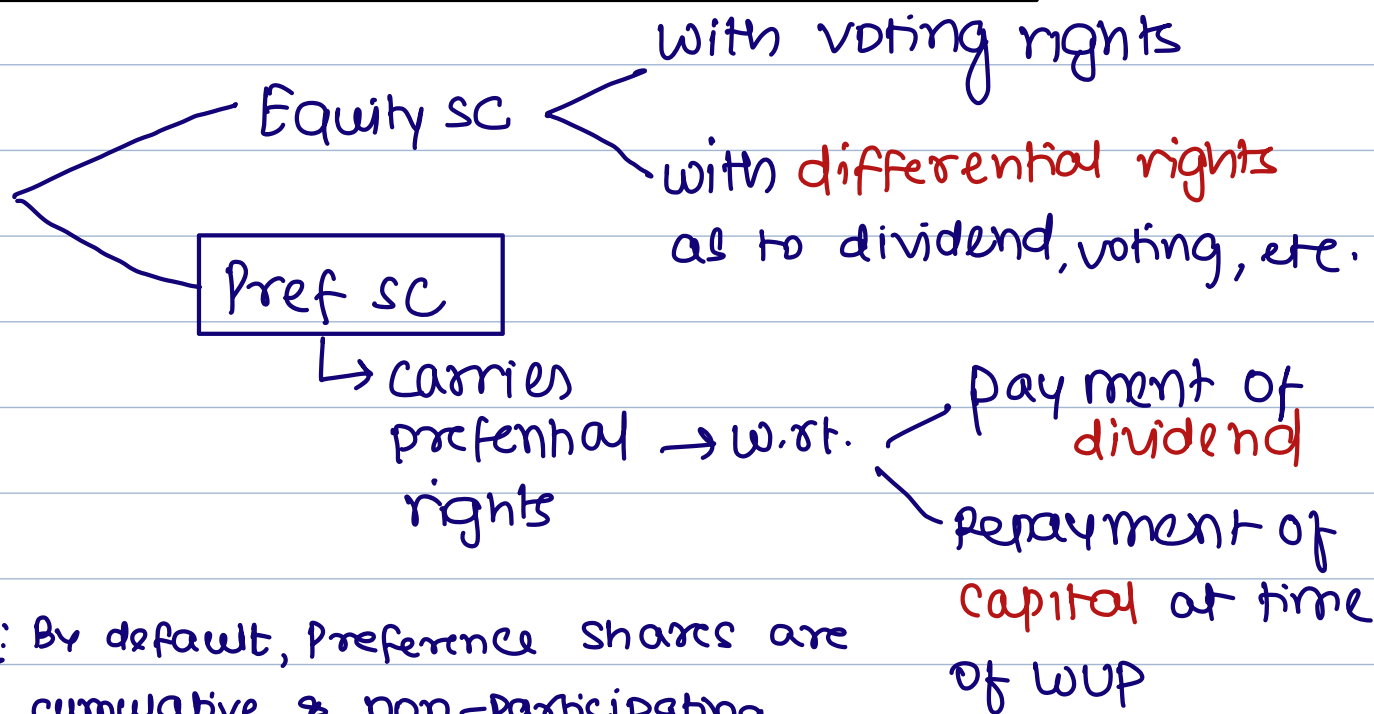


## Section 43 to 72

2(84): Shares include "Stock"

↳ (atom)

## Section 43: kinds of share capital



NOTE: By default, Preference shares are cumulative & non-participating

## Equity share with differential rights:

- 1) AOA
- 2) OR (If listed, via PB)
- 3) VP on shares with DR ≤ 74% of Total VP
- 4) omitted
- 5) NO default → fs and AR → last 3 FY
- 6) NO subsisting default:
  - Dividend
  - Debenture + intl

- Deposit + int.
- Pref. share

7) Co. has **not defaulted** in: [TEDI]

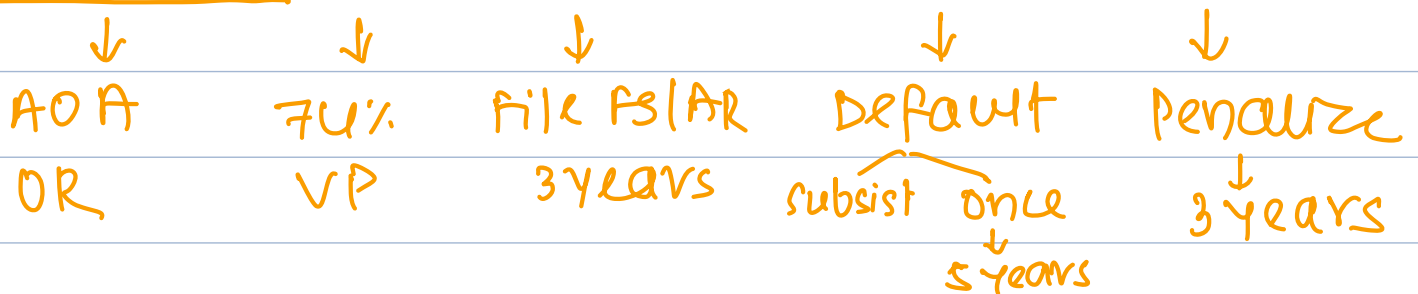
- Dividend on pref. share
- Repayment of T. loan + int.
- Stat. dues w.r.t. employees
- Crediting amt to IEPF

Provided that - DVR may be issued at expiry of **5 years** from end of FY in which default was made good.

8) Co. has not been penalised <sup>court</sup> / <sup>tribunal</sup> in last **3 years** for offence under:

- RBI Act
- SCRA
- Other special act.
- SEBI Act
- FEMA

Remember:



Note:

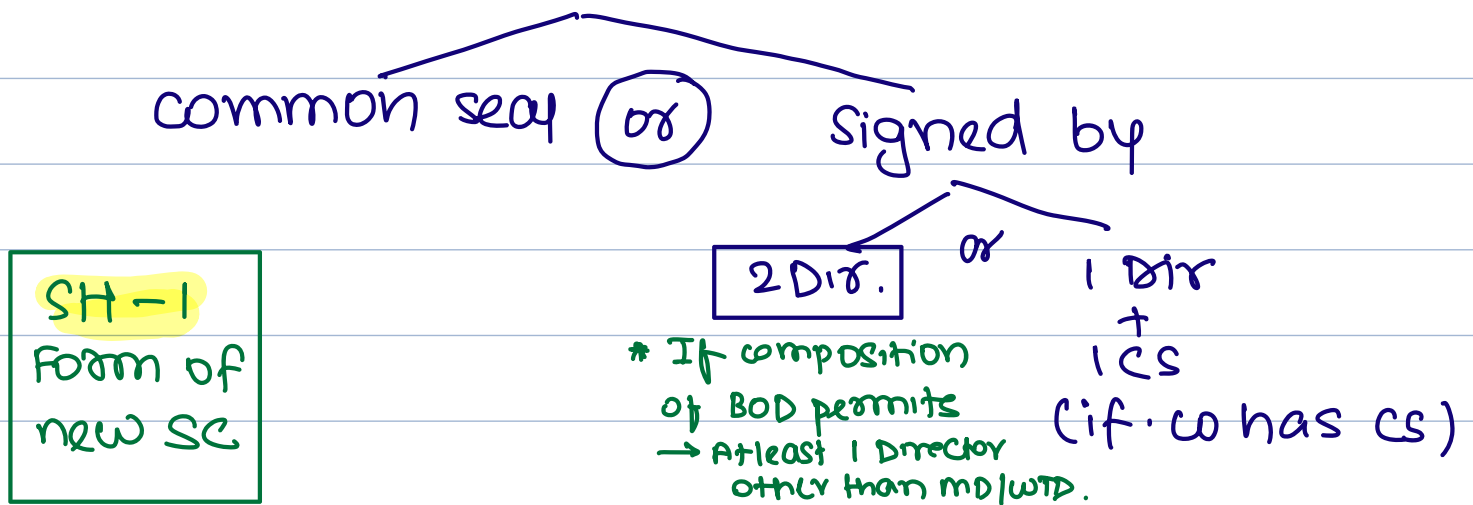
1) Co. not to convert existing ESC with VR into ESC with DVR and vice versa.

