Company Law

Handwritten Notes

CS Executive · Quick Revision

All 16 Chapters — Key Points & Tricks

Updated for amendments up to June 2026

Legend:

SAMJHO = memory trick / easy explanation (highlighted).

CH 1 INTRODUCTION TO COMPANY LAW

A) Background

Companies Act 2013 -> aim: TRANSPARENCY + Ease of Doing Business (Manual -> Digital).

Sec 1: Act extends to whole of India. Sec 2: 95 definitions.

- 2(20) Company = incorporated under this/previous Act.
- 2(57) Net Worth = Paid-up capital + Reserves(profit) + Sec. Premium - Accumulated losses - Deferred exp.

SAMJHO: Net Worth mein 3 cheezein NAHI jodte: (1) Revaluation reserve (2) Write-back of depreciation (3) Amalgamation reserve. "Paper value" hai, asli kamai nahi.

B) Characteristics of a Company

Artificial juridical person - created by law, invisible, intangible.

- Separate Legal Entity -> Salomon v. Salomon (1897) landmark. Company & owner alag person.
- Perpetual Succession -> "members come & go, company goes on forever."
- Limited Liability -> member sirf unpaid amount tak liable. Fully paid = zero liability.
- Also: Separate property, transferable shares, can sue/be sued, NOT a citizen.

Types of Companies

- By incorporation: Statutory (LIC) / Registered / Unregistered.
- Public [2(71)]: min 7 members, no max, min 3 directors, free transfer, prospectus.
- Private [2(68)]: min 2 / max 200 members, min 2 directors, restricts transfer, no prospectus.

- OPC [2(62)]: 1 member + 1 nominee (natural persons). 2021: NRI allowed, 182->120 days.
- Small Co [2(85)]: (1 Dec 2025) Capital <= ₹10 cr AND Turnover <= ₹100 cr. NOT: public/holding/subsidiary/Sec 8.

SAMJHO: Associate vs Subsidiary: 20%-50% voting = Associate (influence). >50% = Subsidiary (control). Max 2 layers of subsidiaries.

- Govt Co [2(45)]: >= 51% held by Central/State Govt.
- Sec 8 Co: NGO/charity - profit not distributed.

C) MCA-21 & E-filing: MCA V3 portal - digital filing of all forms.

CH 2 INCORPORATION OF COMPANY

Steps to Incorporate

- Reserve name -> RUN / SPICe+ Part A. Valid 20 days.
- SPICe+ (INC-32): integrated form - DIN, PAN, TAN, EPFO, ESIC, bank a/c, GST all in one.
- e-MoA (INC-33) + e-AoA (INC-34) filed with SPICe+.
- Certificate of Incorporation (COI) = birth certificate + CIN issued.

MoA - Memorandum [Sec 4]

Charter of company - defines scope. 6 clauses:

- Name / Registered Office (situation) / Object / Liability / Capital / Subscription (Association).

SAMJHO: MoA clauses yaad: "NROLCS" - Name, Registered office, Object, Liability, Capital, Subscription.

AoA - Articles [Sec 5]

Internal rules & regulations. Subordinate to MoA. Can have entrenchment provisions.

- Doctrine of Ultra Vires: act beyond MoA = void (Ashbury Railway case).
- Doctrine of Indoor Management: outsiders can assume internal procedure followed (Royal British Bank v Turquand).
- Doctrine of Constructive Notice: public deemed to know MoA/AoA (registered = public docs).

Other

- Registered office within 30 days of incorporation (INC-22).
- Commencement of business: INC-20A within 180 days (companies with share capital).
- Conversion: Pvt<->Public, and OPC conversion rules.

CH 3 ISSUE OF SHARES, PROSPECTUS & ALLOTMENT

Share Capital

- Kinds: Equity (with/without differential rights) + Preference shares.
- Preference: fixed dividend + priority on repayment. Max redemption 20 yrs (infra 30).

Prospectus [Sec 2(70), 26]

Document inviting public to subscribe for securities.

- Types: Deemed, Shelf, Red-Herring, Abridged.
- Misstatement -> Civil (Sec 35) + Criminal (Sec 34) + Sec 447 fraud liability.
- Golden Rule: full & honest disclosure (New Brunswick case).

