

# Chapter 6 - Registration of Charge

[sec 77 to 87]

## Charge [sec 2(16)]:

- An **interest** or **lien** created on the **property** or **asset** of co. or any of its undertaking or both
- as **security** (for repayment of loan), and
- including a **mortgage**

## Fixed charge vs Floating charge:

### Fixed

- charge on **specific asset** of borrowing co.
- **Example**: Land & bld, office premises, etc.
- Not allowed to sell. But can **use**.
- **Vacated** when money repaid in full

### Floating

- charge on assets which are of **fluctuating nature**
- **Example**: Raw material, Stock-in-trade, debtor, etc.
- Permitted to use for trading / producing final goods for sale
- **Crystallization of floating charge** - Enforce

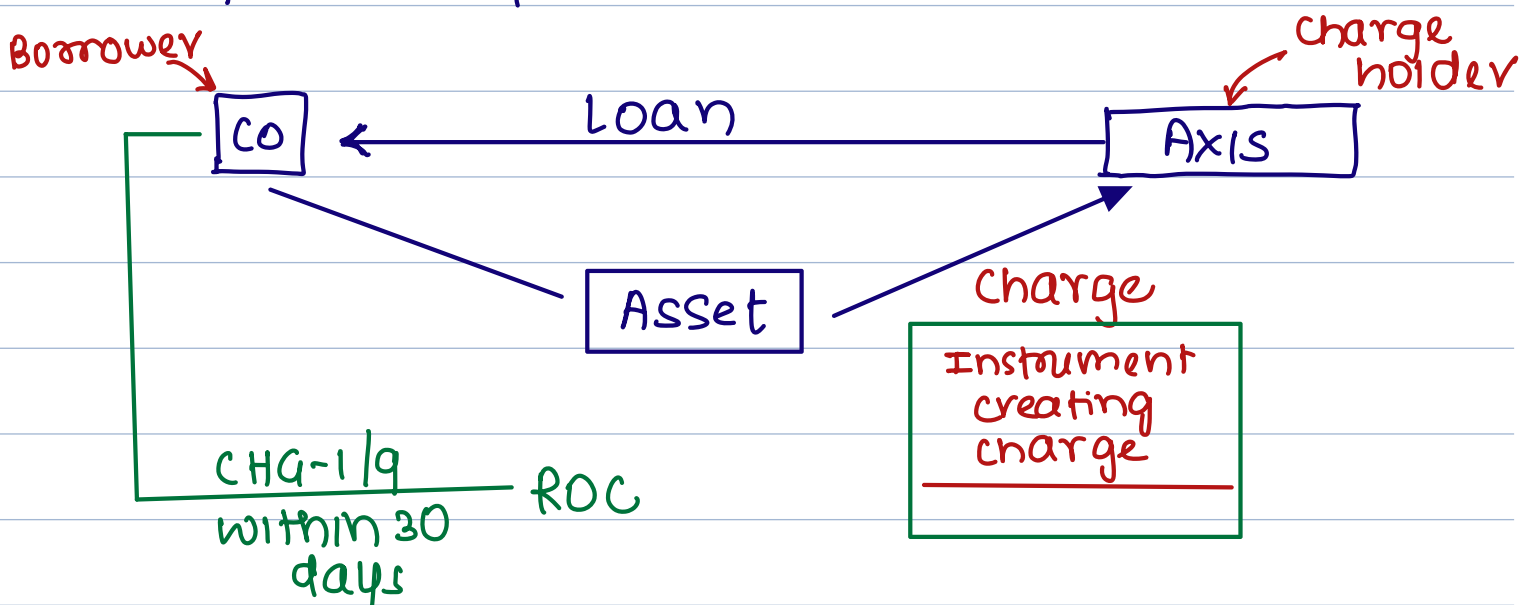
Security or co. goes into liquidation.

Note - In case of floating charge, charge is not passed on to buyer.