2) Holders of DVR shares enjoy all rights

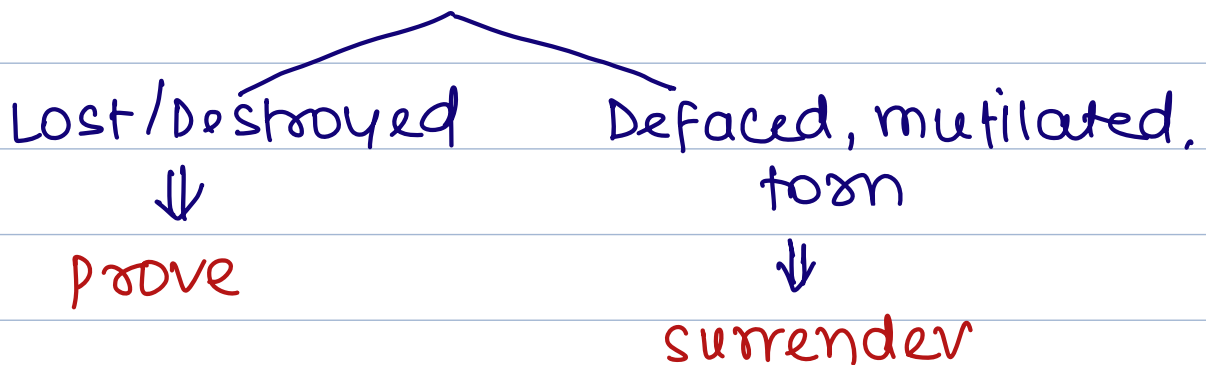
such as bonus, etc. subject to DR with which it was issued.

## Section 46: Share certificate

1) Prima-facie evidence of title if such certificate is issued under:



2) Duplicate certificate if:



Note: Surrender SC

↓  
Immediately deface  
by stamping - "Cancelled"

+ Destroy after 3 y ← BR  
Auth. Person

### 3) Manner of issue of duplicate shares:

Time period — [ Unlisted co. — within 3m  
Listed co. — within 45 days ] of subm. of documents

Maintain register of duplicate share certificate:

Form SH-2



At RO or place where register of members is kept



Custody → CS / authorised person.

Consolidation / sub-division → Replace all w/o requiring old ones to be surrendered.

3) Where shares are held in depository form, record of depository ⇒ Prima facie evidence.

4) If co. issued duplicate SC with intent to defraud:  
- Co → min - 5x face v. max - 10x FV or 100% ↑  
- Old → liable u/s 447

Note: Joint ownership → only 1 SC.



## Section 47: Voting Rights (VR)

Equity SC



- Right to vote on every resolution.
- VR in poll shall be in proportion to his share in PUESC of Co.

Preference SC



- Right to vote only in:
  - Directly affect rights of PSH
  - Resolution for winding up of Co.
  - for repayment/reduction of ESC/PSC

[Note: Nidhi →  
max vote on poll = 5% of total VR.]

Note: If dividend w.r.t. PSC has not been paid for  $\geq 2$  years, such class of PSH shall have right to vote on all resolutions.

## Section 48: Variation of SH's right:

1) Rights attached to share of any class may be varied by:

SR

(at separate meeting of such class)

consent (in writing) of  $3/4^{\text{th}}$  of issued shares of that class

Such variation can be done if :

provision for such variation is contained in **MOA/AOA**

It is **not prohibited** by terms of issue of such shares

- If variation by one class, affects other class  
→ Obtain consent of  $\frac{3}{4}$ th of other class

## 2) Resistance to variation:

Holder's  $\geq 10\%$   
of issued st

↓  
who did not  
favour such  
variation

Request for **cancel**  
within 21 days



Tribunal

↓  
Decision  
binding  
on shareholders

↓  
copy of Tribunal order  
↳ **ROC** [30 days]

## Section 49: Calls to be uniform basis:

- Where any calls for further SC are made on shares of a class, just testing your attention
- such calls shall be made on uniform basis

## Section 50: Co. may accept calls in advance

Co. may, if so authorized by AOA, accept calls in advance. However, such advance shall not be entitled for any voting rights

Not: CIA shall not be eligible for dividend as well.

## Section 51: Dividend in proportion to amt. Paid up:

Co. may, if so auth. by AOA, pay dividend in proportion to amount paid-up on each share

## Section 52: Application of SPA:

1) When co. issues shares at premium  
- Trf. aggregate amt. of premium to securities premium account (SPA)

### 2) Application / utilisation:

(a) Issue of bonus shares

(b) write off preliminary expense of co.

(c) write off → Expense  
→ Commission  
→ Discount } on issue of SH / Debenture

(d) Provide for premium payable on redemption of pref. shares / debentures.

(e) Purchase own share u/s 68 (Buyback)

(3) In case of such class of Cos. as may be prescribed and comply with AS u/s 133,

SPA shall be utilized for:

(a) Bonus

~~(b) Pre-in expense~~

(c) Expense on issue of share

~~(d) Redemption~~

(e) Buyback

Section 53: PROHIBITION on issue of share @ discount:

1) Except u/s 54, Co. shall not issue shares at discount.

2) Any share issued @ discount  $\Rightarrow$  VOID

Exception: Co. may issue shares at discount



to its creditors



when debt is converted to equity

due to:

— statutory resolution plan

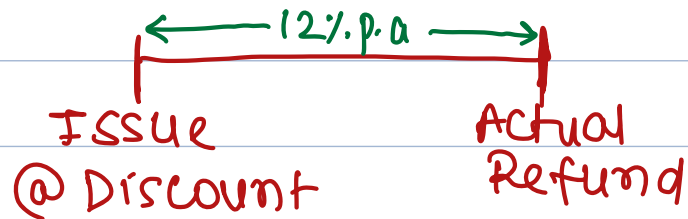
— Debt restructuring scheme

### 3) Default u/s 53:

Co. and O/D  
Fine upto amt.  
raised through  
such issue or  
Rs. 5 lacs

↓  
WFL

Co. shall be liable  
to REFUND  
+ Int @ 12% p.a  
from date of issue.