Allotment

- Minimum subscription must be received before allotment.
- Private placement [Sec 42]: offer to select persons (<=200), Form PAS-4, money in separate a/c.
- Return of allotment: Form PAS-3 within 30 days.

Other modes

- Rights issue [Sec 62]: to existing shareholders first.
- Bonus shares: free, out of reserves. Sweat equity: to employees/directors.
- ESOP: option to employees. Buy-back [Sec 68]: max 25% of capital+reserves.

SAMJHO: Share certificate: issue within 2 months of allotment. Transfer: Form SH-4.

CH 4 MEMBERS AND SHAREHOLDERS

Member [Sec 2(55)]

- (a) Subscriber to MoA (deemed member on registration).
- (b) Agrees in writing + name in Register of Members.
- (c) Beneficial owner in depository records.

2 essentials: agreement + entry in register of members.

SAMJHO: Member vs Shareholder: Member defined in 2(55); shareholder = owns shares. Share-warrant bearer = shareholder but NOT member. Guarantee co = members, not shareholders.

Ways to acquire membership

- Subscription, Allotment, Transfer, Transmission, Estoppel, Beneficial owner.

Who may become member

- Company (yes, if MoA allows) but NOT of itself.
- Subsidiary CANNOT be member of holding co [Sec 19] (few exceptions).
- Partnership firm - NO (except Sec 8 co). LLP - YES.
- Minor - NO (void ab initio). Foreigner - yes (FEMA). HUF - via Karta.

Cessation of membership

- Transfer, forfeiture, sale (lien), death, insolvency, redemption, rescission, winding-up.

SAMJHO: Expulsion of a member by Articles = ULTRA VIRES & invalid (against company jurisprudence).

CH 5 REGISTER OF MEMBERS

Sec 88 - Registers to maintain

- Register of Members (MGT-1), Debenture-holders (MGT-2), Other security holders.
- Must include INDEX (not needed if members < 50).
- Entries within 7 days of Board approval of allotment/transfer.

Penalty: Company ₹3 lakh + officer ₹50,000.

Sec 94 - Place & Inspection

- Kept at Registered Office; other place if >1/10 members reside there (Special Resolution).
- Inspection free for member/debenture-holder; others <= ₹50/inspection.
- Copies: <= ₹10 per page.

Sec 91 - Closing register

- 7 days notice. Max 45 days/year, max 30 days at a time.

Preservation

- Register of members = PERMANENT. Debenture-holders = 8 yrs after redemption.

Sec 90 - Significant Beneficial Owner (SBO)

- SBO = individual holding >= 25% (Act) / 10% (Rules) beneficial interest.
- Forms: BEN-1 (declaration by SBO), BEN-2 (co to ROC), BEN-3 (register), BEN-4 (notice).

SAMJHO: Purpose: stop money laundering & benami (FATF). BEN-1 by individual, BEN-2/3/4 by company.

CH 6 DEBENTURES AND DEPOSITS

Part A - Debentures [Sec 2(30)]

Debt instrument - holder = lender/creditor (NOT owner). No voting rights.

- By convertibility: NCD, Partly-CD, Fully-CD, Optionally-CD.
- By security: Secured / Unsecured (naked). By tenure: Redeemable / (no perpetual now).
- By registration: Registered / Bearer (transfer by delivery).
- Pari passu clause = rank equally. Debenture stock = consolidated, fully paid.
- Cannot issue irredeemable/perpetual debentures under 2013 Act.

DRR - Debenture Redemption Reserve [Sec 71(4)]

- Exempt: Listed cos, NBFC, HFC, banking cos.
- Unlisted (non-NBFC/HFC): DRR = 10% of outstanding debentures.
- DRI (investment): 15% of debentures maturing next year, by 30 April.
- Redemption of secured debentures: max 10 yrs.

Part B - Deposits [Sec 73-76]

- Eligible co (public) can accept from public: net worth >= ₹100cr OR turnover >= ₹500cr + SR.
- From members [73(2)]: DPT-3 return, deposit insurance, DRR 20% of maturing deposits.
- Sec 76A penalty: contravention - heavy fine + imprisonment.

SAMJHO: Debenture = borrow (loan). Deposit = public/member se paisa. Dono repay karne hote hain.

CH 7 MERGER AND AMALGAMATION

Concepts

- Merger/Amalgamation: 2+ companies combine into one.
- Absorption: one absorbs another. Amalgamation: new co formed.
- Compromise/Arrangement [Sec 230-232] - via NCLT.

Sec 230-232 Procedure

- Application to NCLT -> meeting of members/creditors (75% value approval).
- Notice to Central Govt, ROC, OL, IT, RBI, SEBI, stock exchange, CCI.
- NCLT sanctions scheme -> file with ROC (INC-28).

Fast-track merger [Sec 233]

- Between: 2 small cos, OR holding & wholly-owned subsidiary. No NCLT - Central Govt/RD approval.

Other

- Sec 234: Cross-border merger (with foreign co) - RBI approval.
- Sec 236: Squeeze-out of minority (acquirer holds >= 90%).
- Sec 237: Amalgamation in public interest (Central Govt).

SAMJHO: Approval magic number: 75% in value of members/creditors present & voting.

CH 8 DIVIDEND

Meaning [Sec 2(35)]

Dividend = share of profit distributed to shareholders. Includes interim dividend.

Sources / Sec 123

- Out of: (1) current year profits, (2) past reserves, (3) money by Govt for dividend.
- Depreciation must be provided before declaring dividend.
- Declared at AGM (final) on Board recommendation; interim by Board.

Payment rules

- Deposit dividend in separate bank a/c within 5 days of declaration.
- Pay within 30 days of declaration. Only to registered shareholder / by cheque/electronic.
- Cannot declare if company defaulted in deposits repayment.

Unpaid Dividend [Sec 124-125]

- Unpaid within 30 days -> transfer to Unpaid Dividend A/c within 7 days.
- Unclaimed for 7 years -> transfer to IEPF (Investor Education & Protection Fund).

SAMJHO: Numbers: 5 days (deposit) -> 30 days (pay) -> 7 days (unpaid a/c) -> 7 years (IEPF). Shares also to IEPF if div unclaimed 7 yrs.

CH 9 ACCOUNTS AND AUDIT

Books of Account [Sec 128]

- Accrual basis + double entry. Kept at Reg Office (other place -> AOC-5 in 7 days).
- Preserve min 8 financial years. Audit-trail software mandatory (1 Apr 2023).
- Responsible: MD/WTD(finance)/CFO. Penalty ₹50k-₹5 lakh (jail removed 2020).

Financial Statements [Sec 129, 2(40)]

- = Balance Sheet + P&L + Cash Flow + Changes in equity + notes.
- OPC/small/dormant -> no Cash Flow needed. Consolidated FS if subsidiary (AOC-1).
- Sec 130: re-open accounts only by NCLT/court order (fraud). Max 8 yrs back.
- Sec 131: voluntary revision - Tribunal approval, last 3 yrs, once a year.
- Sec 137: file with ROC in AOC-4 within 30 days of AGM.

NFRA [Sec 132]

- From 1 Oct 2018. Recommends standards (Govt notifies). Max 15 members, HQ Delhi.
- Penalty: individual min ₹1L (5x fees), firm min ₹5L (10x fees). Debar 6mo-10yr.

Auditors [Sec 139-148]

- First auditor: Board 30 days (else members EGM 90 days) - till 1st AGM.
- Subsequent: members at AGM till 6th AGM. File ADT-1 in 15 days.
- Rotation [139(2)]: individual 5 yrs, firm 2x5=10 yrs, then 5 yr cooling-off.

- Max 20 company audits per person. Resign -> ADT-3 in 30 days.
- Sec 144: auditor CANNOT do accounting, internal audit, actuarial, investment banking etc.

SAMJHO: Internal audit [Sec 138] thresholds (TLCD): Turnover ₹200cr, Loan ₹100cr, Capital ₹50cr, Deposit ₹25cr.

CH 10 CHARGES

Charge [Sec 2(16)]

Interest/lien created on assets as security for a loan. 2 parties: creator + charge-holder.

Fixed vs Floating

- Fixed = specific asset (land/machinery), legal charge, cannot sell freely. Priority.
- Floating = changing assets (stock, debtors), equitable, sell freely till crystallise.
- Crystallisation: floating -> fixed on event (business stops, receiver, winding up).

SAMJHO: Preferential creditors > floating charge holder in winding up. Mortgage=transfer interest; Charge=only right to payment; Pledge=possession to lender.

Registration [Sec 77-79]

- Register within 30 days (CHG-1 / CHG-9 for debentures).
- Delay: +60 days (additional fee) -> Registrar +60 more (ad-valorem). HARD LIMIT 120 days.
- After 120 days -> charge CANNOT be registered at all (KEY exam point).
- Non-registration -> void against liquidator & creditors (not against company as going concern).
- Certificate: CHG-2 (creation), CHG-3 (modification). Conclusive evidence.

Satisfaction [Sec 82]

- Loan repaid -> intimate ROC in CHG-4 within 30 days (up to 300 with fee).
- No partial satisfaction - either full or treated as modification. Cert =

CHG-5.

- Sec 86 penalty: company ₹5L, officer ₹50k. Sec 87: CG rectification (CHG-8).

CH 11 DORMANT COMPANY

Meaning [Sec 455]

Inactive/inoperative co - no business, applied to ROC for dormant status.

- For: future project OR to hold asset/IP (no significant accounting transaction).
- Inactive = no business / no significant txn / no filing for last 2 FYs.

SAMJHO: 4 txns NOT "significant": ROC fees, statutory payments, share-allotment fees, office maintenance. Baaki sab significant.

Get dormant status

- Route A: company applies (MSC-1) -> ROC gives MSC-2 cert. Valid max 5 yrs.
- Route B: ROC suo-moto (no filing 2 yrs) -> may lead to strike-off.
- Special Resolution OR 3/4 shareholders consent needed. File MGT-14 in 30 days.

Not allowed if

- Inspection/inquiry/prosecution pending, deposits/secured loan outstanding, listed, tax dues, mgmt dispute.

Compliances even when dormant

- Min directors (2/3/1), file MSC-3 annually (audited), 2 board meetings/yr (90-day gap).
- No auditor rotation, no cash flow statement needed.

SAMJHO: Forms cycle: MSC-1 (apply) -> MSC-2 (cert) -> MSC-3 (annual) -> MSC-4 (active) -> MSC-5 (active cert).

CH 12 DIRECTORS

Basics [Sec 2(34), 149, 2(10)]

- Only INDIVIDUALS can be directors (no firm/company). Board = collective body [2(10)].
- Director cannot assign office -> VOID [Sec 166(6)].

DIN [Sec 152-158]

- 8-digit unique no. by MCA, lifetime valid. ONE person = ONE DIN [Sec 155].
- Apply: SPICe+ (first directors, max 3) / DIR-3 (new). KYC by 30 Sept yearly.

SAMJHO: DIN never cancelled - only unused DIN surrendered (DIR-5). Land-border nationals need MHA clearance.

Numbers [Sec 149]

- Public min 3, Private min 2, OPC min 1. Max 15 (more -> Special Resolution).
- Resident Director [149(3)]: >= 1 director stayed >= 182 days in India.
- Woman Director: listed OR capital >= ₹100cr OR turnover >= ₹300cr.
- Independent Director [149(6)]: no pecuniary relation, term 5yr (max 2 terms).

Appointment & Exit

- 2/3 directors retire by rotation (public co). Additional/Alternate/Nominee/Casual.
- Max directorships [Sec 165]: 20 total (max 10 public).
- Disqualification [Sec 164]: unsound mind, insolvent, convicted, not filed returns 3 yrs.
- Resignation [Sec 168]: DIR-11 (director) + DIR-12 (company). Removal

[Sec 169]: ordinary res + opportunity heard.

CH 13 BOARD COMPOSITION & POWERS OF BOARD

Board Powers [Sec 179]

Board exercises all powers company can - by resolution at meetings.

- Some powers ONLY at Board meeting: make calls, buy-back, issue securities, borrow, invest, loans.

Restrictions [Sec 180]

- Need Special Resolution: sell/lease undertaking, borrow > paid-up+reserves, etc.
- Sec 181: contribution to charity > 5% avg profit needs members approval.
- Sec 182: political contributions (conditions). Sec 183: national defence fund.

Committees

- Audit Committee [177]: min 3, majority independent. Vigil mechanism (whistle-blower).
- NRC (Nomination & Remuneration), Stakeholders Relationship, CSR, Risk Management.

Sec 186 - Inter-corporate loans/investment

- Limit: 60% of (paid-up+reserves) OR 100% of free reserves, whichever higher. Beyond -> SR.
- Sec 187: investments held in company own name.

Sec 188 - Related Party Transactions (RPT)

- Need Board approval; if big -> members ordinary resolution. Disclose in AOC-2.

SAMJHO: Arm's length + ordinary course = no special approval. Interested member cannot vote.

CH 14 MEETINGS OF BOARD & COMMITTEES

Board Meetings [Sec 173]

- First BM within 30 days of incorporation.
- Min 4 meetings/year, gap <= 120 days between two.
- Small co/OPC/dormant: 2 meetings/yr (90-day gap).
- Notice: 7 days (shorter ok if 1 independent director present).

Quorum [Sec 174]

- 1/3 of total OR 2 directors, whichever higher.
- If quorum falls below -> adjourn to same day next week.

Resolutions

- By circulation [Sec 175]: for urgent matters (not those needing meeting).
- Video conferencing allowed (except certain items - approval of accounts, merger).

General Meetings

- AGM [Sec 96]: first within 9 months of 1st FY end; then yearly, gap <= 15 months.
- EGM [Sec 100]: called by Board / requisition (1/10 voting power).
- Notice 21 clear days. Quorum: 5 (public, <=1000 members), 2 (private).

SAMJHO: SS-1 (Board) & SS-2 (General) = Secretarial Standards, mandatory. Minutes in 30 days.

CH 15 ANNUAL REPORT

Annual Report

Comprehensive report to shareholders to evaluate performance (SEBI LODR Reg 34).

- Sent to stock exchange on day of dispatch to shareholders. Revised -> in 48 hrs of AGM.

Board Report [Sec 134]

- Attached to financial statements. Contains: financial summary, dividend, reserves.
- Directors Responsibility Statement, no. of board meetings, CSR, ESOP, related party.
- Abridged Board Report for OPC & Small company.
- Signed by Chairperson (if authorised) or 2 directors.

Annual Return [Sec 92]

- Form MGT-7 (MGT-7A for OPC & small co).
- Contents: registered office, shares, directors/KMP, members, meetings.
- File with ROC within 60 days of AGM.
- Signed by director + CS; big cos -> certified by CS in practice (MGT-8).

CSR [Sec 135]

- Applies: net worth >= ₹500cr OR turnover >= ₹1000cr OR net profit >= ₹5cr.
- Spend 2% of avg net profit (last 3 yrs). CSR committee needed.

SAMJHO: Unspent CSR -> ongoing project: transfer to Unspent CSR a/c (3 yrs). Else -> Sch VII fund (6 months).

CH 16 KEY MANAGERIAL PERSONNEL (KMP) & REMUNERATION

Who is KMP [Sec 2(51)]

- CEO / MD / Manager, Company Secretary, Whole-Time Director, CFO, + prescribed officer.

SAMJHO: Mnemonic "MD-CEO-Manager, CS, WTD, CFO". Top full-time bosses of company.

Definitions

- CEO [2(18)], CFO [2(19)], CS [2(24)], Manager [2(53)], MD [2(54)], WTD [2(94)].
- MD: substantial powers of management. Routine acts (seal, cheque) NOT substantial.

Appointment [Sec 203]

- Mandatory KMP: every listed co + public co with paid-up capital >= ₹10cr.
- Must have MD/CEO/Manager + CS + CFO.
- Whole-time KMP cannot hold office in 2 companies (except subsidiary).
- Vacancy filled within 6 months by Board.

Managerial Remuneration [Sec 197]

- Max total 11% of net profit (public co).
- 1 MD/WTD/Manager: 5%; more than one: 10%; other directors: 1% (with MD) / 3% (without).
- Inadequate profit -> Schedule V limits.
- Sitting fees: max ₹1 lakh per meeting.

SAMJHO: Compute net profit [Sec 198]. Independent director - only sitting fee + commission, NO stock option.