## Section 77: Duty to register charge:

### 1) Charge to be registered:

- Duty of every Co. creating a charge in India
- To register particular of charge together with instrument creating such charge signed by Co. & charge holder
- In — form CHG-1 (for other than debenture)  
— form CHG-9 (for debenture)
- Within 30 days of creation thereof
- in prescribed manner + fees

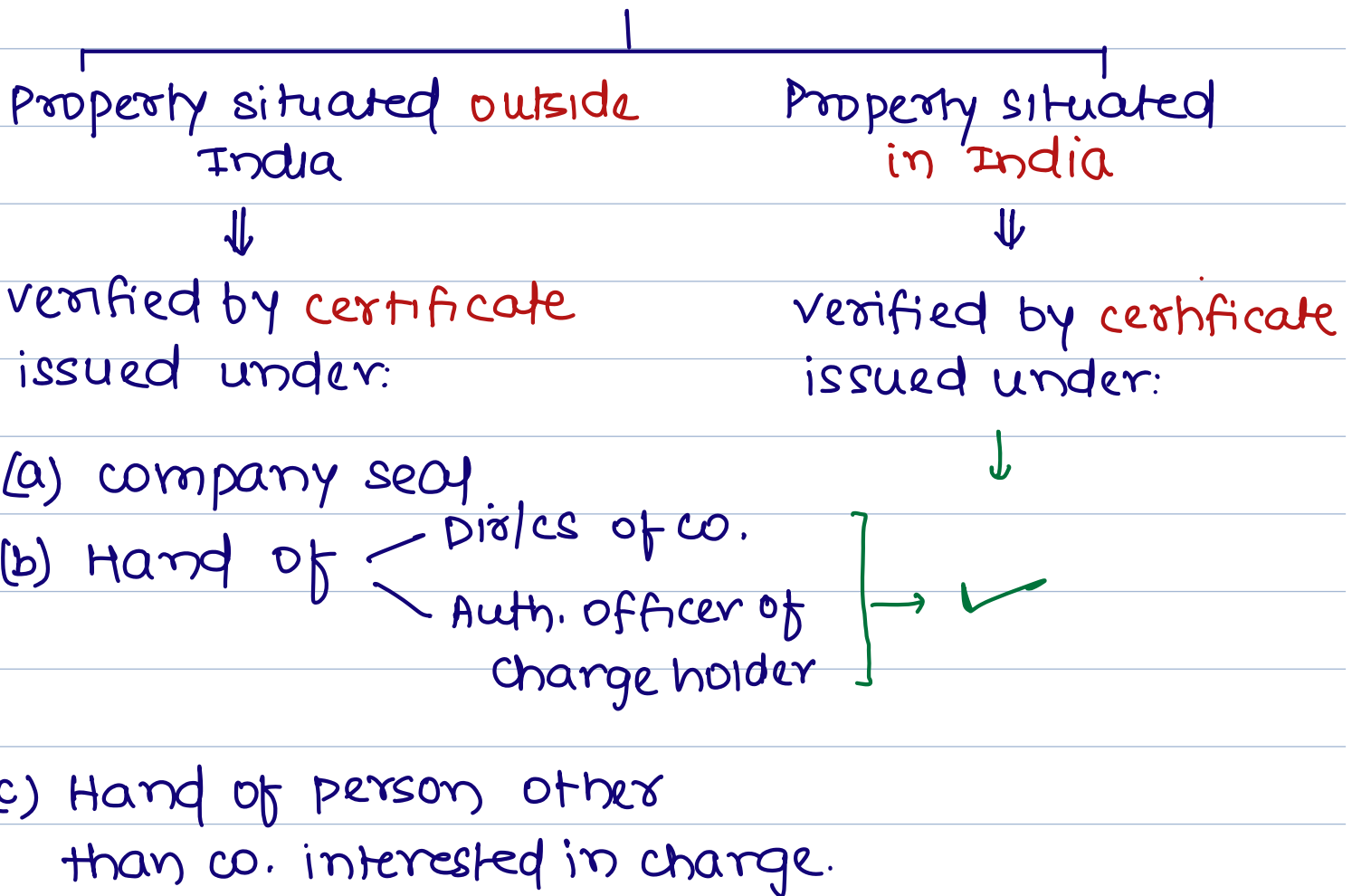


Note: Following charges needs to be registered:

- (a) Charge created within or outside India
- (b) charge created on Prop/asset in/ols india
- (c) charge on tangible, intangible or financial asset