### Sec 54: Issue of sweat equity shares:

#### Sec 2(88): Sweat equity shares (SES)

- Such **ES** issued by a company — Directors  
— Employees
- At a discount or for consideration other than cash
- For
  - Providing know how
  - making available IPR
  - value additions,



## Conditions for SFS issue:

- 1) validity of SR - Allotment to be made within 12m of SR
- 2) lock-in - ~~upto 3 years~~
- 3) Max. issue size - In a FY:

NOT >	15% of PUEsc OR Issue value of ₹scrore	<u>Higher</u>
-------	--	---------------

Provided that: Issuance shall not be

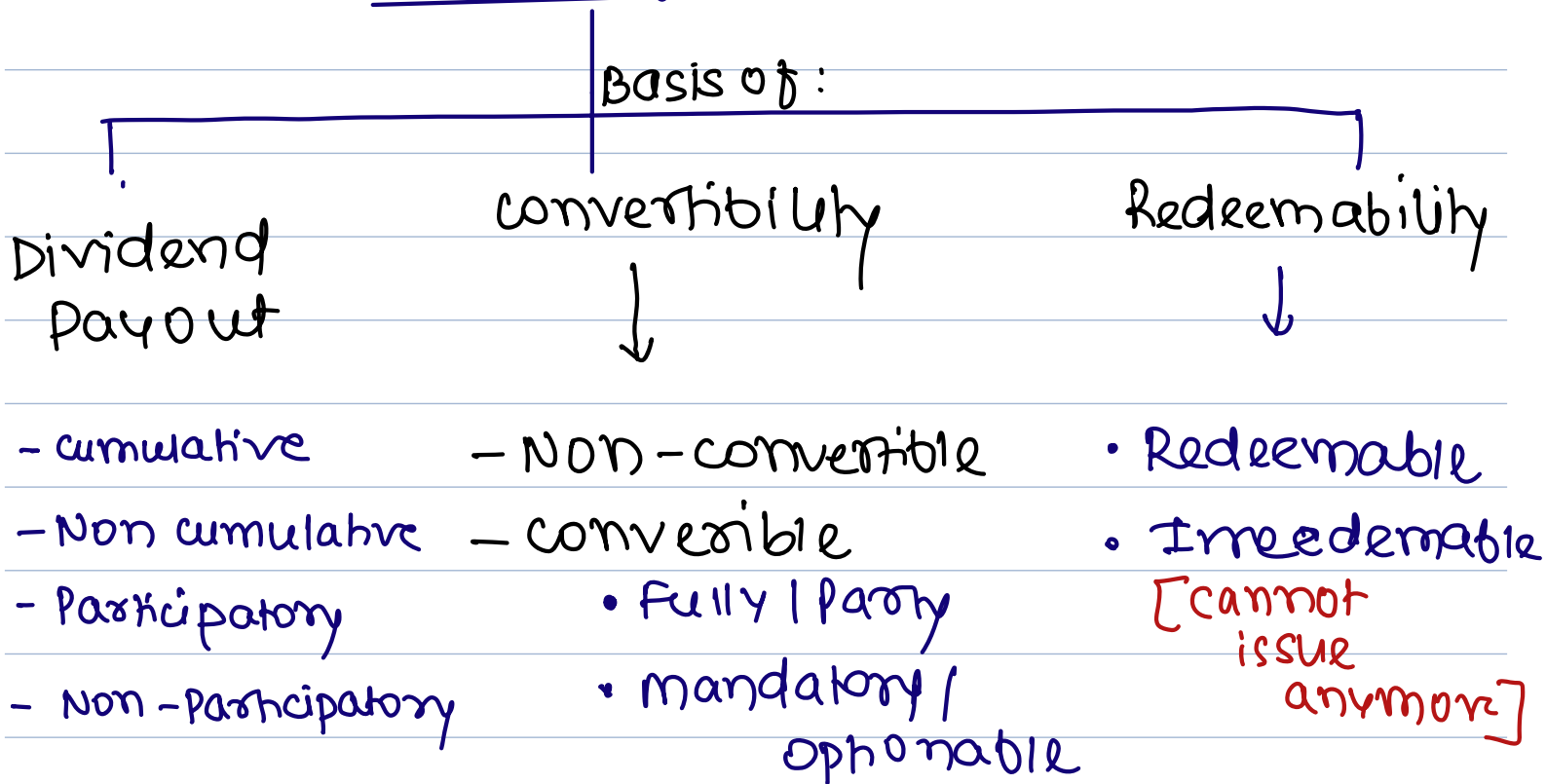
> 25% at any time.  
↓ PUES

50% in case of Pvt. Co + start up  
of PUSC [upto 10 years]

- 4) Issue price = Registered valuer + Justification
- 5) valuation of IPR, etc = Registered valuer
- 6) Non cash consideration  
→ Depreciable/amortisable asset  
⇒ carry to BS as per AS  
→ otherwise ⇒ Expense out
- 7) Register of SFS ⇒ Form SH-3  
← RD (or) other place

# Section 55: Issue and redemption of Pref. Stt:

## Types of PS



## Provision:

1) Co. cannot issue irredeemable PS

2) Conditions for issue of PS:

- Authorisation by AOA
- Authorisation by SR
- NO subsisting default

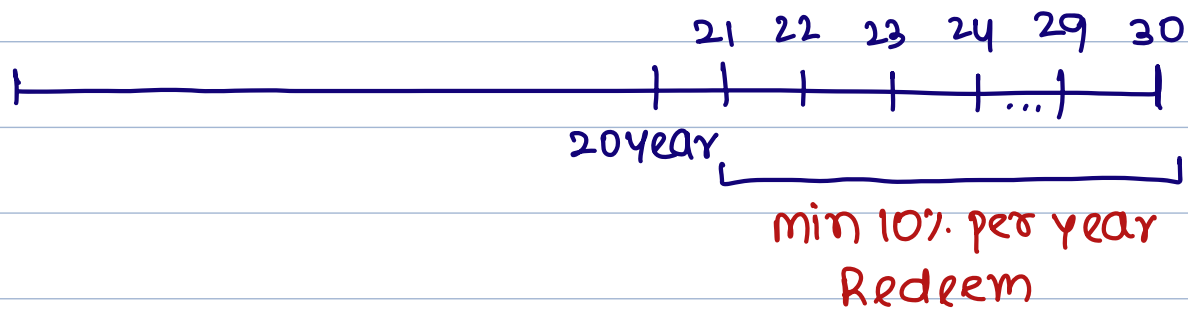
Redemption of PS  
payment of dividend due on PS

- Tenure  $\leq$  20 years

Exception: Co. engaged in setting up and dealing with infra projects may issue



PS for  $> 20$  years but  $\leq 30$  years provided that: From 21<sup>st</sup> year onward, min. 10% PS are redeemed at option of PSH.



### 3) Redemption of Pref. Shares:

- May redeem PS only on terms on which it was issued / varied (u/s 4e).
- PS may be redeemed:
  - At a **fixed time** or happening of certain event
  - Any time at **company's option**, or
  - " " " **shareholder's** "
- Source of redemption:
  - Profit available for dividend, or
  - Proceeds of **fresh issue** made for such redemption.
- Only fully paid-up shares can be redeemed.

