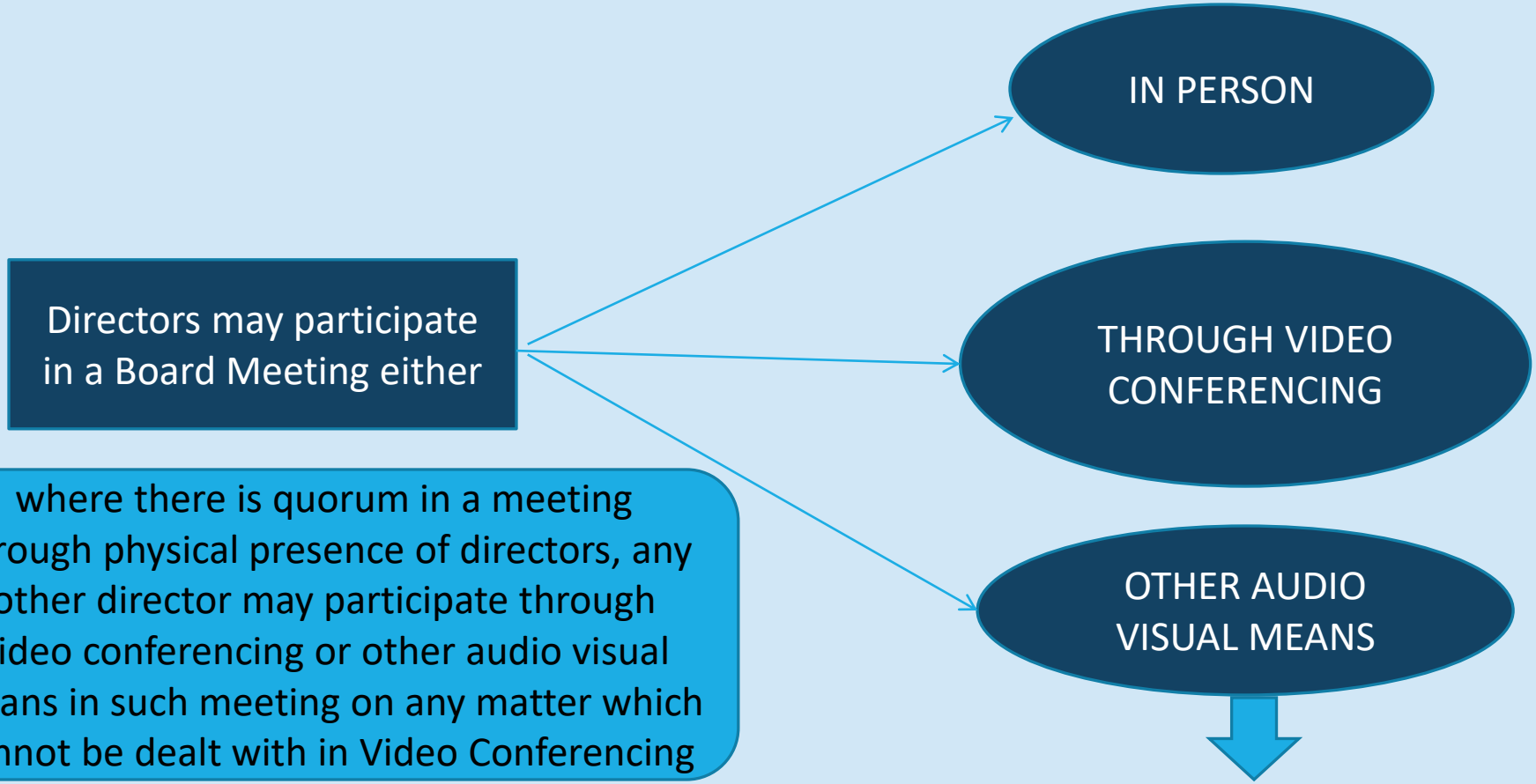
# PARTICIPATION OF DIRECTORS (173 (2))





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# MATTERS NOT TO BE DEALT WITH IN VIDEO CONFERENCING (Rule 4)

**The following matters shall not be dealt with in any meeting held through video conferencing or other audio visual means.-**

**(i) the approval of the annual financial statements;**

**(ii) the approval of the Board's report;**

**(iii) the approval of the prospectus;**

**(iv) the Audit Committee Meetings for consideration of financial statement including consolidated financial statement if any, to be approved by the board under –section 134 (1) of the Act; and**

**(v) the approval of the matter relating to amalgamation, merger, demerger, acquisition and takeover**

Above matters may be held through Video Conferencing till 30th June 2021


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# NOTICE (SEC. 173 (3))

A Board Meeting shall be called by giving

| NOT LESS THAN SEVEN DAYS NOTICE | IN WRITINGTO EVERY DIRECTOR AT HIS ADDRESS REGISTERED WITH THE COMPANY | SUCH NOTICE SHALL BE SENT BY HAND DELIVERY OR BY POST OR BY ELECTRONIC MEANS: |
|---|---|---|

A Board Meeting may be called at shorter Notice

| TO TRANSACT URGENT BUSINESS | AT LEAST ONE INDEPENDENT DIRECTOR IF ANY SHALL BE PRESENT AT THAT MEETING |
|---|---|

**IN CASE OF ABSENCE OF INDEPENDENT DIRECTORS FROM SUCH A MEETING OF THE BOARD, DECISIONS TAKEN AT SUCH A MEETING SHALL BE CIRCULATED TO ALL THE DIRECTORS AND SHALL BE FINAL ONLY ON RATIFICATION THEREOF BY AT LEAST ONE INDEPENDENT DIRECTOR, IF ANY.**

**EVERY OFFICER OF THE COMPANY WHOSE DUTY IT IS TO GIVE NOTICE UNDER THIS SECTION AND WHO FAILS TO DO SO SHALL BE LIABLE TO A PENALTY OF INR 25 000**


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# NOTICE (SEC. 173 (3))

**There is no particular form for a notice. If the articles provide that there will be a meeting on a particular day of every month, then there will be no need to serve notice**
**Case Law: [Arunachalam Chettiar Vs. Kaleshwarar Mills Ltd (1957) I.M.L.J.254-A.I.R 1957 Mad.309].**


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# QUORUM (SEC.174)

QUORUM I.E.THE MINIMUM NO. OF PERSONS REQUIRED TO CONSTITUTE A VALID MEETING.

- DISINTERESTED DIRECTOR
  - 1/3RD OF TOTAL STRENGTH OR 2 WHICHEVER IS HIGHER
    - **Any fraction of a number shall be rounded off as one**
  - TOTAL STRENGTH = TOT. NO.OF DIRECTORS – VACANCIES, if any
- INTERESTED DIRECTOR
  - **NOT TO BE COUNTED FOR QUORUM**
  - EXCEPTION
    - **IF NO OF INTERESTED DIRECTORS EXCEEDS OR EQUAL TO 2/3RD OF TS**
      - **THEN THE REMAINING DIRECTORS BEING NOT LESS THAN 2 SHALL FORM QUORUM**


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# CALCULATING QUORUM

| TOT. NO. OF. DIRECTORS | ONE-THIRD | QUORUM |
|---|---|---|
| 2 | NA | 2 |
| 3 | 1 | 2 |
| 4 | 1.33 | 2 |
| 5 | 1.66 | 2 |
| 6 | 2 | 2 |
| 7 | 2.33 | 3 |
| 8 | 2.66 | 3 |
| 9 | 3 | 3 |


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# WHO IS AN INTERESTED DIRECTOR? (SEC. 184 (2))

a contract or arrangement or proposed contract or arrangement entered into or to be entered into

Every director of a company who is in any way, whether directly or indirectly, concerned or interested in

WITH

A. (i) a body corporate in which such director or such director in association with any other director, **holds more than two per cent. shareholding** , OR

(ii)is a promoter, manager, Chief Executive Officer of that body corporate

B. with a firm or other entity in which, such director is a partner, owner or member, as the case may be,


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# QUORUM (SEC.174)

- **Participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum under this sub-section.**

**NO. OF DIRECTORS FALLING BELOW THE QUORUM**

**If and so long as the number of directors is reduced below the quorum fixed by the Act for a Board Meeting, the continuing directors or director may act for the purpose of**

- **increasing the number of directors to that fixed for the quorum, or**
- **of summoning a general meeting of the company**
- **and for no other purpose.**


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# QUORUM (SEC.174)

**IN CASE OF SECTION 8 COMPANY, THE QUORUM SHALL BE**

**EITHER EIGHT MEMBERS OR TWENTY FIVE PER CENT, OF ITS TOTAL STRENGTH WHICHEVER IS LESS.**

**According to Proviso to Section 173 (5), the provisions of Section 174 relating to quorum are not applicable to such One Person Company (OPC) which has only one director on its Board.**


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# QUORUM (SEC.174)

## ADJOURNMENT FOR WANT OF QUORUM

**WHERE A MEETING OF THE BOARD COULD NOT BE HELD FOR WANT OF QUORUM,**

**THEN, UNLESS THE ARTICLES OF THE COMPANY OTHERWISE PROVIDE, THE MEETING SHALL AUTOMATICALLY STAND ADJOURNED**

**TO THE SAME DAY AT THE SAME TIME AND PLACE IN THE NEXT WEEK OR IF THAT DAY IS A NATIONAL HOLIDAY, TILL THE NEXT SUCCEEDING DAY, WHICH IS NOT A NATIONAL HOLIDAY, AT THE SAME TIME AND PLACE.**


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# PRACTICAL PROBLEM 3

**The Board of ABC Ltd comprises of A, B, C, D, E, F, G, H, and I. Of these B,C, E, G, and H are interested in a particular transaction. At the Board Meeting where this matter comes up for discussion M/s A, B, C, and D attended. Examine whether there is a valid quorum for transacting this business.**

**The Total strength of the board is NINE. Therefore, the required quorum is THREE (one-third of NINE) or TWO whichever is higher. The quorum is THREE. As B & C are interested, A & D alone do not constitute a valid quorum capable of transacting this business.**

***(a frequent mistake is to exclude interested directors while calculating total strength…)***

**Will your answer be different if you are told that F is also interested?**

**Yes, because if F is also interested then the no. of. Interested directors will become 6 i.e. 2/3rds of the Total Strength. In which case A& D the remaining disinterested directors form a valid quorum.**


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# PASSING OF RESOLUTION BY CIRCULATION (SEC. 175)

PROCEDURE FOR PASSING OF RESOLUTION BY CIRCULATION

1. 
- **THE RESOLUTION HAS BEEN CIRCULATED IN DRAFT, TOGETHER WITH THE NECESSARY PAPERS, IF ANY, TO ALL THE DIRECTORS, OR MEMBERS OF THE COMMITTEE, AS THE CASE MAY BE,**
- **THE RESOLUTION SHALL BE SENT THEIR ADDRESSES REGISTERED WITH THE COMPANY IN INDIA BY HAND DELIVERY OR BY POST OR BY COURIER, OR THROUGH SUCH ELECTRONIC MEANS WHICH MAY INCLUDE EMAIL OR FAX**

2. 
- **THE RESOLUTION SHALL BE APPROVED BY A MAJORITY OF THE DIRECTORS OR MEMBERS, WHO ARE ENTITLED TO VOTE ON THE RESOLUTION**

3. 
- **WHERE NOT LESS THAN ONE-THIRD OF THE TOTAL NUMBER OF DIRECTORS OF THE COMPANY FOR THE TIME BEING REQUIRE THAT ANY RESOLUTION UNDER CIRCULATION MUST BE DECIDED AT A MEETING, THE CHAIRPERSON SHALL PUT THE RESOLUTION TO BE DECIDED AT A MEETING OF THE BOARD**


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# PASSING OF RESOLUTION BY CIRCULATION (SEC. 175)

**A resolution passed by circulation 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.**


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# DEFECTS IN APPOINTMENT OF DIRECTORS NOT TO INVALIDATE ACTS (SEC. 176)

**Act done by a person as a director shall NOT be deemed to be invalid, notwithstanding that it was SUBSEQUENTLY noticed that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in this Act or in the articles of the company**

**Act done by the director after his appointment has been noticed by the company to be invalid or to have terminated SHALL NOT BE VALID.**

**This type of section is called "Ganga Clause" as it purifies acts done by invalidly appointed directors even as the Holy River Ganga purifies sin!**




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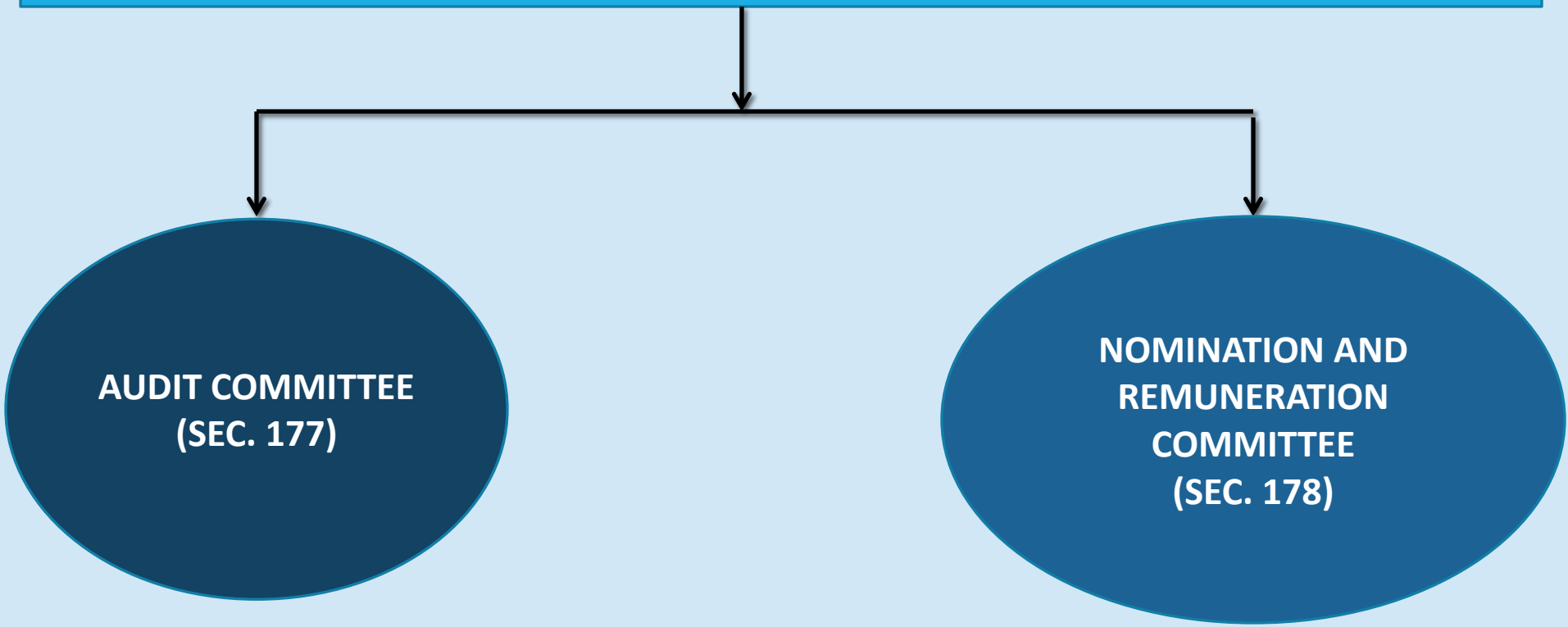
# COMMITTEES OF THE BOARD

**ALL LISTED PUBLIC COMPANIES AND COMPANIES THAT ARE REQUIRED TO APPOINT AT LEAST TWO INDEPENDENT DIRECTORS SHALL CONSTITUTE THE FOLLOWING COMMITTEES: (RULE 6)**





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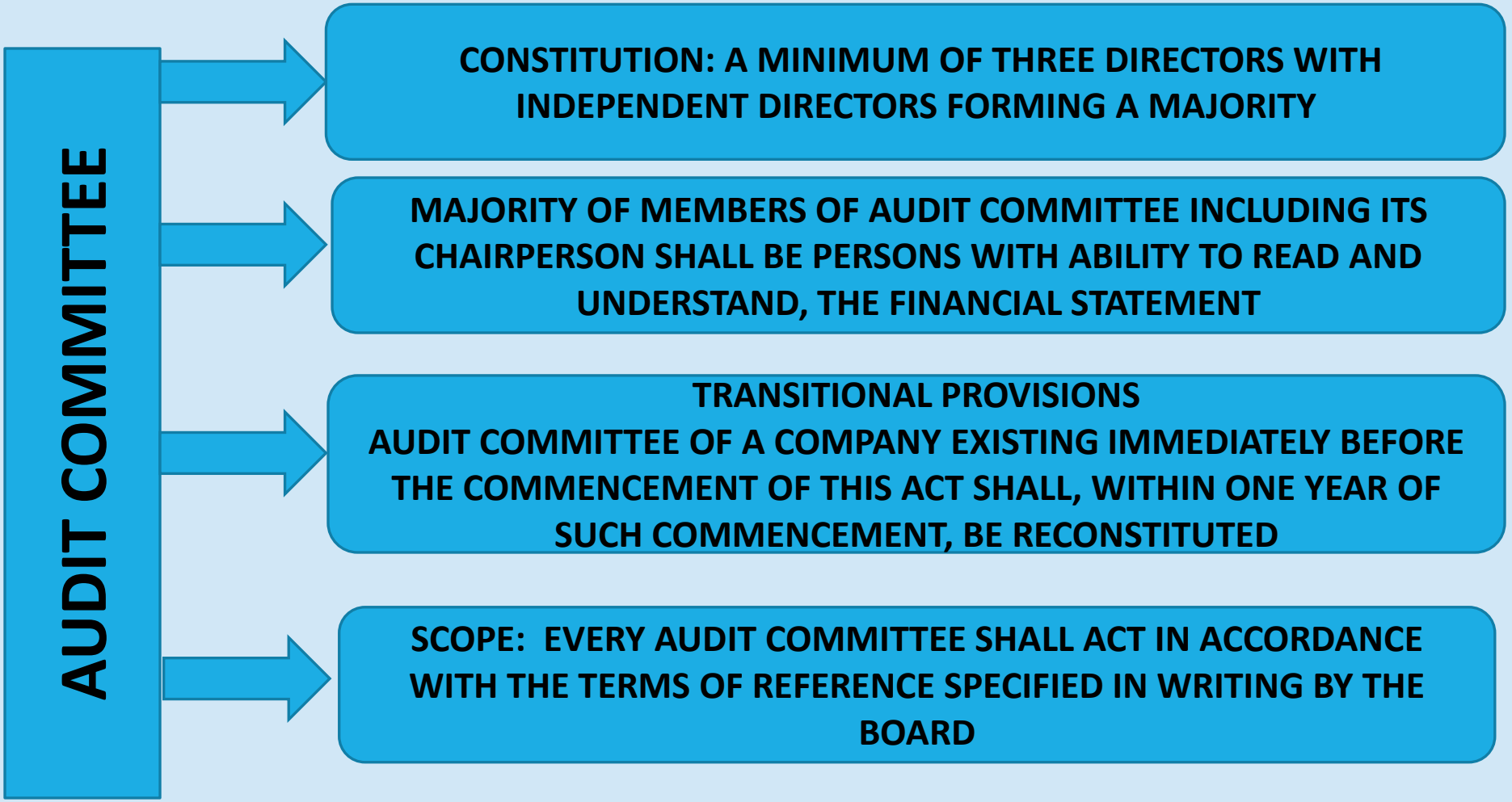
# AUDIT COMMITTEE (SEC. 177)





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# AUDIT COMMITTEE (SEC. 177)

**THE TERMS OF REFERENCE SHALL *INTER ALIA* INCLUDE**

- **(i) THE RECOMMENDATION FOR APPOINTMENT, REMUNERATION AND TERMS OF APPOINTMENT OF AUDITORS OF THE COMPANY;**
- **(ii) REVIEW AND MONITOR THE AUDITOR'S INDEPENDENCE AND PERFORMANCE, AND EFFECTIVENESS OF AUDIT PROCESS;**
- **(iii) EXAMINATION OF THE FINANCIAL STATEMENT AND THE AUDITORS' REPORT THEREON;**
- **(iv) APPROVAL OR ANY SUBSEQUENT MODIFICATION OF TRANSACTIONS OF THE COMPANY WITH RELATED PARTIES;**


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# AUDIT COMMITTEE (SEC. 177)

**THE TERMS OF REFERENCE SHALL *INTER ALIA* INCLUDE**

- **(v) SCRUTINY OF INTER-CORPORATE LOANS AND INVESTMENTS;**
- **(vi) VALUATION OF UNDERTAKINGS OR ASSETS OF THE COMPANY, WHEREVER IT IS NECESSARY;**
- **(vii) EVALUATION OF INTERNAL FINANCIAL CONTROLS AND RISK MANAGEMENT SYSTEMS;**
- **(viii) MONITORING THE END USE OF FUNDS RAISED THROUGH PUBLIC OFFERS AND RELATED MATTERS.**


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# AUDIT COMMITTEE - POWERS

The Audit Committee may make **OMNIBUS APPROVAL** for related party transactions proposed to be entered into by the company subject to the conditions prescribed in Rule 6A

**In case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board**

**These special provisions shall not apply to a transaction, other than a transaction referred to in section 188, between a holding company and its wholly owned subsidiary company.]**


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# AUDIT COMMITTEE - POWERS

Any transaction involving any amount < ONE CRORE

→ Entered into by a director or officer of the `company without obtaining the approval of the Audit Committee

→ Not ratified by the Audit Committee within three months from the date of the transaction

→ **Transaction shall be voidable at the option of the Audit Committee**

**IF THE TRANSACTION IS WITH THE RELATED PARTY TO ANY DIRECTOR OR IS AUTHORISED BY ANY OTHER DIRECTOR, THE DIRECTOR CONCERNED SHALL INDEMNIFY THE COMPANY AGAINST ANY LOSS INCURRED BY IT**


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# AUDIT COMMITTEE - POWERS

**The Audit Committee may call for the comments of the auditors about**

- **INTERNAL CONTROL SYSTEMS, REVIEW OF FINANCIAL STATEMENT BEFORE THEIR SUBMISSION TO THE BOARD**
- **THE SCOPE OF AUDIT,**
- **INCLUDING THE OBSERVATIONS OF THE AUDITORS AND**
- **REVIEW OF FINANCIAL STATEMENT BEFORE THEIR SUBMISSION TO THE BOARD**

**And may also discuss any related issues with the internal and statutory auditors and the management of the company.**


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# AUDIT COMMITTEE - POWERS

**THE AUDIT COMMITTEE SHALL HAVE AUTHORITY TO INVESTIGATE INTO ANY MATTER IN RELATION TO THE ITEMS SPECIFIED**

**a. IN THE TERMS OF REFERENCE OR**

**b. 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.**

RIGHT OF AUDITORS AND KMPs

**THE AUDITORS OF A COMPANY AND THE KEY MANAGERIAL PERSONNEL SHALL HAVE A RIGHT TO BE HEARD IN THE MEETINGS OF THE AUDIT COMMITTEE WHEN IT CONSIDERS THE AUDITOR'S REPORT BUT SHALL NOT HAVE THE RIGHT TO VOTE.**


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# AUDIT COMMITTEE

DISCLOSURE IN BOARD'S REPORT REGARDING

- **THE COMPOSITION OF THE AUDIT COMMITTEE**
- **NON-ACCEPTANCE OF ANY RECOMMENDATION OF THE AUDIT COMMITTEE TOGETHER WITH REASONS THEREFOR**


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# VIGIL MECHANISM (SEC. 177 (9) & (10) & Rule 7)

**The following classes of companies shall establish a vigil mechanism for their directors and employees to report their genuine concerns or grievances!**

- **ALL LISTED COMPANIES**
- **COMPANIES WHICH ACCEPT DEPOSITS FROM THE PUBLIC;**
- **COMPANIES WHICH HAVE BORROWED MONEY FROM BANKS AND PFIs IN EXCESS OF FIFTY CRORE RUPEES.**

**IN CASE OF OTHER COMPANIES, THE BOARD OF DIRECTORS SHALL NOMINATE A DIRECTOR TO PLAY THE ROLE OF AUDIT COMMITTEE FOR THE PURPOSE OF VIGIL MECHANISM TO WHOM OTHER DIRECTORS AND EMPLOYEES MAY REPORT THEIR CONCERNS.**


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# VIGIL MECHANISM (SEC. 177 (9) & (10) & Rule 7)

- **The companies which are required to constitute an audit committee shall oversee the vigil mechanism through the committee and if any of the members of the committee have a conflict of interest in a given case, they should recuse themselves and the others on the committee would deal with the matter on hand.**
- **The details of establishment of such mechanism shall be disclosed by the company on its website, if any, and in the Board's report.**


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# VIGIL MECHANISM (SEC. 177 (9) & (10) & Rule 7)

The vigil mechanism shall provide for adequate safeguards against victimisation of employees and directors who avail of the vigil mechanism and also provide for direct access to the Chairperson of the Audit Committee or the director nominated to play the role of Audit Committee, as the case may be, in exceptional cases.




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IN CASE OF REPEATED FRIVOLOUS COMPLAINTS BEING FILED BY A DIRECTOR OR AN EMPLOYEE, THE AUDIT COMMITTEE OR THE DIRECTOR NOMINATED TO PLAY THE ROLE OF AUDIT COMMITTEE MAY TAKE SUITABLE ACTION AGAINST THE CONCERNED DIRECTOR OR EMPLOYEE INCLUDING REPRIMAND.


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# SELECTION AND NOMINATION COMMITTEE (SEC. 178)

**SELECTION & NOMINATION COMMITTEE**

**CONSTITUTION:THREE OR MORE NON-EXECUTIVE DIRECTORS OUT OF WHICH NOT LESS THAN ONE-HALF SHALL BE INDEPENDENT DIRECTORS**

**THE CHAIRPERSON OF THE COMPANY (WHETHER EXECUTIVE OR NON-EXECUTIVE) MAY BE APPOINTED AS A MEMBER OF THE NOMINATION AND REMUNERATION COMMITTEE BUT SHALL NOT CHAIR SUCH COMMITTEE.**


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# SELECTION AND NOMINATION COMMITTEE (SEC. 178)

**DUTIES OF THE COMMITTEE**

- **IDENTIFYING PERSONS WHO ARE QUALIFIED TO BECOME DIRECTORS AND WHO MAY BE APPOINTED IN SENIOR MANAGEMENT IN ACCORDANCE WITH THE CRITERIA LAID DOWN**
- **RECOMMENDING TO THE BOARD THEIR APPOINTMENT AND REMOVAL**
- **SPECIFYING THE MANNER FOR EFFECTIVE EVALUATION OF PERFORMANCE OF BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS TO BE CARRIED OUT EITHER BY THE BOARD, BY THE NOMINATION AND REMUNERATION COMMITTEE OR BY AN INDEPENDENT EXTERNAL AGENCY AND REVIEWING ITS IMPLEMENTATION AND COMPLIANCE**


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# SELECTION AND NOMINATION COMMITTEE (SEC. 178)

**DUTIES OF THE COMMITTEE Contd.,**

**Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees**

**SPECIFYING THE MANNER FOR EFFECTIVE EVALUATION OF PERFORMANCE OF BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS**
**TO BE CARRIED OUT**
**EITHER BY THE BOARD, BY THE NOMINATION AND REMUNERATION COMMITTEE OR BY AN INDEPENDENT EXTERNAL AGENCY**
**AND REVIEWING ITS IMPLEMENTATION AND COMPLIANCE**


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# SELECTION AND NOMINATION COMMITTEE (SEC. 178)

- The Nomination and Remuneration Committee shall, while formulating the policy mentioned above ensure that—
- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

**"SENIOR MANAGEMENT" means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.]**


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# STAKEHOLDERS RELATIONSHIP COMMITTEE

## CRITERIA

**The Board of Directors of a company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee.**

## COMPOSITION

**Such Committee shall consist of a chairperson who shall be a non-executive director and such other members as may be decided by the Board.**

## DUTIES

**The Stakeholders Relationship Committee shall consider and resolve the grievances of security holders of the company. But, inability to resolve or consider any grievance]by the Stakeholders Relationship Committee in good faith shall not constitute a contravention of this section.**


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# STAKEHOLDERS RELATIONSHIP COMMITTEE

## CHAIRPERSON TO ATTEND GENERAL MEETINGS

**The chairperson of each of the above committees or, in his absence, any other member of the committee authorised by him in this behalf shall attend the general meetings of the company.**

## PENALTY FOR CONTRAVENTION OF SECTIONS 177 & 178

- **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:**


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# Powers of Board of Directors

Powers of the board of directors are as follows:

- The power of the Board is collinear with that of the Shareholders.
- The Board can thus theoretically do all such acts and things as the Company is entitled to do.
- The Companies Act is a systematic reduction in the powers of the Board


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# Powers of Board of Directors (Sec. 179 (1))

**The Board of Directors of a company shall be entitled to exercise ALL such powers, and to do ALL such acts and things, as the company is authorised to exercise and do:**

**BUT IN EXERCISING SUCH POWER OR DOING SUCH ACT OR THING, THE BOARD SHALL BE SUBJECT TO THE PROVISIONS CONTAINED IN THAT BEHALF IN**

- THE COMPANIES ACT, 2013
- THE MEMORANDUM OR ARTICLES
- ANY OTHER REGULATION MADE THEREUNDER AND NOT INCONSISTENT THEREWITH INCLUDING THOSE MADE BY COMPANY IN GM

BOARD SHALL NOT EXERCISE POWERS EXERCISABLE ONLY BY THE COMPANY IN GM EITHER UNDER THIS ACT, MOA & AOA OR OTHERWISE


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# Powers of Board of Directors (Section 179 (2))

## New Regulations not to invalidate Prior Acts of Board

**Any resolutions that are passed in a General Meeting cannot invalidate any provisions that the board of directors made prior to the resolution.**


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# Restrictions on Powers of Board


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# Powers to be Exercised by Passing Resolutions at Board Meetings (Sec. 179 (3))

The Board of Directors can exercise the following powers, only by passing a resolution at meetings of the board:

- Make calls on shareholders in respect of money unpaid on their shares
- Authorize the buyback of securities and shares
- Issue securities and
- Investing the funds of the company


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# Powers to be Exercised by Passing Resolutions at Board Meetings:

The Board of Directors can exercise the following powers, only by passing a resolution at meetings of the board:

- Borrow monies

  This does not apply to borrowings by a banking company from other banking companies or RBI or other banks.

- Grant loans or give guarantee or provide security in respect of loans

- Approve the financial statement and Board's Report


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# Powers to be Exercised by Passing Resolutions at Board Meetings:

The Board of Directors can exercise the following powers, only by passing a resolution at meetings of the board:

- Take over a company or acquire a controlling or substantial stake in another company
- Approve amalgamation, merger or reconstruction
- Diversify the business
- Any other matter which may be prescribed:


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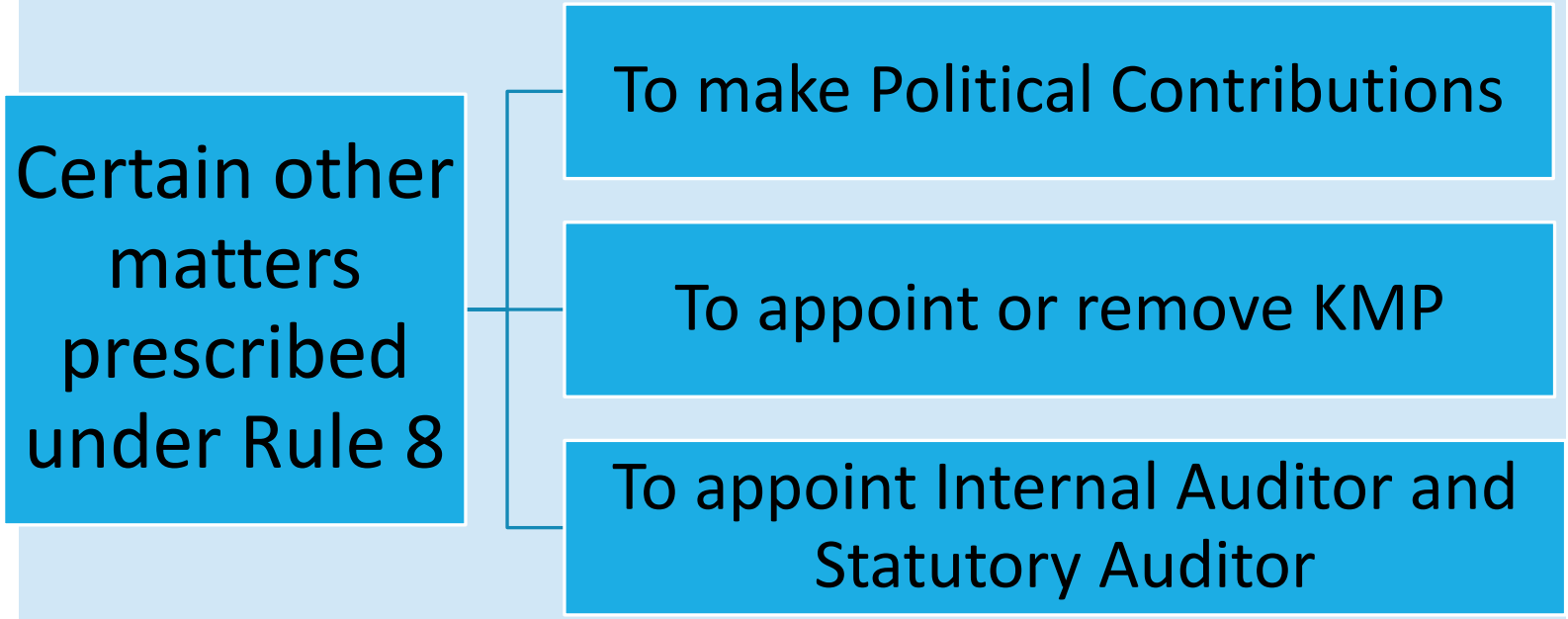
# Powers to be Exercised by Passing Resolutions at Board Meetings:





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# Delegation of Powers of the Board

The Board of Directors may delegate the power to borrow monies, to invest funds and to grant loans give guarantee or security by passing a resolution at board meeting:

These powers may be delegated to

a) Committee of Directors
b) Managing Director
c) Manager
d) Any other principal officer of the company
e) The principal officer of a branch office


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# Delegation of Powers of the Board

## Exemption to Banking Companies

- The acceptance by a banking company in the ordinary course of its business of deposits of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise, or the placing of monies on deposit by a banking company with another banking company on such conditions as the Board may prescribe, shall not be deemed to be a borrowing of monies or, as the case may be, a making of loans by a banking company within the meaning of this section.


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# Powers to be Exercised by Passing Resolutions at Board Meetings:

**The Power to Borrow Monies mentioned in Clause 179(3)(d) pertains to the actual borrowing and not to the day-to-day operation of such loan facility.**

**The BoD of a Sec. 8 company may exercise powers mentioned in Sec. 179 (3) (d) to (f) by passing a resolution by circulation.**


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**The company in general meeting can always impose restrictions and conditions on the board in respect of above powers.**


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# Powers of Board of Directors Requiring sanction by way of Special Resolution (Sec. 180)

**POWERS OF THE BOARD TO BE EXERCISED ONLY WITH THE CONSENT OF THE COMPANY BY A SPECIAL RESOLUTION,**

## Section. 180 (1) (a)

**TO SELL, LEASE OR OTHERWISE DISPOSE OF THE WHOLE OR SUBSTANTIALLY THE WHOLE OF THE UNDERTAKING OF THE COMPANY OR WHERE THE COMPANY OWNS MORE THAN ONE UNDERTAKING, OF THE WHOLE OR SUBSTANTIALLY THE WHOLE OF ANY OF SUCH UNDERTAKINGS.**


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# Powers of Board of Directors Requiring sanction by way of Special Resolution (Sec. 180)

**For the purposes of this clause,—**

"**UNDERTAKING**" shall mean an undertaking

**A. 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**

**B. which generates TWENTY PER CENT. OF THE TOTAL INCOME of the company during the previous financial year;**

**"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;**


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# Powers of Board of Directors Requiring sanction by way of Special Resolution (Sec. 180 (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.**


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# Powers of Board of Directors Requiring sanction by way of Special Resolution (Sec. 180)

**POWERS OF THE BOARD TO BE EXERCISED ONLY WITH THE CONSENT OF THE COMPANY BY A SPECIAL RESOLUTION,**

**Section. 180 (1) (b)**

**TO INVEST OTHERWISE (THAN?) IN TRUST SECURITIES THE AMOUNT OF COMPENSATION RECEIVED BY IT AS A RESULT OF ANY MERGER OR AMALGAMATION;**


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# Powers of Board of Directors Requiring sanction by way of Special Resolution (Sec. 180 (2) & (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:**


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# Powers of Board of Directors Requiring sanction by way of Special Resolution (Sec. 180)

**POWERS OF THE BOARD TO BE EXERCISED ONLY WITH THE CONSENT OF THE COMPANY BY A SPECIAL RESOLUTION,**

## Section. 180 (1) (c)

**TO BORROW MONEY**

**MONEY TO BE BORROWED + MONEY ALREADY BORROWED** > **PAID UP CAPITAL + FREE RESERVES + SECURITIES PREMIUM**

**BORROWING DOES NOT INCLUDE TEMPORARY LOANS OBTAINED FROM THE COMPANY'S BANKERS IN THE ORDINARY COURSE OF BUSINESS**


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# Powers of Board of Directors Requiring sanction by way of Special Resolution (Sec. 180)

The expression "**TEMPORARY LOANS**" means

loans **REPAYABLE ON DEMAND OR WITHIN SIX MONTHS FROM THE DATE OF THE LOAN**

such as

short-term, cash credit arrangements,

the discounting of bills and

the issue of other short-term loans of a seasonal character,

**BUT DOES NOT INCLUDE LOANS RAISED FOR THE PURPOSE OF FINANCIAL EXPENDITURE OF A CAPITAL NATURE;**


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# Powers of Board of Directors Requiring sanction by way of Special Resolution (Sec. 180)

**The acceptance of deposits of money from the public, by a banking company,**

**in the ordinary course of its business**

**repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise,**

**SHALL NOT BE DEEMED TO BE BORROWING OF MONIES BY THE BANKING COMPANY.**


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# Ultra Vires Borrowing (Sec. 180 (5)

Where a company borrows in excess of its borrowing limits specified above,

then such borrowings in excess of the limit shall not be valid or effectual

unless the lender proves that

**a. he advanced the loan in good faith and**

**B. without knowledge that the limit imposed by the law has been exceeded.**


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# Powers of Board of Directors Requiring sanction by way of Special Resolution (Sec. 180)

**POWERS OF THE BOARD TO BE EXERCISED ONLY WITH THE CONSENT OF THE COMPANY BY A SPECIAL RESOLUTION,**

**Section. 180 (1) (d)**

**TO REMIT, OR GIVE TIME FOR THE REPAYMENT OF, ANY DEBT DUE FROM A DIRECTOR.**


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# Powers of Board of Directors Requiring sanction by way of Special Resolution (Sec. 180 (2) & (4))

Every special resolution passed by the company in general meeting in relation to the exercise of the powers referred above shall specify the total amount upto which monies may be borrowed by the Board of Directors.

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:


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# PRACTICAL PROBLEM 4

**The Board of Directors of Stepping Stones Publication Ltd. At a meeting held on 15.1.2021 resolved to borrow a sum of Rs. 15 crores from a nationalized bank. Subsequently the said amount was received by the company. One of the Directors, who opposed the said borrowing as not in the interest of the company has raised an issue that the said borrowing is outside the powers of the Board of Directors. The Company seeks your advice and the following data is given for your information:**

| | | |
|---|---|---|
| **(i)** | **Share Capital** | **Rs. 5 Crores** |
| **(ii)** | **Reserves and Surplus** | **Rs. 5 Crores** |
| **(iii)** | **Secured Loans** | **Rs.15 Crores** |
| **(iv)** | **Unsecured Loans** | **Rs. 5 Crores** |

**Advise the management of the company**


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# Contribution to Bona Fide Charitable Funds (Sec. 181)

**THE BOARD OF DIRECTORS OF A COMPANY MAY CONTRIBUTE TO BONA FIDE CHARITABLE AND OTHER FUNDS**

**BUT**

**WHERE CONTRIBUTION IN ANY FINANCIAL YEAR**

**>**

**FIVE PER CENT. OF ITS AVERAGE NET PROFITS FOR THE THREE IMMEDIATELY PRECEDING FINANCIAL YEARS**

**THEN PRIOR PERMISSION OF THE COMPANY IN GENERAL MEETING SHALL BE REQUIRED FOR SUCH CONTRIBUTION**


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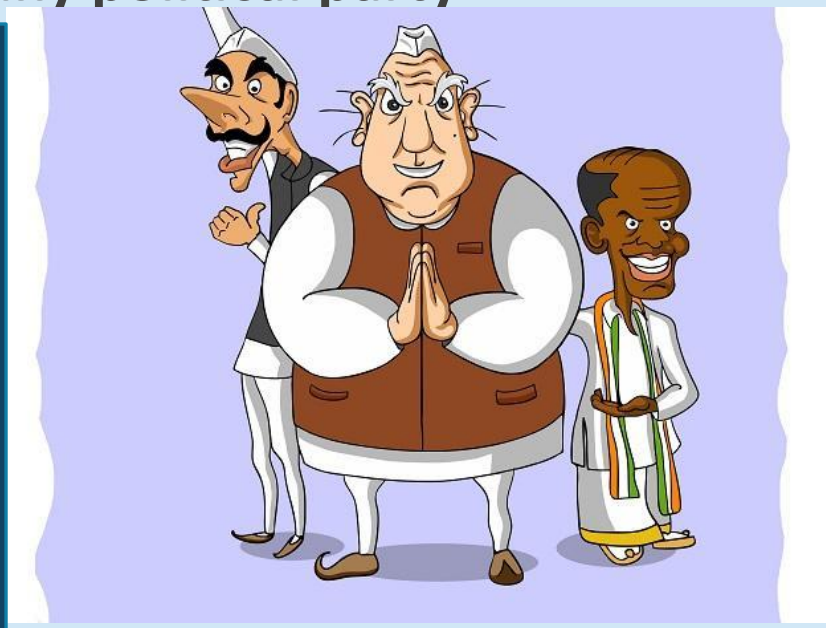
# POLITICAL CONTRIBUTIONS (SEC. 182)

**Notwithstanding anything contained in any other provision of this Act**
**All companies except the following may contribute ANY AMOUNT directly or indirectly to any political party**

COMPANIES WHICH ARE PROHIBITED FROM MAKING POLITICAL CONTRIBUTION

A. a company which has been in existence for less than three financial years

B. a Government Company



**"POLITICAL PARTY" means a political party registered under section 29A of the Representation of the People Act, 1951**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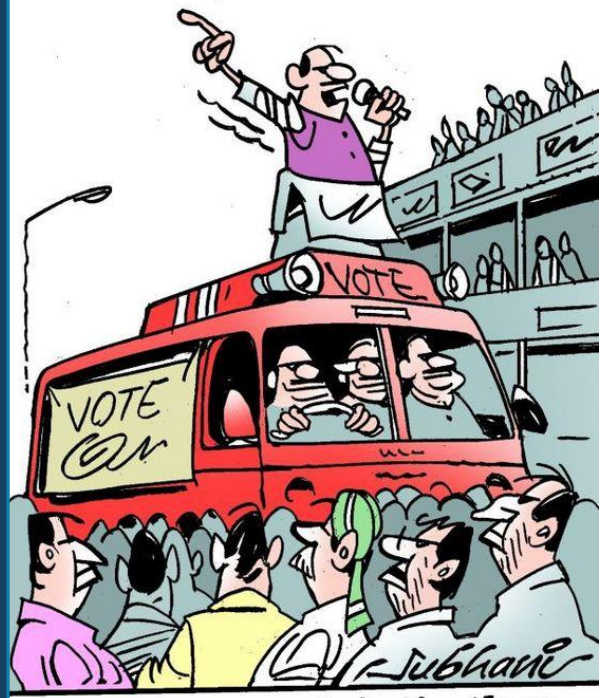
# POLITICAL CONTRIBUTIONS (SEC. 182)

Making of Political Contribution requires a Resolution passed AT A MEETING OF THE BOARD

Such resolution shall, subject to the other provisions of this section, be deemed to be justification in law for the making of the contribution authorised by it




I am more patriotic than my rival. I hid money in Indian banks but he, in Swiss, Panama..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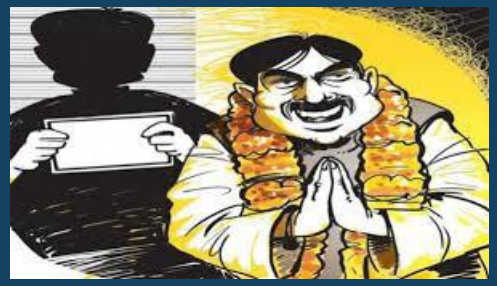
# POLITICAL CONTRIBUTIONS (SEC. 182)

Without prejudice to the generality of the above provisions the following payments are deemed to be a contribution for a political purpose

(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

CONTRIBUTION TO A PERSON FOR ANY POLITICAL PURPOSE

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# POLITICAL CONTRIBUTIONS (SEC. 182)

Without prejudice to the generality of the above provisions following payments are deemed to be a contribution 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.

ADVERTISEMENT IN POLITICAL PUBLICATION




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# POLITICAL CONTRIBUTIONS (SEC. 182)

## DISCLOSURE IN BALANCE SHEET

Every company shall disclose in its profit and loss account the total amount contributed by it under this section during the financial year to which the account relates.

## POLITICAL CONTRIBUTION NOT TO BE IN CASH

Notwithstanding anything contained in sub-section (1), the contribution under this section shall not be made except by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account:

Provided that a company may make contribution through any instrument, issued pursuant to any scheme notified under any law for the time being in force, for contribution to the political parties.


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# POLITICAL CONTRIBUTIONS (SEC. 182)

## ELECTORAL TRUST COMPANIES

Companies contributing any amount or amounts to an 'Electoral Trust Company' for contributing to a political party or parties are not required to make disclosures required under Section 182(3) of Companies Act 2013. It will suffice if the Accounts of the company disclose the amount released to an Electoral Trust Company.

Companies contributing any amount or amounts directly to a political party or parties will be required to make the disclosures laid down in Section 182(3) of the Companies Act, 2013.

(iii) Electoral trust companies will be required to disclose all amounts received by them from other companies/sources in their Books of Accounts and also disclose the amount or amounts contributed by them to a political party or parties as required by Section 182(3) of Companies Act, 2013.


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# POLITICAL CONTRIBUTIONS (SEC. 182)

**PENALTY FOR CONTRAVENTION**

**If a company makes any contribution in contravention of the provisions of this section, the company shall be punishable with**

**A. fine which may extend to five times the amount so contributed AND**

**B. every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to six months and with fine which may extend to five times the amount so contributed.**




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# CONTRIBUTION TO NATIONAL DEFENCE FUND (SEC. 183)

**Limit:**

**No limit.**




**The Board of Directors of any company or any person or authority exercising the powers of the Board of Directors of a company, or of the company in general meeting, may, notwithstanding anything contained in sections 180, 181 and section 182 or any other provision of this Act or in the memorandum, articles or any other instrument relating to the company, contribute such amount as it thinks fit to the National Defence Fund or any other Fund approved by the Central Government for the purpose of national defence**

**Overriding effect:**

**The power to contribute to the National Defence Fund etc., overrides restrictions under other sections like 180 and is in addition to the power to make charitable and political contributions under s. 181 and s. 182.**


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# CONTRIBUTION TO NATIONAL DEFENCE FUND (SEC. 183)

**Disclosure:**

**Every company shall disclose in its profits and loss account the total amount or amounts contributed by it to the Fund during the financial year to which the amount relates.**





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# A COMPARATIVE ANALYSIS

| SECTION | PURPOSE | LIMIT | APPROVAL BY |
|---|---|---|---|
| 181 | BONA FIDE CHARITABLE FUND | UPTO FIVE PER ENT OF AVERAGE NET PROFITS OF IMMEDIATELY PRECEDING THREE FIN. YRS | BOARD OF DIRECTORS UPTO FIVE PER ENT OF AVERAGE NET PROFITS OF IMMEDIATELY PRECEDING THREE FIN. YRS. BEYOND THAT COMPANY IN GM |
| 182 | POLITICAL CONTRIBUTIONS | ANY AMOUNT | BOARD OF DIRECTORS |
| 183 | NATIONAL DEFENCE FUND | SUCH AMOUNT AS BOARD THINKS FIT | BOARD OF DIRECTORS |


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# PRACTICAL PROBLEM 5

**Adekar Auto Components Ltd., is a company incorporated two years ago. It has earned profits amounting to INR 4 crores, INR 6 crores and INR 8 crores respectively during the last three financial years. But, the company is likely to post a loss for the current financial year. The Board of Directors of the company proposes to donate sums as detailed below:**

**a. Rs. 50,00,000 to The Vivekananda Charitable Trust a Bona Fide Charitable Fund.**

**b. Rs. One Crore to a Political Party.**

**c. Rs. 10 00 000 to the National Defence Fund.**

**Comment whether the proposed contributions are within the powers of Board of Directors of the company.**

**Will your answer be different if the company was incorporated four years ago.**


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# LOANS TO DIRECTORS (Sec.185)


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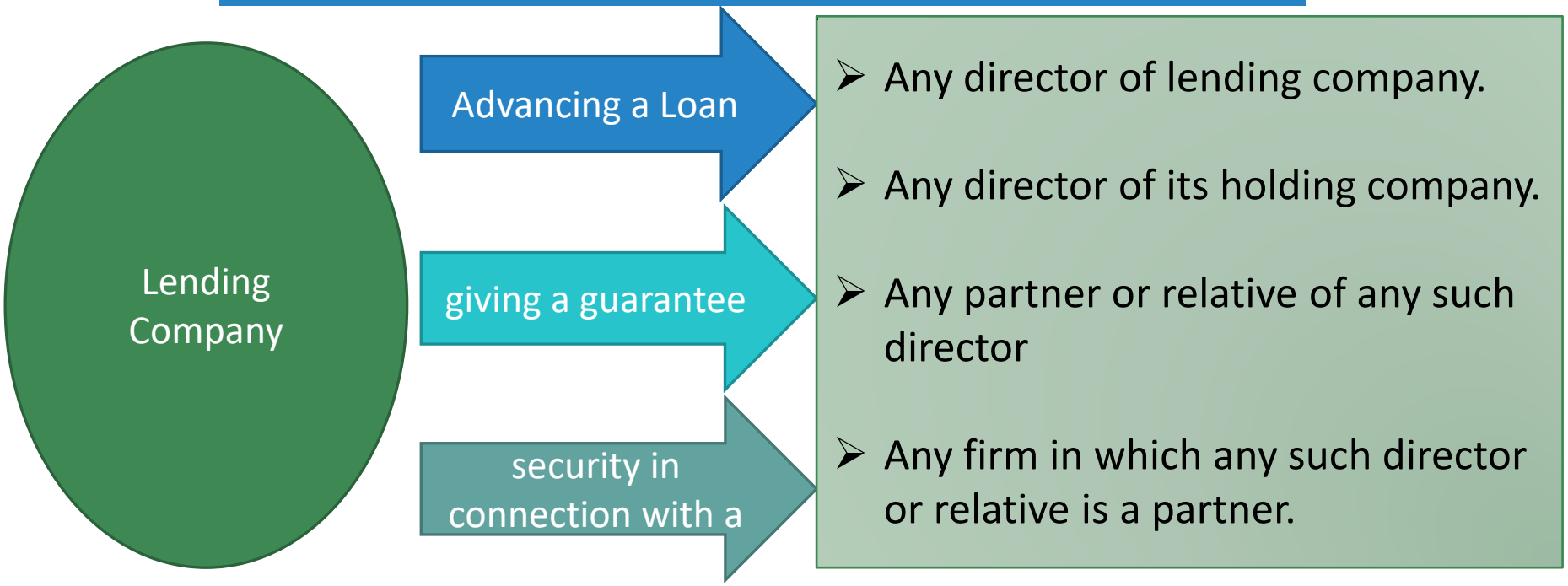
# Blanket Prohibition




**There is a blanket prohibition on entering into the above transactions with the above persons**

**LOAN INCLUDES LOAN REPRESENTED BY A BOOK DEBT**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# Much needed exemption

The above transactions are permitted with respect to “any person in whom any of the director (sic) of the company is interested.


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# Who are they?

- Any Private company of which such director is a director or member.
- Any body corporate at a general meeting of which not less than 25% of the total voting power may be exercised or controlled by any such director or by two or more such directors taken together.
- Any body corporate, the board of directors managing director or manager of which is accustomed to act in accordance with the directions or instructions of the board or of any of the directors of the lending company.


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# Procedure to avail Exemption

This permission is subject to the condition (actually there are two conditions!) that—

- A **special resolution** is passed by the company in general meeting.

Explanatory Note shall disclose the full particulars of such transactions mentioned above and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient.

- The loans are utilised by the borrowing company for its **principal business activities.**


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# Exceptions to Section 185:

Section 185(3) provides exemptions for the following entities and individuals from complying with subsection 1 and 2 explained above subject to certain conditions:

**Loan to managing or whole time Director:**

Giving any loan to managing or whole time Director as a part of the conditions of service extended by the company to all its employees or pursuant to any scheme approved by way of special resolution.

**Finance Companies:**

Interest charged on such loan is charged at a rate not less than the rate of prevailing yield of 1 year, 3 years, 5 years or 10 years Government security closest to the tenor of the loan.


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# NON APPLICABILITY

Sec. 185 does not apply to

A. Government Company [Notification No. G.S.R 463(E), dated 5th June 2015}

B. A Private Company

(a) In whose share capital no other body corporate has invested any money;

(b) If the borrowings of such a company from banks or financial institutions or any body- corporate is less than twice of its paid-up share capital or fifty crore rupees, whichever is lower, and

(c) Such company has no default in repayment of such borrowings subsisting at the time of making transactions under this section.

Note: The above exemption is applicable to a private company if it has not committed a default in filing its financial statements under Section 137 or Annual Return under Section 92 with the Registrar.

[Notification No. G.S.R 464(E), dated 5th June 2015 as amended by Notification No. G.S.R 583(E), dated 13th June 2017.]


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# Penalty for Contravention (Sec.185)

## DEFAULT BY LENDING COMPANY




Which shall not be less than Rs.5 lakh but which may extend to Rs.25 lakh.


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# Penalty for Contravention (Sec.185)

**DEFAULTER**

**OFFICER IN DEFAULT**



Imprisonment for a term which may extend to 6 months

**OR**




fine which shall not be less than Rs.5 lakh but which may extend to Rs.25 lakh.


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# Penalty for Contravention (Sec.185)

**DEFAULTER**

**RECIPIENT OF THE LOAN/GUARANTEE/SECURITY**



**OR**




IMPRISONMENT
Which may extend to 6 months

Which shall not be less than Rs.5 lakhs but which may extend to Rs.25 lakhs or with both


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# INTERCORPORATE LOANS & ADVANCES (Sec.186)


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## INVESTMENT PERMITTED ONLY THROUGH TWO LAYERS OF INVESTMENT COMPANIES

**Exceptions:**

**(i) Acquisition of any other company incorporated in a country outside India if such other company has investment subsidiaries beyond two layers as per the laws of such country;**

**(ii) a subsidiary company having any investment subsidiary for the purposes of meeting the requirements under any law or under any rule or regulation framed under any law for the time being in force.**


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# THE TRANSACTIONS

**LENDING COMPANY**

- Advancing a Loan
- giving a guarantee
- **providing any security in connection with a loan**
- **Acquisition Of Securities By Way Of Subscription, Purchase Or Otherwise**

➢ **ANY OTHER BODY CORPORATE.**

➢ **ANY OTHER PERSON.**

**"Person" does not include any individual who is in the employment of the company and the loan is as per remuneration policy.**

**Exception: MD & WTD who are covered under s. 185.**


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# THE BOARD MAY ENTER INTO THE ABOVE TRANSACTIONS UPTO THE LIMITS GIVEN BELOW

- 60% OF (PAID-UP SHARE CAPITAL + FREE RESERVES + SECURITIES PREMIUM)

**OR**

- 100% OF (FREE RESERVES + SECURITIES PREMIUM)

WHICHEVER IS MORE


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# Free Reserves

**Free reserves** means those reserves which as per latest audited balance sheet are free for distribution as dividend

This does not include

i. Any amount representing Unrealised gains/ notional gains on re-valuation of assets, whether shown as a reserve or otherwise

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


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# Conditions

**The conditions subject to which the above transactions may be entered into are described below.**

**1) No loan, investment, guarantee or security shall be made, given or provided unless**

**(a) The transaction is authorised by a resolution passed at a meeting of the board with the consent of ALL the directors present at the meeting.**

**AND**

**(b) Prior approval of Public Financial Institutions (PFI) in respect of which term loan is subsisting is obtained.**


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# Prior Approval of PFI- not required

Prior approval of PFI is not required where the loan, investment or guarantee to be made together with loan, investment or guarantee already made does not exceed **the limits prescribed above.**

**AND**

There is no default in repayment of loan or payment of interest thereon to the PFI.


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# Exceeding the above limits

***Previous authorization by Special Resolution***

Exceeding the above limit requires a special resolution passed in a general meeting before the transaction is entered into.


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# EXCEPTION

In the following two cases the requirement of passing a special resolution shall not apply

A. i) a loan or guarantee given or

ii) a security provided by a company to its

**wholly owned subsidiary company or a joint venture company**,

B. Acquisition made by a holding company, by way of subscription, purchase or otherwise of, the securities of its

**wholly owned subsidiary company,**


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# Disclosure Requirement:

The company shall disclose the details of such transactions in the financial statement giving

a. the full particulars of such transactions and

b. the purpose for which the loan or guarantee or security is proposed to be utilized by the recipient.


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# Interest Rate

The rate of interest chargeable should be more than the prevailing yield of Government Security closest to the tenor of the loan.

(This provision shall NOT apply to a Sec. 8 company

a.in which twenty-six per cent. or more of the paid-up share capital is held by the Central Government or one or more State Governments or both, and

b. in respect of loans provided by such company for funding Industrial Research and Development projects in furtherance objects as stated in its memorandum of association.. )


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# No Loan if default in repayment of deposit

Where a company fails to repay the deposits or interest thereon, it may make loan, guarantee, investments or security only after the default has been made good.


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# Register to be maintained (Sec. 186 (9) & (10) r.w. Rule 12

**REGITER TO BE MAINTAINED**

- Every company shall, from the date of its incorporation, maintain a register in Form MBP 2 and enter therein separately, the particulars of loans and guarantees given, securities provided and acquisitions made as aforesaid.
- The entries in the register shall be made chronologically in respect of each such transaction within seven days of the respective transactions
- The register shall be kept at the registered office of the company and the register shall be preserved permanently and shall be kept in the custody of the company secretary of the company or any other person authorised by the Board for the purpose.
- The entries in the register (either manual or electronic) shall be authenticated by the company secretary of the company or by any other person authorised by the Board for the purpose.
  The register can be maintained either manually or in electronic mode.
- The register shall be open for inspection by members and extracts from the register may be furnished to any member of the company on payment of fee as may be prescribed in the Articles of the company which shall not exceed ten rupees for each page.


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# Non applicability of section 186

**WITH RESPECT TO LOANS ETC., BY**

1. A banking company in the ordinary course of its business;
2. An insurance company in the ordinary course of its business;
3. A housing finance company in the ordinary course of its business;
4. A company engaged in the business of financing of companies or of providing infrastructural facilities.


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# WITH RESPECT TO INVESTMENT

1. Any investment made by a company whose principal business is the acquisition of securities (i.e. investment company).
2. Any investment in shares allotted in pursuance of right issue.
3. Any investment made by a non-banking financial company whose principal business is the acquisition of securities.

The exemption to NBFC shall be with respect to investment and lending activities.


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# Companies registered under S. 12 of the SEBI Act, 1992

1. No company registered under section 12 of the SEBI Act, 1992 shall take any inter-corporate loan or deposits, in excess of the limits specified under the regulations applicable to such company, pursuant to which it has obtained certificate of registration from the Securities and Exchange Board of India.

Section 12 of the SEBI Act, 1992 requires stock broker, sub-broker, share transfer agent, banker to an issue, registrar to an issue, merchant banker, underwriter, portfolio manager, etc. to get registered with SEBI and obtain certificate of registration. There are regulations framed by SEBI which regulate such entities.


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# Penalty for Contravention (Sec.186)

**DEFAULTER**

**COMPANY**




Which shall not be less than Rs. 25000 but which may extend to Rs.5 lakh.


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# Penalty for Contravention (Sec.186)

**DEFAULTER**

**OFFICER IN DEFAULT**

**OR**






For a term which may extend to Two years

Which shall not be less than Rs. 25000 but which may extend to Rs.1 lakh.


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# INVESTMENTS OF COMPANY TO BE HELD IN ITS OWN NAME [SECTION 187]

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:

**EXCEPTION**

The company may hold any shares in its subsidiary company in the name of any nominee or nominees of the company, if it is necessary to do so, to ensure that the number of members of the subsidiary company is not reduced below the statutory limit.


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# INVESTMENTS OF COMPANY TO BE HELD IN ITS OWN NAME [SECTION 187]

## EXEMPTIONS

a) Depositing with a bank, being the bankers of the company, any shares or securities for the collection of any dividend or interest payable thereon; or

b) Depositing with, or transferring to, or holding in the name of, the State Bank of India or a scheduled bank, being the bankers of the company, shares or securities, in order to facilitate the transfer thereof:

- Within a period of six months from the date on which the shares or securities are transferred by the company to scheduled bank as aforesaid, no transfer of such shares or securities takes place.
- The company shall, as soon as practicable after the expiry of that period, have the shares or securities retransferred to its own name.


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# INVESTMENTS OF COMPANY TO BE HELD IN ITS OWN NAME [SECTION 187]

**EXEMPTIONS**

c) Depositing with, or transferring to, any person any shares or securities, by way of security for the repayment of any loan advanced to the company or the performance of any obligation undertaken by it;

d) 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


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# INVESTMENTS OF COMPANY TO BE HELD IN ITS OWN NAME [SECTION 187]

**Where investments are not held by it in its own name.**

- The company shall maintain a register which shall contain such prescribed particulars and
- Such register shall be open to inspection by any member or debenture-holder of the company without any charge during business hours subject to such reasonable restrictions as the company may by its articles or in general meeting impose.


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# INVESTMENTS OF COMPANY TO BE HELD IN ITS OWN NAME [SECTION 187]

**CONTRAVENTION**

**Company**




Which shall not be less than Rs. 25,000 but which may extend to Rs. 25 Lakhs.


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# INVESTMENTS OF COMPANY TO BE HELD IN ITS OWN NAME [SECTION 187]

**CONTRAVENTION**

**Every Officer in Default**



**OR**




Imprisonment for a term which may extend to six months

Both.

Which shall not be less than Rs. 25,000 but which may extend to Rs. 1 Lakh


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# THANK YOU


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| | I | II |
|---|---|---|
| PC | 100 | 200 |
| FR+SP | 200 | 100 |
| PC +FR + SP | 300 | 300 |
| | 180 | 100 |
| | 200 | 180 |


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