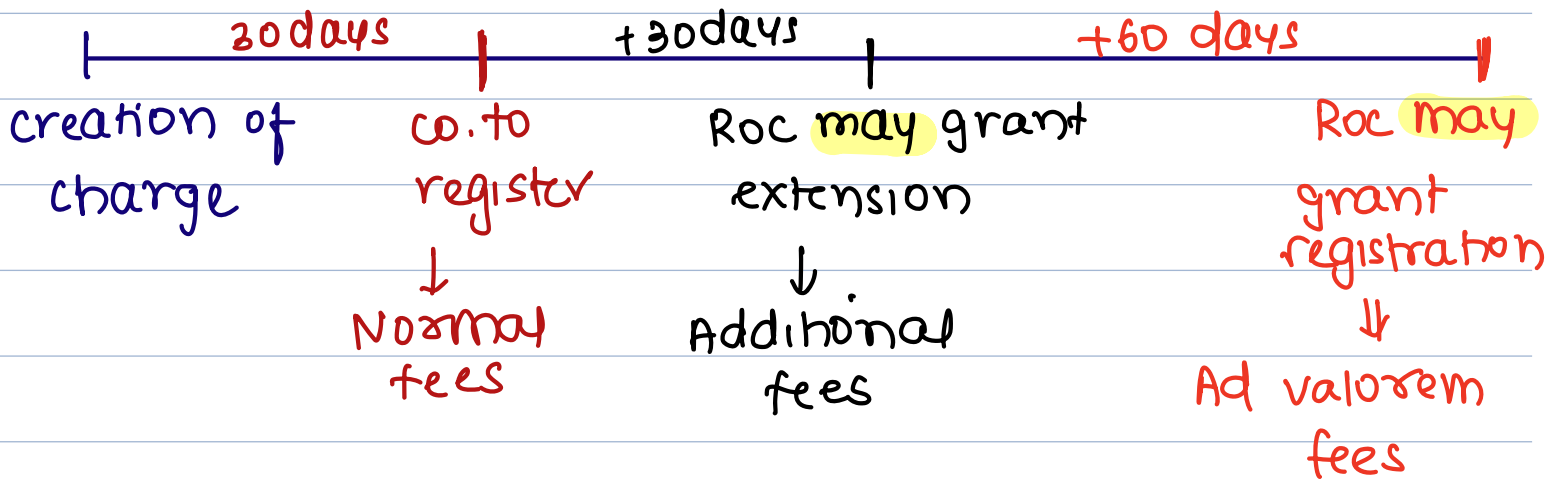
### Rule 3: Co. (Registration of Charges) Rule:

Verification of charge instrument:



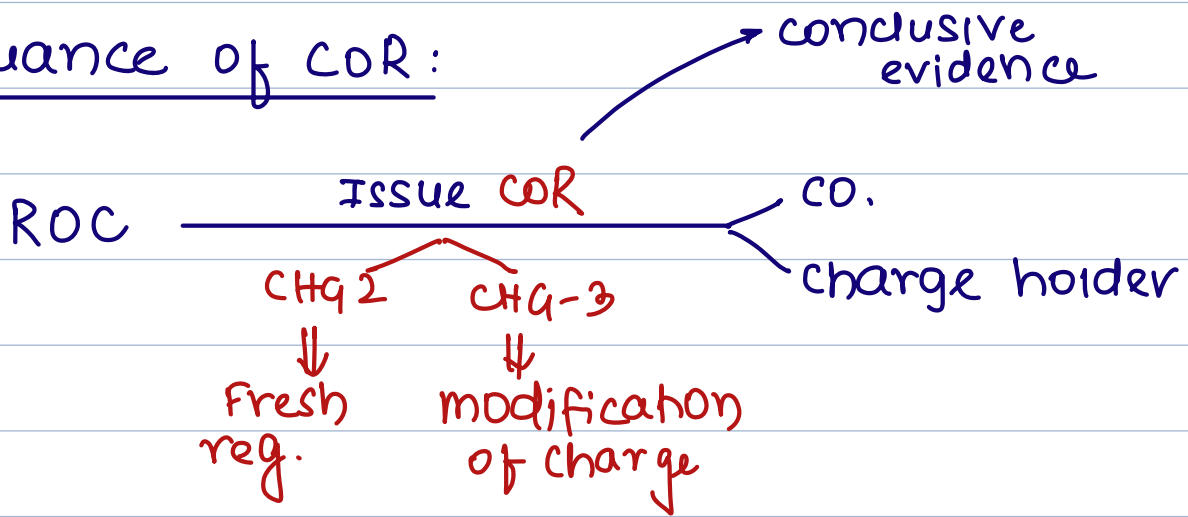
# Time limit for registration: [W.E.F. 02/11/2018]