## • creation of CRR:

- In case of redemption out of Profit,
- Co. to trf amount = Nominal value of PS to be redeemed



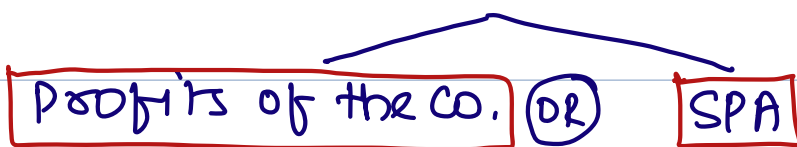
TO Capital Redemption Reserve A/c

HOLD → [provision of reduction in SC applicable as if CRR = PUSC]

- CRR may be applied for → Bonus shares

## • Premium on redemption:

- Shall be provided for out of:



↓  
N.A. in case of prescribed class of Co. whose FS comply with AS u/s 133

- Such provision shall be made before such shares are redeemed

4) ROM u/s 88 to contain detail of PSH (MGT-1)

## 5) Inability to redeem / pay dividend:

- Where a Co. is unable to { redeem PS (or) pay dividends



It may issue further redeemable PS  
= Amt. of unredeemed PS + Dividend

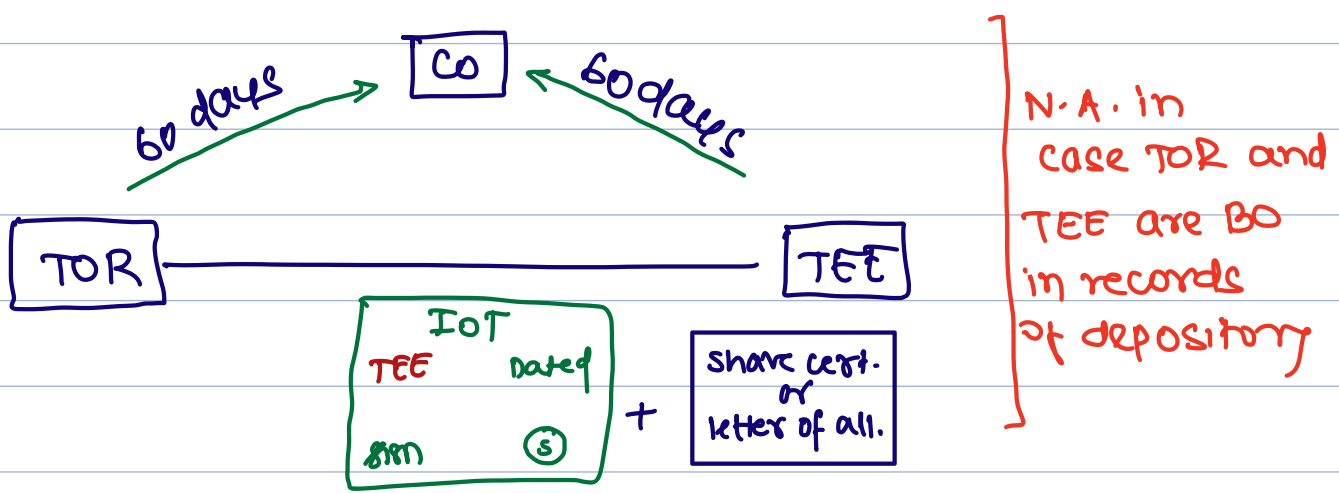
↓  
subject to

- Consent of 3/4th PSH in value
- AND
- Approval of Tribunal on a petition made.

↓  
While giving such approval, Tribunal shall order forthwith redemption of PS held by dissenting PSH.

- On issue of such further PS, the unredeemed PS shall be deemed to be redeemed.

### Section 56: Transfer and Transmission of Shares



## 1) Provision for registration of trf:

- Proper Inst. of transfer (IOT) in **Form SH-4** duly stamped, dated and **executed** by TOR + TEE
- IOT specifies - Name, Address, Occupation of TEE
- IOT is delivered to co. **within 60 days of execution** along with SC / letter of allotment

## Exception to IOT:

- In case of Govt co, IOT shall not be required for transfer of Govt. bonds provided that:
  - Intimation is made by TEE ~~or TOR~~
  - Intimation specifies name / address of TEE, and
  - Bond certificate / LOA is **delivered** to co.

## Transfer of Partly paid up shares:

Where an application for registration of trf. of partly paid up share is made by TOR, the co shall:

- Give notice of such application to TEE in SH-5
- Seek **NOC** within 2 weeks of such notice.

## 2) Transmission of shares:

- A co. can register **transmission** of any rights to securities by **operation of law** on intimation thereof by TEE.

Note: Transfer instrument is not required. Instead,

intimation alone is sufficient.

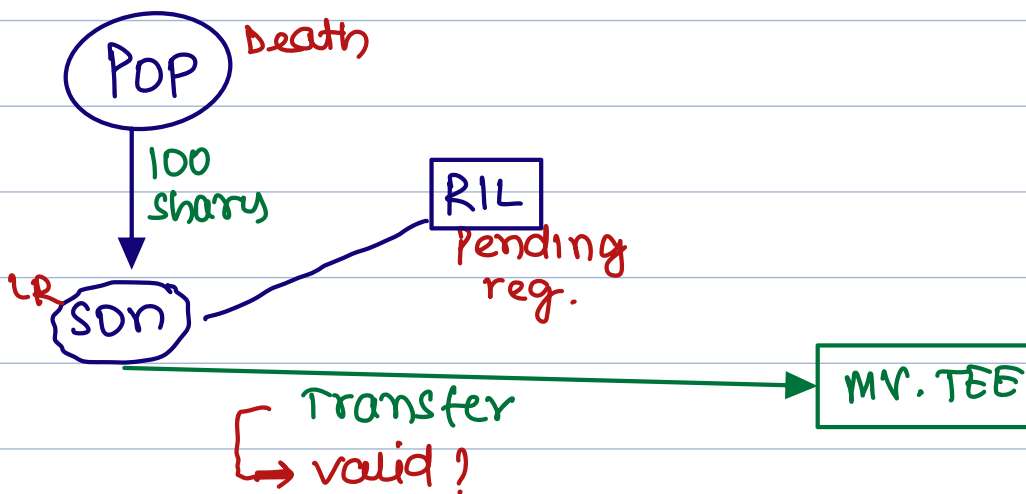
### Cases of transmission:

- Death — TO LR
- insolvency — to Resolution professional
- Lunacy — Administrator appt. by Court.

### 9) Time limit for delivery of certificates:

<u>Case</u>	<u>Limit</u>
Subscribers to MOA	2m of incorporation
Allotment	2m of allotment
Trf / Transmission	1m of intimation to Co.
Debentures allotment	6m from allotment

### \* Transfer by LR:



Trf. made by LR even if LR is not holder is valid as if LR is holder at time of execution of trf.

- Default: CO + O/D → Fine ₹50,000.

Forgery is Nullity → Read Q2 of QB

## Section 57: Punishment for personation:

- If a person deceitfully personated as owner of security and thereby — obtains any such security, or receives money due to owner  
↓  
Punishable → Jail 1 to 3 years  
**AND**  
Fine 1 to 5 lacs

## Section 58: Refusal of registration + Appeal

Private Co.

In case of refusal, it shall within 30

days of:   
↳ Delivery of IOT  
↳ Intimation

↓  
send a notice of refusal.

TDR + TEE

stating reason thereof

Public Co.

- Freely transferable
- Any contract of transf. is valid & enforceable

↓

If Co. refuses to register within 30 days, without sufficient cause,

||

TOP / TEG → Tribunal

TEF → Tribunal

within  
30 days of receipt of notice of refusal.  
60 days of delivery of IOT if no notice of refusal.

60  
↓  
If notice of refusal received  
90 days  
↓  
no notice of reason for refusal.

