

COMPANIES ACT, 1956 IN A NUTSHELL

We provide you here in an enumerated form certain matters relating to the Companies Act, 1956 which would enable you to have a bird's eye view of the Companies Act, 1956.

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A. PROVISIONS REQUIRING AUTHORISATION BY THE COMPANY IN ITS ARTICLES OF ASSOCIATION.

Section	Matter
50	Having the Official Seal of the Company for use outside India.
76	Payment of certain commissions
77A	Power to purchase company own securities.
80	Issue of redeemable preference shares
92	Acceptance of unpaid capital not yet called up
93	Payment of dividend in proportion ton amount paid up
94	Alteration of share capital
100	Reduction of share capital
111	Refusal of registration and appeal
114	Share warrants
157	Maintenance of Foreign register
176	Voting by proxy on show of hands
181	Restriction on exercise of voting right
252	Number of directors
254	First directors-Appointment
262	Filling of casual vacancy in the board
265	Appointment of directors by proportional representation
269	Appointment of managing/whole-time director
270	Qualification shares
288	Adjournment of board meeting
309	Remuneration and commission of directors
313	Appointment of alternate director
323	Making liability of directors unlimited

B. OTHER IMPORTANT PROVISIONS WHICH MAY BE COVERED BY THE ARTICLES.

Sl.No	Name of Power
1	Capitalisation of reserves and issue of bonus shares
2	Interim dividend
3	Right of company to lien on unpaid shares
4	Provisions for payment of traveling expenses and sitting fees for adjourned meetings.
5	Appointment of Non-rotational director/nominee directors
6	Any specific provisions subject to conformity with the Act

C. MATTERS TO BE APPROVED ONLY AT BOARD MEETING

S.No	Section	Subject
1	262	Filling of casual vacancies
2	292(1)(a)	To make calls on shareholders In respects of money unpaid on their shares.
3	292(1)(a)	To authorise the buy-back of its own securities
4	292(1)(b)	To issue debentures.
5	292(1)(c)	To borrow money otherwise than debentures.
6	292(1)(d)	To invest the funds of the company
7	292(1)(e)	To make loan
8	293A	To make political contribution
9	297	Consent of directors for interested contracts
10	316/386	Appointment of a person as Managing Director/Manager who is Managing Director/Manager of another company.
11	372A	Approval for making loans/investments and provide guarantee upto the prescribed limits.

D. OBLIGATIONS AND LIABILITIES OF DIRECTORS UNDER THE COMPANIES ACT, 1956.

Section	Requirements thereof
58A	To deposits received in contravention of Section 58A
62	Civil liability for mis-statements in prospectus.
63	Criminal liability for mis-statements in prospectus.
71(3)	To compensate the company and the allottee for any loss, damages or costs in consequence of contravention of any of the provisions of Section 69 or Section 70 with respect to allotment.
73(2)	To repay all moneys received from applicants for the shares or debentures in pursuance of the prospectus, with due interest at the rate of 4% to 15% per annum as may be prescribed depending on the delay, if the company fails to repay them within 8 days as provided in sub-section (2) of Section 73.
161	To sing the copy of the annual return to be filed with the Registrar under Section 159 or 160 as well as the certificate (additional certificate in the case of a private company) specified in sub-section (2) of Section 161.
162	To comply with provisions relating to annual return.
165	To comply with Section 165 in connection with the statutory meeting and statutory report of the company.
169	To comply with Section 169 in connection with the extraordinary general meeting on requisition, and to repay any reasonable expenses incurred by the requisitionists for failure by the board of directors to call that meeting.
187C	To file with registrar declaration by persons not holding beneficial interest in any share.
197A	Not to employ more than one category of managerial personnel.
203	Not to act as director in certain case.

205A	To transfer unpaid dividend account to special dividend account; not to declare dividends out of reserves except in certain cases; to transfer dividends unpaid or unclaimed for seven years to the Investor Education and Protection Fund.
206 A	To Keep the dividend in special account or to pay the transferee duly authorised by the transferor, pending registration.
209 (5)	To take all reasonable steps to secure compliance with the requirements of Section 209 regarding book of account to be kept by the company.
209 A	To produce book of account etc. before persons making inspection.
210 (5)	To take all reasonable steps to comply with the provisions of Section 210 as to the laying before the company the annual account, balance sheet, etc.
215	To approve the balance sheet and profit and loss account before they are submitted to the auditors for their report thereon, and to authenticate them as provided in Section 215.
217	To take all reasonable steps to comply with the provisions of Section 217 regarding the report of the board of directors
233 B	To give assistance and provide facilities to Cost Auditors.
264 /266	To sign and file with company and Registrar a consent in writing to act as a director of a public company or its subsidiary private company and to comply with clause (b) of Section 266(1) relating to his qualification shares.
270	To obtain his qualification shares within tow months after his appointment as director of a public company or its subsidiary private company.
275	Not to hold office as director, save as otherwise provided in Section 276, in more than 15 companies.
293A	Not to give political contributions in case of Government companies and/or the companies which are in existence for les than three financial years. In case of other companies, not to give donation in excess of 5% of average of last 3 years net Profits.
295	Not to receive any loan from a public company or its subsidiary private company of which he is direct, in contravention of Section 295.
297	To obtain sanction of the board of directors for entering into a contract with the company, (a) for the sale, purchase or supply of any goods, materials or services, or (b) for underwriting the subscription of any shares in, or debentures of the company.
299	To disclose the nature of his concern or interest in a contract or proposed contract with the company, at a meeting of the bard of directors. For details, wee Section 299.
300	Not to participate, or vote in the board's proceedings of a public company or its subsidiary private company in respect of contracts or arrangements mentioned in Section 299. For exception see sub-Sections (2) and (3) of Section 300.
305	To disclose to the company, within 20 days of his appointment to, or relinquishment of office, the particulars relating to the office in any other body corporate which are required to be specified under sub-Section (1) of Section 303.

308	To give notice to the company of his shareholdings in other bodies corporate and such other matters relating to himself as may be necessary for the purpose of enabling the company to comply with the provision of Section 307.
309	Not to receive remuneration in contravention of Section 309 and Schedule XIII read with Section 198. This provision does not apply to a private company unless it is subsidiary of a subsidiary of a public company.
310	To obtain approval of the Central Government for any provision for increase of his remuneration in case such increase is not in accordance with Schedule XIII. This provision also does not apply to private company unless it is subsidiary of a public company.
312	Not to assign his office of director
314	Except with the previous consent of the company by a special resolution, not to hold any office or place of profit, (a) under the company, or (b) under any subsidiary of the company, except that of managing director, manager, banker or trustee for the debenture-holders of the company.
318	Not to receive payment by way of compensation for loss of office or as consideration for retirement from office. However, Managing Director, Manager, or whole-time director can receive compensation in accordance with provisions of sub-section 4 provided none of the events specified in sub-section 3 have taken place.
319	Not to receive, in connection with the transfer of the whole or any part of the undertaking or property of the company, any compensation for the loss of, or retirement from, office (a) from such company, or (b) from the transferee of such undertaking or property of for many other person unless particulars of the payment proposed to be made by such transferee or person have been disclosed to, and the proposal has been approved by the company in general meeting.
320(1)	Not to receive any compensation for loss of, or retirement from office, in connection with the transfer to any person of all or any of the shares in a company, being a transfer resulting from any of the offers specified in clauses (i) to (iv) of Section 320(1), (a) from such company, or (b) from the transferees of the shares or from any other person.
320(2)	In the case referred to in clause(b) of Section 320(1), to take all reasonable steps to secure that particulars with respect to the payment proposed to be made by the transferees or other persons are included in or sent with, any notice of the offer made for their shares which is given to any shareholder, see Section 321 also in this connection.
383A	To appoint secretary where applicable.
478/519	To be publicly examined under Section 478 or Section 519.
488	In a proposed members' voluntary winding-up, to make a declaration of solvency in compliance with Section 488.

542	To be personally responsible for debts and other liabilities of the company where business of the company has been carried on with intent to defraud creditors of other persons or for any fraudulent purpose.
543	To repay or restore the money or property of the company with interest or to contribute sums to the assets of the company by way of compensation in respect of any misapplication, retainer, misfeasance or breach of trust mentioned in Section 543.

E. MATTERS WHEREIN A DIRECTOR HAS PERSONAL LIABILITY UNDER THE COMPANIES ACT, 1956

Section	Event when there is personal liability
11 (4)	Every member of a company, association or partnership carrying on business in contravention of Section 11 shall be personally liable for all liabilities incurred in such business.
45	Members of company are severally liable for debts where business is carried on with fewer than two members in the case of a private company, and fewer than seven members in the case of any other company.
62 & 607	To pay compensation by a director or other person specified in clauses (a) to (d)
607	Of Section 62(1) to every person who subscribes for any shares or debentures on the faith of the prospectus containing any untrue statement therein.
69(5)	By the directors to repay money with interest at 6 percent per annum received from applicants for shares, if the provisions of Section 69 are not complied with.
71 (3)	In case of contravention by a director of any of the provisions of Section 69 or 70 with rest to allotment, he is to compensate the company and the allottee for any loss, damages or costs which they have sustained thereby.
73	If the moneys received from applicants in pursuance of the prospectus are not repaid by the company as provided in sub-Section (2) of Section 73, the directors are to repay the same with the interest at the rate between 4% to 15% per annum as may be prescribed ¹ on the delay.
147 (4)	An officer of company or any person on its behalf doing any of the acts specified in clauses (a) to (d) of Section 147 (4)
295 (5)	All persons who are knowingly parties to any contravention of Section 295(1) or Section 295(3) shall be liable, jointly and severally, to the lending company for the repayment of the loan.
314 (2)	If any office or place of profit under the Company or its subsidiary is held in contravention of Section 314(1), the director concerned shall be liable to refund to the company any remuneration received or the monetary equivalent of any perquisites or advantages so enjoyed by him.

371 (2)	All persons who are knowingly parties to any contravention of Section 369, 370 or 370A regarding loans to companies under the same management shall be liable, jointly and severally, for the repayment of the loan or other sum mentioned in sub-Section (2) of Section 371.
542	Persons who are knowingly parties to the carrying on of business with intent to defraud creditors of the company or any other person or for any fraudulent purpose shall be personally responsible, without any limitation of liability, for all any of the debts or other liabilities of the Company.
543	For any misapplication of retainer of any money or property of the company, or misfeasance or breach of trust in relation to the company, a promoter, any past or present director, manager, liquidator or officer of the company are to repay or restore the money or property with interest or to contribute sums to the assets of the company by way of compensation.
544	The liability under Section 542 and 543 extends or partners or directors in the firm or the company.
553 (2)	If a voluntary liquidator retains for more than 10 days a sum exceeding Rs..500 or such other amount as the court authorises him to retain, he is (a) to pay interest at 12 per cent per annum or the amount so retained and also to pay such penalty as may be determined by the Registrar; (b) to pay any expenses occasioned by his default; and (c) to have his remuneration disallowed.
555 (9)	Any liquidator retaining any money which should have been paid by him to the companies Liquidation Account under Section 555, (a) to pay interest at 12 per cent per annum on the amount retained and also such penalty as may be by the Registrar; and (b) to pay any expenses occasioned by his default.

F. MATTER THAT REQUIRE APPROVAL OF THE REGISTRAR OF COMPANIES

Section	Particulars
20 (Read with rule 4A of the Companies (Central Govt.) General Rules and Forms.)	Availability of name for a Company.
21	Change of name of Company.
31(1)	Approval for alteration of articles of a Company to convert a public company into a private one.
75(3)	Extension of time by one month for filing return of allotment.
108(IA)	Share transfer form to be date stamped before execution.
108(ID)	Extension of time for delivery of instrument of transfer to the company

166(1) (second proviso) 205B (Read with Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978)	Extension of time for holding annual general meeting. Payment of unpaid or unclaimed dividend to shareholders out of the General Revenue Account of the Central Government.
210(4) (Proviso) 560	Extension of the period of financial year of a company. For restoring the name of a company struck off by the Registrar.
611(2)	Condonation of delay in filing documents on payment of additional fee.
621A	Forwarding of applications for composition of offences under Section 621A to the Central Government (Presently up to a date to be notified) Regional Director/Company Law Board. Inspection of documents filed with the Registrar. Endorsement of a copy of any application/petition to the Regional Director/Company Law Board/Central Government.

G. MATTERS THAT REQUIRE APPROVAL OF THE REGIONAL DIRECTOR, MINISTRY OF COMPANY AFFAIRS.

Section	Particulars
22	Approval for rectification of the name of a company
25	Registration of Section 25 company or grant of licence
224	Appointment of auditors in case of default and approving remuneration of auditors.
394A	Submission of representation to the High Courts on application for amalgamation
297(1)	Contracts with directors and their associates.
400	Representation to be made before CLB on petition under Section 397/398.
433/439	Proposal for winding up a company
55(7) (b)	Application for payment of unpaid dividend out of company's liquidation account.
610(1) (proviso)	Application for inspection of documents and issue of certified copies.
621A	Application for compounding of offences Grievances/complaints of investors/public.

H. MATTERS THAT REQUIRE APPROVAL OF THE COMPANY LAW BOARD.

Section	Particulars
10E (4B)	The Company Law Board may constitute one or more or more benches for the purpose of exercising and discharging its powers.
17(2)	Confirmation of alteration in the Memorandum of Association for change of registered office from one State to another and objects of a Company.
18(4)	Extension of time for filing of documents relating to confirmation of alteration of Memorandum of Association or registration of alteration with the Registrar.
19(2) Proviso	Extension of time for filing of document to the Registrar.
43	Grant of relief to a private company from consequences of accidental failure to comply with conditions constituting it a private company. Direction for immediate inspection if inspection is refused by a company of;- (i) Register of investment Section 49(10) (ii) Register of charges (iii) Registers and returns kept under Section 163 and copies to be sent the person requiring it (Section 163) (iv) Minute book and / or copy thereof to be sent to the person requiring it. (Section 196) (v) Register of directors (Section 304) (vi) Register of directors shareholding (Section 307)
58A(9)	Directions for repayment of deposits on maturity
79	Sanction to issue shares at a discount.
80A	Consent to issue further redeemable preference shares in lieu of unredeemed preference shares.
111	Appeal against refusal to register/transfer/transmission of shares/debentures.
113(1)	Extension of time for delivery of certificates of demand and debenture stock by 9 months
118(3)	Direction to send copies of debenture trust deed to the person requiring it.
141	Condo nation of delay in filing particulars of a charge or intimation of payment or satisfaction of a charge.
167	Direction to all annual general meeting of a company
186	Ordering a meeting of company to be called, held and conducted, etc.
188	Determination as to whether rights of requisitions to get their resolution circulated to shareholders being abused and for ordering company's costs to be paid by the requisitions.
219(4)	Direction that a copy of balance-sheet and auditors report demanded be furnished forthwith to the person concerned.
225(3) (proviso)	Decision as to whether rights of auditors to get their representation circulated and read out at meeting is being abused and for ordering company's cost to be paid by the retiring auditors.
235(2)	Declaration by an order that affairs of a company be investigated.

237	Formation of an opinion as to circumstances requiring investigation into the affairs of a company.
247(IA)	Declaration by an order that affairs of a company be investigated as regards membership of the company.
250	Imposition of certain restrictions with regard to voting etc, in the course of investigation.
369(9)	Decision on a reference by the Central Government as to contravention of Schedule XIII.
284(4) (proviso)	Decision as to right of director to get his representation circulated/read at the meeting is being abused and to order company's cost to be paid by such director.
304	Directions for immediate inspection to be made to the person concerned.
307	Compelling immediate inspection to the person concerned.
388B to 388E	Recommendation for removal of managerial personnel.
407(1)(b)	Grant of leave for appointment of managing director or manager whose agreement has been terminated or set aside provided a notice has been served on the Central Government.
408	Decision as to whether to appoint Government directors on board of directors.
409(1)	Prevention of change in board of directors likely to affect company prejudicially.
610(2)	Production of any document is only possible with the leave of the court or the Company Law Board.
614(1)	Order directing a company to make good the default in filing/registering with or delivering or sending to the Registrar return, document, account or notice etc.
621A	Compounding of certain offences punishable with fine only.

I. CENTRAL GOVERNMENT (MINISTRY OF COMPANY AFFAIRS) MATTERS DEALT WITH AT HEADQUARTERS OF THE DCA, NEW DELHI.

Section	Particulars
58A	Application for extension of time/exemption
81(IA) (b)	Offer of further share without special resolution.
81(3) (proviso)	Approval of the terms for providing option before issue of debenture or raising loans with such term.
81(4)/94A(2)	Issue of debenture or taking of loans
205(1) (proviso (c))	Payment of dividend without providing for depreciation
211(3)	Exemption from compliance with requirements of Schedule VI
211(4)	Modification of requirements for form of balance-sheet and profit and loss account in certain circumstances.
212(8)	Exemption from or modification or requirements of inclusion of certain particulars or subsidiaries.

213(1)	Extension of time as to facilitate compliance of provisions of Section 212.
233B	Appointment of Cost Auditor
237	Appointment of inspector suo moto or upon company passing special resolution or upon courts order.
241	Obtaining a copy of inspector's report.
259	Increase in the number of directors.
268	Amendment of any provision relating to managerial personnel
269	Appointment /re-appointment of managerial personnel director/manager in conformity with Schedule XIII.
274	Removal of disqualification of a director in certain cases.
294AA	Appointment of sole-selling agent having substantial interest in company.
295	Giving plan or other financial assistance to directors etc.
309(l)	Approval of professional qualification of directors.
309(3)/ 309(4)	Payment of remuneration exceeding the specified percentage of net profit.
309(5B)	Waiver of recovery of excess remuneration paid to a director.
310/311	Increase in remuneration of directors/managing directors.
310/311	Increase in remuneration of directors/managing directors.
314	Director etc holding office of profit etc.
396	Amalgamation of companies in national interest.
396A	Permission for disposal of books and papers of an amalgamated company.
399	Approval of the Government to apply to court for prevention of oppression or mis-management.
594(1) proviso	Exemption to a foreign company for pre-parathion of balance-sheet and profit and loss account in prescribed form.
613 (1)	Reduction of fees, charges etc, payable to Central Government of Registrar under the Act .
620A	Modification of provision of the Act in relation to Nidhis etc.
637(a)	Condo nation of delay in making application of Central Government or filing document with the Registrar.