Total = 120 days

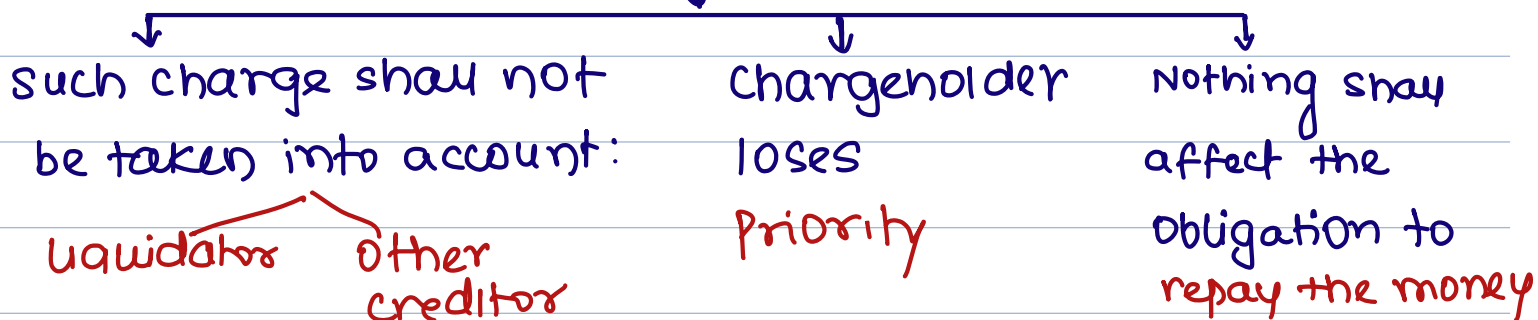


Application for extension  
← CHG-1  
← CHG-9

## (2) Issuance of CoR:

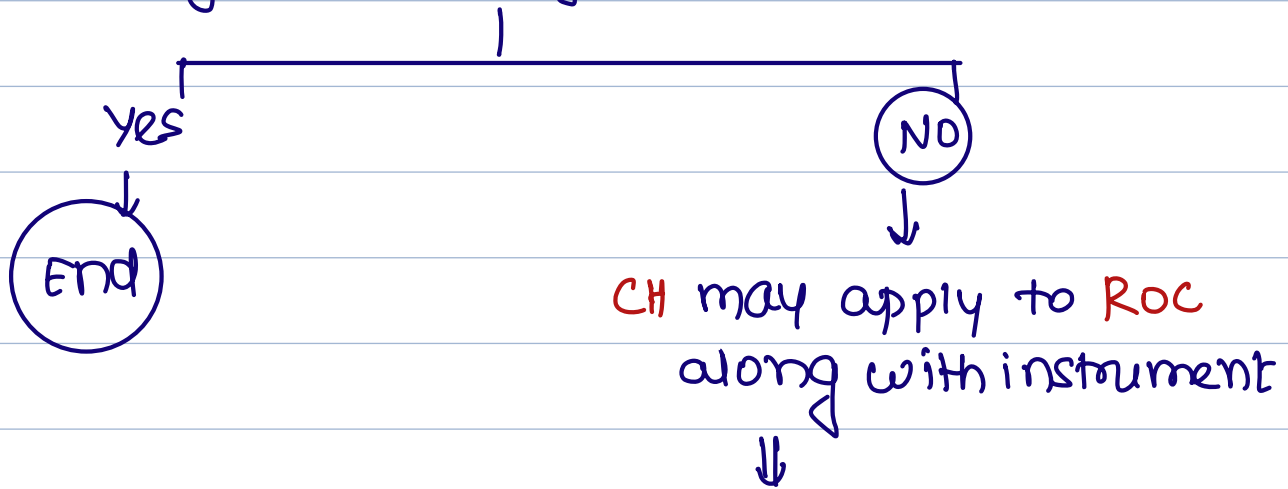


## (3) Consequence of non-registration:

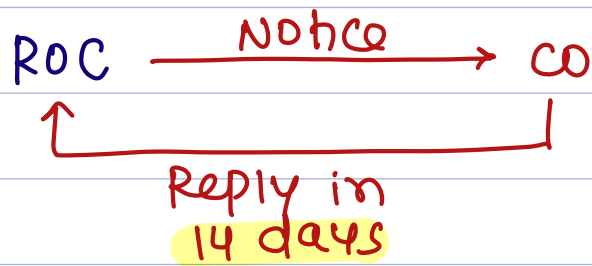


# Section 78: Application for registration of charge: (for chargeholder)

co. registers charge within 30 days



On such application:



- co. itself registers charge
- co. shows **sufficient cause** why charge should not be regt.