Order by Tribunal:

Either dismiss

order:

the appeal

Direct co. to registers within 10 days of receipt of order

or

Direct rectification of POM + pay damages to aggrieved person

contravention of tribunal order:

jail - 1 to 3 years

AND

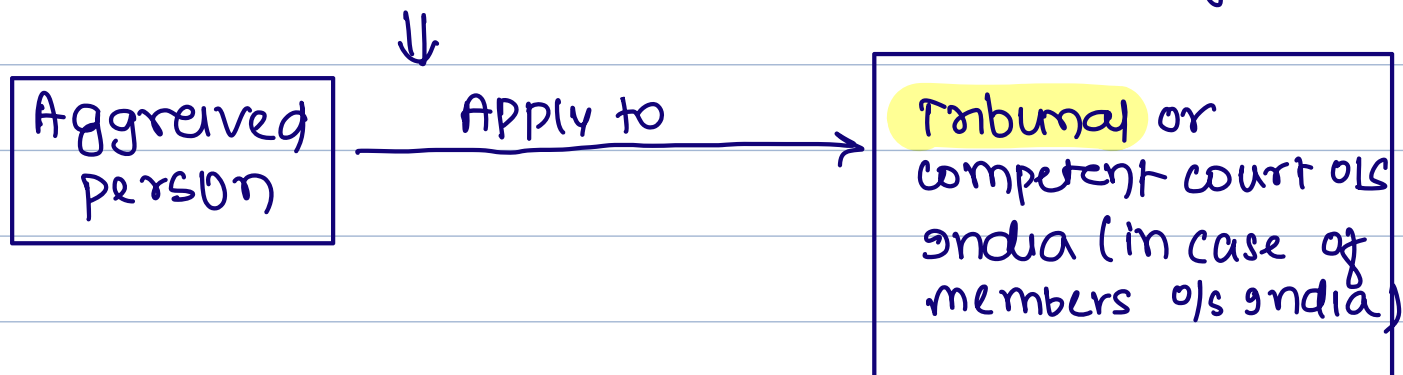
fine 1 lakh - 5 lakh





## Sec 59: Rectification of ROM (Sec 88)

1. If, without any cause, the name of any person is:
- Entered into ROM, or
  - Omitted from ROM, or
  - there is unnecessary delay in entering/deleting



### Order by Tribunal:

Either **dismiss**  
the appeal

order:

Direct co. to  
register **within** **10 days** of  
receipt of order

Direct **rectification**  
of ROM **+**  
pay **damages** to  
aggrieved person

## Sec 61: Power of Ltd. Co. to **alter** SC

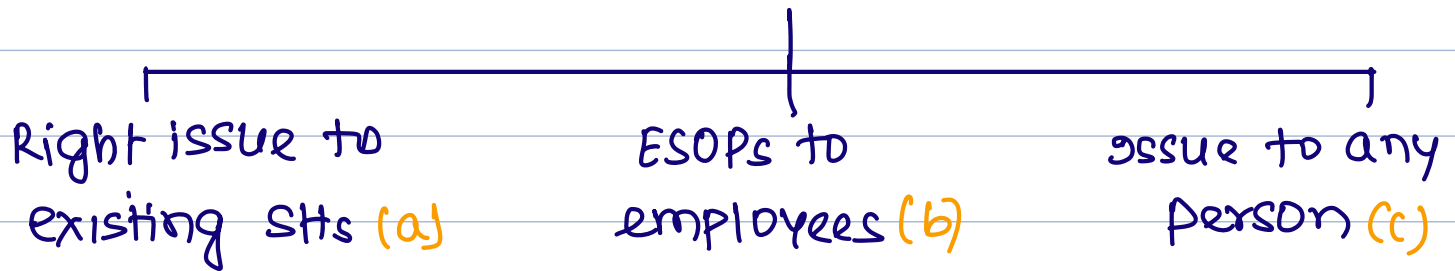
- 1) Such alteration of Asc can be done:
- Only if authorised by **AOA** **and**
  - Passing **OR** (and not **SR**)

2) Alteration of ASC includes:

- Increase ASC
- consolidate and divide existing shares into shares of larger amount.  
NOTE - If such consolidation and division results in change in voting % of SH, approval of Tribunal shall be required.
- Convert fully paid up shares into stock and reconvert to shares of any denomination.
- sub-divide shares into share of smaller amount.
- Cancel share which have not been taken by any person and diminish amt. of its share capital by amt. of shares so cancelled.

# Sec 62: Further issue of Share Capital

1) Such shares shall be offered to:



(a) Right issue:

- In proportion to PVSC
- Offer to be made by notice. Specify the no. of shares offered.

via  $\begin{cases} \text{RP} \\ \text{SP} \\ \text{remode/courier} \end{cases}$   
At least 3 days before open of issue

- Time limit for acceptance - Not < 15 days but upto 30 days.

- If not accepted - Deemed decline.

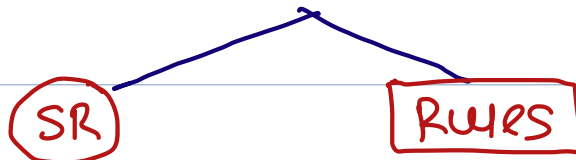
Pvt co (92+137)  
↓  
90% members consent  
↓  
< 15 days allowed.  
(min 7 days)

- Such offer shall be deemed to include right to renounce unless AOA provides otherwise

- BOD to dispose declined share in manner non-disadvantageous - Co  
    ↳ Shareholders

[Note: NO SR required in case of right issue]  
(ESOP)

(b) Employee stock option plan -



Rules relating to ESOP:

Permanent employee ← India  
← Outside  
1) Employee ← Director (w/o other) exclude ID  
← Above 2 of subsy/Holding Co.

↳ Exclude: ← Employee → promoter/belongs to promoter group  
← Director > 10% of ESC (who along with relative)

↳ Exception N.A. to start up for first 10 years

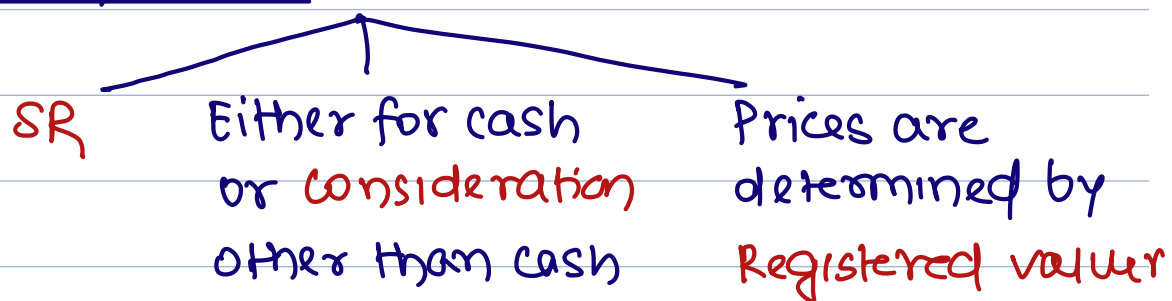
2) Other conditions:

- SR
- Notice - ES - Specified disclosure
- Freedom ← Exercise price  
← Lock-in period

- vesting period  $\geq$  min 1 year
- No right to vote or dividend prior to exercise of option.
- Option are — non-transferrable
  - cannot be pledge/hypothecate
- Only employees are entitled
  - Death — options vest immediately on legal heirs/nominee
  - Permanent incapacity — vest on such employee same day
  - Resignation/termination — Expire.

Note: In case of amalgamation, adjust the period for which option was held in prior co. with minimum vesting period.

(c) Issue to any person:



## Conversion of debentures / loan

- Provision of sec 62 shall not apply in case of conversion of debenture / loan as per terms of issue **provided that** such an option to convert was approved by **SR**
- Where any debenture is issued / loan is obtained from **any Government**



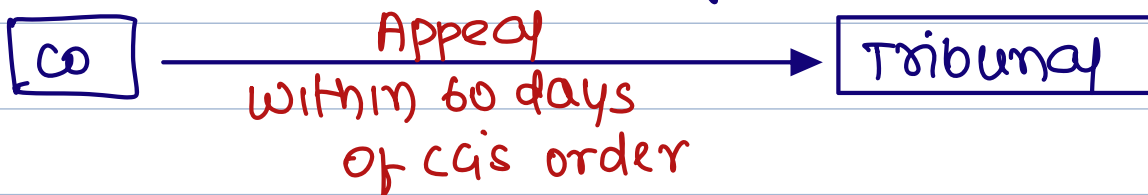
If such Govt considers necessary in **public interest**



It may be order, direct such debenture / loans shall be converted into shares on terms as may appear reasonable to Govt [even if terms of issue had no such option of conversion]



If such terms are not acceptable to Co:



- In determining terms of conversion, Govt. shall have due regards to:
  - Financial position
  - Terms of issues

- Rate of int.

- Others

• Effect of CG's order:

- MOA stands altered and
- ASC stands increased by amt = value of shares to which debenture/loan is converted

## Sec 69: Issue of Bonus shares

- Co. may issue **fully paid up bonus** shares to its members out of: → FR  
→ SPA  
→ CRR

Provided that: No bonus shall be issued by capitalizing revaluation reserve

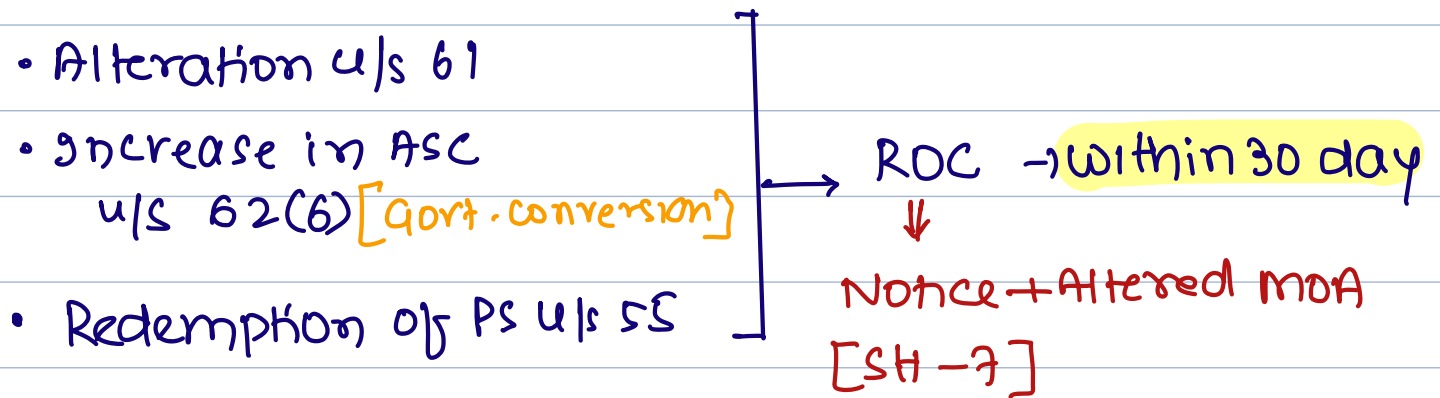
Condition: [DO PAW]

- A 1) AOA
- O 2) Recommended by BOD — Auth. by SH (OR)
- D 3) Not default: — Payment of Principal/Intt on **deposits or debentures**  
— Statutory due to **employees**
- A 4) **Partly** paid up share → fully paid up shares
- w 5) Once issued, cannot be **withdraw**

Note: Bonus shall not be issued in lieu of dividend.



## Section 64: Notice of alteration to ROC:



Contravention: Co + O/D → fine ₹500/day  
max — Co — 5 Lakh  
— O/D — 1 Lakh

Sec 65: Not applicable

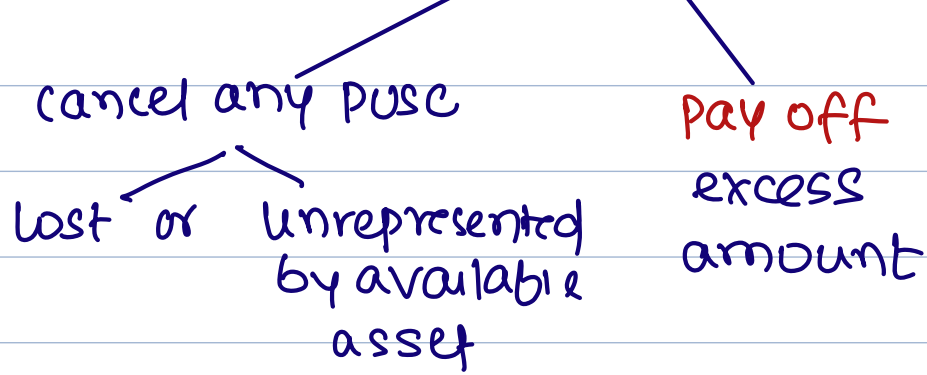
Sec 66: Reduction in Share capital:

1) A company may reduce SC in following ways:

By extinguishing  
or reducing Liab.

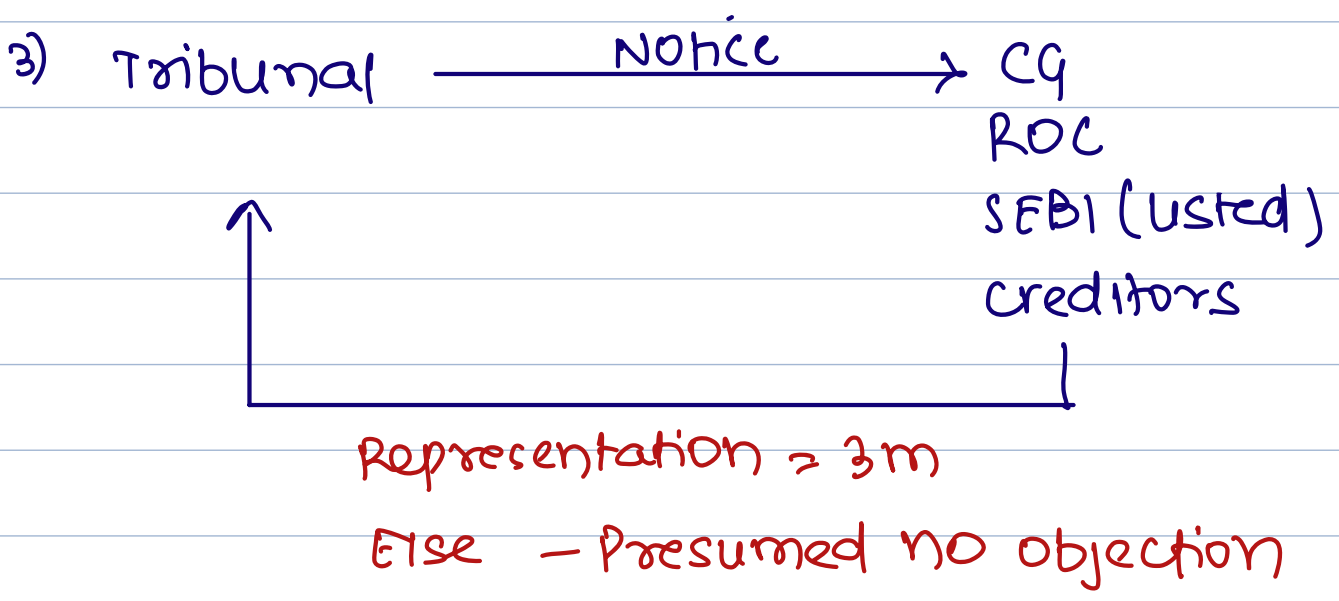
on shares not paid up

with or without extinguishing  
or reducing Liab:



2) Process for reduction in SC:

- Pass SR
- Alter MOA
- confirmation by Tribunal
- NO such reduction if default in repayment of deposit



4) Tribunal to order reduction only if:

- It is satisfied that debt of every creditor has been
  - Discharge
  - secured
  - consent has been obtained

(AND)

- A/c treatment proposed for such reduction is as per AS u/s 133 (+ Auditor's certificate)

5) Tribunal order — publish (as prescribed)  
— ROC (within 30 days) along with minute



- Amt of sc
- No. of shares into which it is to be divided
- Amt of each share
- Amt deemed paid up

6) Sec 66 shall not apply to BB u/s 68

7) Any officer — conceals name of cr.  
— misrepresents amt of debt  
— has knowledge of such concealment or misrepresentation

↓  
Liable u/s 447

Section 67: Restriction on purchase by co. or giving LAs for such purchase

① No co. can purchase its own shares **without consequent reduction in SC**

② No public co. shall — Give loan  
— Give Guarantee, or  
— Provide security  
— Any financial assistance  
↓  
for purchase / subscription of shares in  
the co. or its holding co

3) Exception to above sub-section:

a) lending by anfin co. in OCOB

b) co. may provide money as per a scheme approved by SR for purchase of fully paid up shares in co. or holding co. where such shares are purchased / subscribed by — Employees of co.  
— Trustee for benefit of employees.

(c) Giving of loans by co. to employees (other than director / kmp) for an amount  $\leq$  6 m salary to enable them to purchase / subscribe shares of

co. or holding co.

fully paid up

Contravention:

Co → ₹1 Lakh to 25 lakhs

OID → " " " (AND) Jail upto 3 years

Section 68: Power to purchase its own shares

(Buy-back)

• Basic provision:

- BB can be of { Equity shares, or  
Other specified security

- source of BB — FR

— SPA

— Proceeds of issue of any other shares / securities

Provided that: Proceeds of earlier issue of SAME KIND cannot be used.

(Agar ES BB kar raha, toh same kind of ES ka proceeds use nahin kar sakta)

• Conditions for BB:

1) AOA

2) SR [Exception — upto 10% of [PVEsc + FR] and BR]

PVEsc nahin, PUSE

3) Limit → ≤ 25% of (PUSC + FR)

However, if BB is of Equity share, Limit = 25% of PV <sup>Esc</sup>  
[Don't add FR]

4)  $\frac{\text{Secured + unsecured debt}}{\text{PUSC + FR}} \leq \boxed{2}$  or such higher  
no. as CG may prescribe

5) Only fully paid up shares

6) Listed - SEBI (or) unlisted - Rules

Note: fresh BB shall not be made within 1 year  
from date of closure of preceding buyback

3) ES of notice of meeting for SR: [Necessity FACT]  
F • material facts

Nec. • Necessity

A • Amount invest

C • class of securities purchased

T • Time limit → complete

↳ within 1 year of BR/SR as the case maybe

4) BB can be from: — Existing SH (Proportionately)  
— Open market  
— ESOPs / SES → Employers

5) CO  $\xrightarrow[\text{SH-9}]{\text{Declaration of solvency}}$  ROC  
 $\searrow$  SEBI (only if listed co.)

- Signed by 2 directors (1 MD)
- verified by affidavit stating:
  - (i) Board has made **full inquiry** into affairs of Co. and
  - (ii) Opinion  $\rightarrow$  Capable of meeting liabilities **AND**
    - $\rightarrow$  Co. will NOT be rendered insolvent in **1 year**.

6) Post BB - Extinguish or Physically destroy shares - **within 7 days** of completion

\* NO further issue of **same kind** of securities **within 6 m** of completion of buyback.

Exception:

- Bonus issue
- Conversion  $\left\{ \begin{array}{l} \text{warrants} \\ \text{Pref shares} \\ \text{Debentures} \end{array} \right.$
- ESOPs.
- SEs

Note: Even right issue u/s 62(1)(a) is not allowed.

• Register (SH-10) containing details of BB

• After completion  $\xrightarrow[\text{Form SH-11}]{\text{Return in 30 days}}$   $\left\{ \begin{array}{l} \text{ROC} \\ \text{SEBI (if listed)} \end{array} \right.$





# Section 71: Debentures

## Definition [2(30)]

Includes — Debenture stock  
— Bond  
— Any inst. evidencing debt.

Excludes — Inst. specified under Chp III-D  
of RBI Act  
— CG + RBI → inst prescribe.

1) Co. may issue convertible debenture subject to SR [also in sec 62(4)]

2) Debentures shall not carry any voting rights.

3) Issue of secured debenture:

• Redemption — max 10 year

Exception [ $>10$  but  $<30$  years]:

• Infra cos. (Ex: Lodha developers)

• Infra finance cos. (Ex: cos. who give loan to Lodha)

• NBFC — Infra Debt fund

• Any co. — CG  
— RBI  
— National Housing Bank } Approved

- Secured by creation of charge:

- On  $\left. \begin{array}{l} \text{Property} \\ \text{Asset} \end{array} \right\} \text{CASH}$

- In favour of DT

- have value  $\geq$  Principal + Interest

- Appointment of Debenture Trustee (DT):

- Co. to appoint DT

- Appt. before issue of prosp. / Letter of offer.

- Enter into DTD (deed) within 60 days after allotment.

→ Prefer this. Don't refer summary notes for this concept.

#### 4) creation of DRR and investment/Deposits:

##### Create DRR

- Out of **profits** avl. for dividend.
- Use DRR only for redemption of debentures.

##### Invest/Deposit:

- On or before 30/04 each year,
- Invest/Deposit:  
[ 15% of amt. maturing during year ending

## • How much DRR:

→ For unlisted cos.  
Other than NBFCs,

**DRR = 10%**

→ For others such  
as All India Fin.  
Inst., DRR not  
required.

[31/03 of next year]

## • invest in:

• Deposits of scheduled  
bank

• Securities of CA/SQ

• Unencumbered <sup>Free of charge</sup>  
securities under  
Indian Trust Act

[This is more complicated.  
Will be simpler in  
Accounts]

• Use such deposit only  
for redemption

## • Min balance:

Not < 15% of amt. maturing  
on 31/03 of that year

## 5) When to appoint DT:

When debentures are issued to **Public** or  
members exceeding 500 → Appoint DT

## Eligibility: Disqualified if:

• Beneficially holds share in **C**

• Promoter/KMP/Dir./officer/employee **CASH**

• Beneficially entitled to money by **C**  
(except remuneration as DT)

• Indebted to **CASH and SOH**

- Furnish Guarantee in respect of principal debt secured by debentures
- Pecuniary relation  $\rightarrow$  [C]  
Amount  $\geq$  lower of  $\left\{ \begin{array}{l} 2\% \text{ of Gross TIO} \\ \text{Total Income} \\ 50 \text{ Lakhs or} \\ \text{higher amt.} \\ \text{prescribed.} \end{array} \right.$
- Relative of P/D/kmp of [C]

Casual vacancy — BOD to fill.

Resignation  $\rightarrow$  Obtain written consent of majority DH prior to appointment

Remove  $\rightarrow$  Approval of  $\geq 3/4^{\text{th}}$  in value of DH

### 6) Meeting of DHs: Convened by DT:

Requisition in writing by DH holding  $\geq 1/10^{\text{th}}$  in value.

Happening of any event or breach or default

$\Downarrow$

In opinion of DT — Affects interest of DH

7) Any provision in DTD exempting DT of his liability  $\rightarrow$  void

Such provision shall be valid if agreed by — majority of DH holding  $> 3/4^{\text{th}}$  in value.

8) If DT comes to conclusion that assets of Co. are insufficient to discharge Ds, DT may file petition to  $\longrightarrow$  NCLT  
 $\downarrow$   
impose restrict on further liability.

• Default in repayment of debenture:

DH  
or  
DT  $\longrightarrow$  Tribunal  $\longrightarrow$  orders to redeem forthwith.

Important:

i) If Co's borrowing exceed limit u/s 180(1)(c), pass **SR** for such borrowing.

- limit u/s 180(1)(c)  $\rightarrow$  100% of (PUSC + FR + SPA)

- Borrowing includes term loan, deposit, debentures, etc.

Example:

PUSC = 100 Cr

Loan from SBI = 50 Cr

PUSC = 100 Cr

Bonds  $\approx$  100 Cr

SPA  $\approx$  50 Cr

Proposal to issue non-

FR  $\approx$  100 Cr

-convertible debentures of

CRR = 100 Cr

₹300 crore. Is SR required?

DRR = 80 Cr

Ans: Limit upto which SR is not required  
= 100% of PUC + FR + SPA  
= 100% of (100 + 100 + 50 + 100)  
⇒ ₹ 350 crore

Borrowing limit exhausted:

= 50 Cr (loan SBI) + 100 Cr (Bonds) = 150 Cr

Balance Borrowing w/o SR:

350 Cr - 150 Cr = 200 Cr

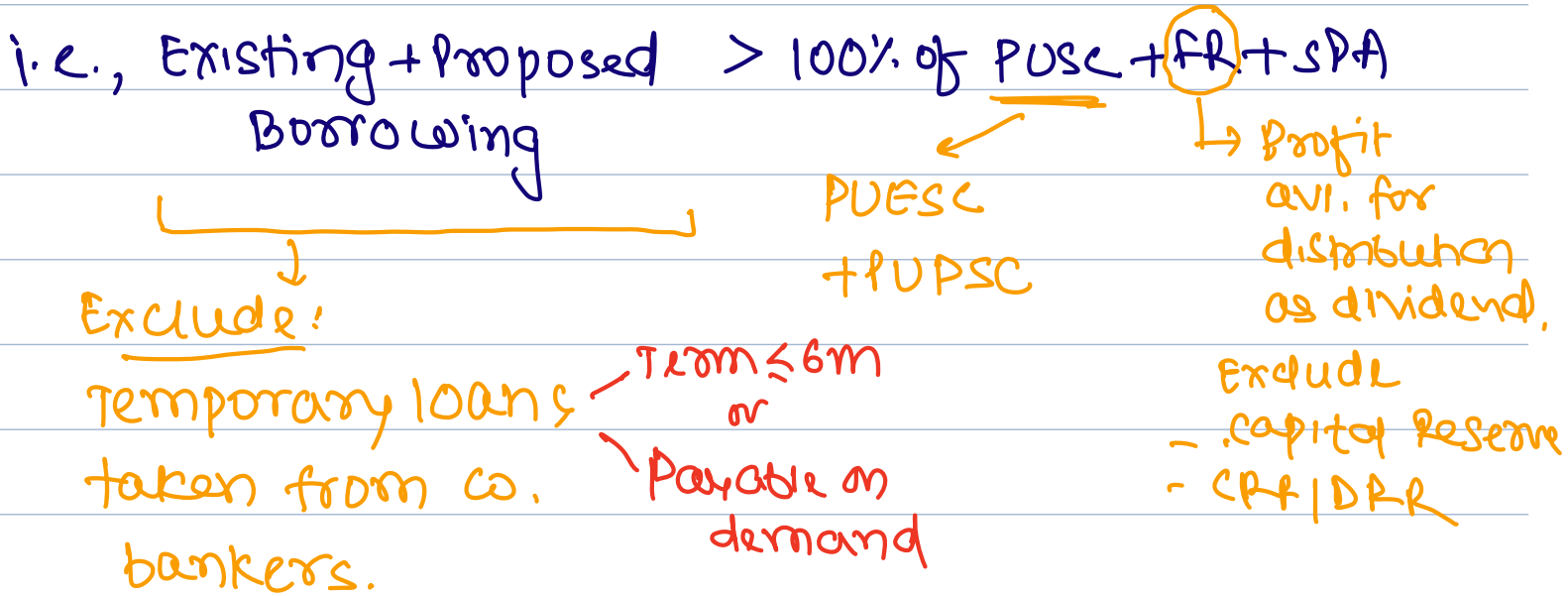
Proposed debenture = 300 Cr is more than available limit (i.e., 200 Cr) and hence → SR required.

Note: Had this been a convertible debenture, then SR would have been required irrespective of the amount. [i: of sec 71(1)]

Concept relevant for Q1(a) of NOV'22 exams:

As per section 180(1)(c) of the Companies Act, 2013, the Board of a company shall seek prior approval of shareholders, by way of SR,

Where the existing borrowing along with proposed borrowing **exceeds** aggregate of Paid up share capital, free reserve and SPA.



Answer to 1(a) of Nov'22:

Calculation of limit upto which SR is not required:

PUSC	₹ 40 lakh
General Reserve	₹ 30 lakh
SPA	₹ 50 lakh
Profit/loss of Cy	₹ 20 lakh
	<b>₹ 140 lakhs</b>

Existing borrowing:

8% Debenture	₹ 30 lakhs
9.5% Term loan	₹ 20 lakhs
Short term CC loan (Temporary loan)	NIL

₹ 50 lakh

140 - 50

- (a) Upto ₹ 90 lakh Debenture → Pass BR  
Above ₹ 90 lakhs " → Pass BR + SR

(b) In case of convertible debenture, pass SR irrespective of the limit

↳ समझने के लिये read sec 62(4) & 71(i).

Example:

Aud is a listed co. As on 31/03/2023, the BS is as follows:

PUSC = ₹ 100 Cr.

FR = ₹ 400 Cr

Debenture raised = ₹ 200 Cr

maturity of Debenture:

FY 23-24 ₹ 100 Cr

FY 24-25 ₹ 50 Cr

FY 25-26 ₹ 50 Cr.