↓  
ROC shall not register such charge

Otherwise

↓  
ROC to register such charge

↓  
CH entitled to recover fees paid for such registration from company

## Section 79: Sec 77 to apply in certain matters:

Sec 77 shall also apply in case of:

[i.e., file CHG-1 or 9]

co. **acquiring** a prop.  
subject to charge

Modification  
of T&C of charge

↓

includes change in  
T&C of underlying  
borrowing

↓

on registration of modification,

ROC to issue CoM in **CHG-3**

## Sec 80: Registration to act as constructive notice:

- Where a charge is registered u/s 77:
- Any person acquiring such prop./asset
- shall be **deemed** to have notice of such charge.  
from date of registration.

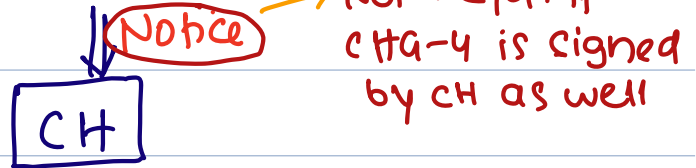
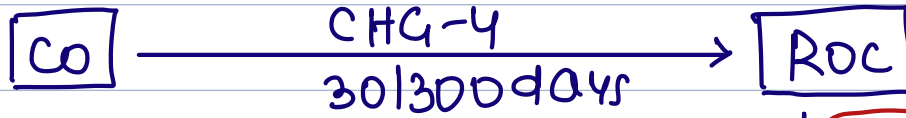
## Sec 82: Co. to report satisfaction of charge:

- on payment/satisfaction of charge:



CHG-4  
ROC

ROC may allow  
intimation within  
300 days of subsf.



Reply in 14 days  
showing cause why  
satisfaction not to be recorded

No cause is shown

Cause is shown



ROC to register satisfaction



Record the same  
& inform Co.

+ Inform - CHG-5

Preserve instrument creating charge → 8 years  
from satisfact.

Sec 83: Power of ROC to record satisfaction  
in absence of intimation:

- On evidence being given to satisfaction of ROC that:

Debt has been paid  
or satisfied



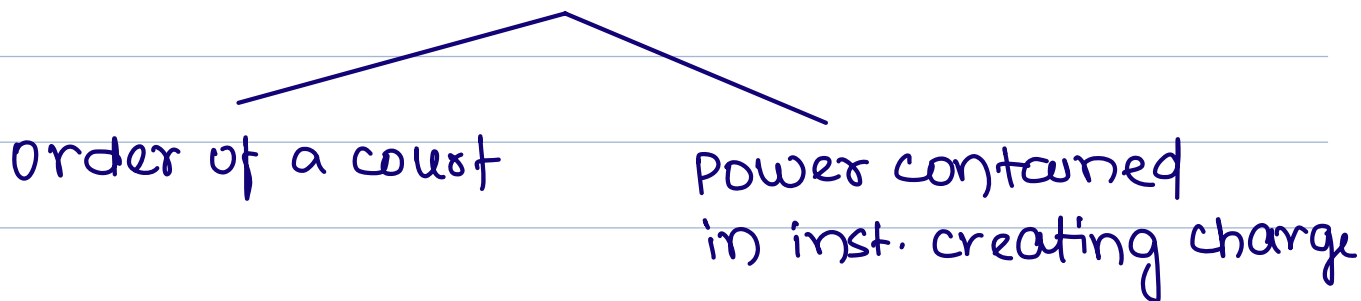
Property subject to charge  
has been released

ROC may register such payment/release  
+ ISSUE CHA-5 to affected  
parties in 30 days of entry.

Notwithstanding the fact that no intimation  
is received from company.

### Sec 84: Intimation of appt. of Receiver/manager

- If any person (charge holder) appoints a receiver/manager, to manage property subject to charge, by virtue of:



Person within 30 days of appt.  
↓  
Notice [CHA-6]

CO  
ROC

similar intimation to be given when such receiver/manager ceases to hold such appt.



Sec 86: Punishment for contravention:

contravention of this chapter:

CO — ₹ 5 lakh AND OI D — ₹ 50,000

Wilful → liable w/s 447

Sec 87: Rectification by CG:

