

BUSINESS LAWS

# Comprehensive Reference Manual

Companies Act 2013 incl Section 8 ,OPC , Strike-Off, Winding-Up • Chapter XV CAA .. Indian Partnership Act 1932  
• LLP Act 2008 • SEBI Regulations •, NCLT / NCLAT • Case Studies

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Incorporating amendments up to 2024–25    Subject-wise & topic-wise    Exam-ready    For Educational purposes only

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# The Statutory Framework at a Glance

Map



## Forms of Business

- Sole proprietorship · Partnership firm
- LLP · One Person Company
- Private / Public / Section 8 Company
- Differ in liability, succession & compliance



## Regulators & Forums

- MCA · Registrar of Companies (ROC)
- Registrar of Firms (Partnership)
- Regional Director · NCLT · NCLAT
- SEBI · RBI · IBBI (registered valuers)

Partnership Act 1932

Firms

LLP Act 2008

Body corporate

Companies Act 2013

Companies

SEBI / SCRA

Securities & listed

## MODULE 1

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# Companies Act, 2013

*Prospectus · Share Capital · Private Placement | Ch. III–IV*



## Prospectus Requirements

- Required for IPO, Offer for Sale & further public issue
- Filed with ROC before issue; validity 90 days
- All securities in a public offer issued in demat form
- Red Herring Prospectus: filed  $\geq 3$  days before issue; variations vs final highlighted
- Final Prospectus: filed with ROC & SEBI — capital raised, quantum, closing price
- Shelf Prospectus: valid 1 year; later issues  $\rightarrow$  SP + Information Memorandum
- Signed copy filed by every director / proposed director



## Allotment & Advertisement

- Advertisement: objects (MOA), member liability, capital structure, signatories & shares
- Application money  $\geq 5\%$  of nominal value (or % SEBI prescribes)
- No allotment unless minimum subscription received & money paid by instrument
- Return of Allotment (Sec. 39(4)) mandatory — filed with ROC
- Must include SEBI financial information & compliance declaration

# Private Placement — Rules & Restrictions

Sec. 42

**≤ 50**

persons / offer (excl. QIBs & employees)

**60**

days to allot from receipt

**15**

days to refund if allotment fails

**12%**

p.a. interest on delayed refund

- Offer to a defined group; no advertisement or public publication
- 1st PP pending → no 2nd PP unless 1st is closed
- Applicants exceed limit → public-issue provisions (Part I) apply
- No right of renunciation under private placement
- Application money utilised ONLY after allotment
- Allot within 60 days; else refund within next 15 days
- Refund failure → interest @ 12% p.a. from expiry of 60-day period
- File return of allotment (Form PAS-3) within 15 days

## Equity Shares

- (a) Equal voting rights; (b) differential voting rights (DVR)
- DVR issue: 3/4th consent (Special Resolution)
- Class affected → 3/4th consent of that class too
- Dissenting holders  $\geq 10\%$  may apply to Tribunal within 21 days; variation stayed
- Tribunal order binding on all — filed with ROC within 30 days

## Preference Shares

- Always redeemable or compulsorily convertible — never perpetual
- Max period: 20 years (general); 30 years (infrastructure)
- Preferential rights during winding-up / liquidation
- Dividend unpaid  $\geq 2$  years → vote on ALL matters
- Bonus & buy-back under separate provisions

# Further Issue — Rights, Bonus, Sweat & Buy-Back

Sec. 54–68

Mode	Section	Key Conditions
Rights Issue	Sec. 62(1)(a)	Offer to existing members pro-rata; 15–30 days to accept; renunciation allowed
Issue to others	Sec. 62(1)(c)	By Special Resolution; price per Registered Valuer report
Sweat Equity	Sec. 54	SR; 1 yr after commencement; for IP / value addition; 3-yr lock-in
Bonus Shares	Sec. 63	From free reserves / premium / CRR; not revaluation reserve; not in lieu of dividend
Buy-Back	Sec. 68	≤ 25% of capital + free reserves/yr; debt-equity ≤ 2:1; no fresh issue 6 months

## MODULE 2

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# Charges, Accounts, AGM & Meetings

*Registration of Charges · Annual Return · General Meetings | Ch. VI–VII*

# Registration of Charges

Sec. 77–87

**30**

days to file CHG-1 from creation

**+30**

extra days with additional fees

**+60**

ROC condonation (ad valorem)

**14**

days ROC notice on default

- Form CHG-1 filed with ROC within 30 days of creation
- Beyond 60 days → ROC condonation (+60 days)
- Certificates: CHG-2 (new), CHG-3 (modification)
- On default, charge-holder may file; ROC gives 14-day notice
- Satisfaction: file CHG-4 within 30 days (+30 with fees)
- Both parties sign satisfaction → no ROC notice
- Unregistered charge may still be considered by a liquidator
- Penalty: Company ₹1L–₹10L; Officer ₹25,000–₹1L

## Annual Return — MGT-7

- Filed within 60 days of AGM
- No AGM → within 60 days of due date + reason
- Listed / PUC ≥ ₹10 Cr / Turnover ≥ ₹50 Cr → certified by PCS
- Extract forms part of Director's Report

## Financial Accounts — AOC-4

- Filed with ROC within 30 days of AGM
- Not adopted → within 30 days of adjourned AGM (with fees)
- No AGM → within 30 days of due date
- Consolidated accounts include foreign subsidiary
- Books of account maintained for 8 financial years

# Annual & Extraordinary General Meetings

Sec. 96–100

## AGM

- 1st AGM within 9 months of FY-end; later within 6 months
- Max gap between two AGMs: 15 months
- ROC may extend up to 3 months (valid reason)
- Held 9 AM–6 PM on any day except a National Holiday
- Unlisted: any place w/ approval of all members; e-mode allowed
- Default → any member may apply to Tribunal

## EOGM

- Convened anytime for urgent / special reasons
- Members  $\geq 1/10$ th of paid-up capital may requisition Board
- Board acts within 21 days; EOGM held within 45 days
- Board fails → requisitionists convene within 3 months
- Expenses reimbursed by the company
- Quorum absent → meeting stands cancelled

# Quorum for General Meetings

Sec. 103

Company Type	Members on Record	Quorum (personally present)
Public Limited	Less than 1,000	5 members
Public Limited	1,000 – 5,000	15 members
Public Limited	More than 5,000	30 members
Private Limited	Any number	2 members

- Quorum absent within half an hour → adjourned to same day next week (same time & place) or as Board decides
- Adjourned meeting — quorum again absent → members present are the quorum (AGM); EOGM stands cancelled

## MODULE 3

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# CSR, Registered Valuers & KMP

*Corporate governance essentials | Sec. 135, 203, 247*

# Corporate Social Responsibility (CSR)

Sec. 135

**₹500 Cr**

Net worth threshold

**₹1000 Cr**

Turnover threshold

**₹5 Cr**

Net profit threshold

**2%**

of avg net profit (3 FY)

- Applies if ANY threshold met in a financial year
- Constitute CSR Committee & formulate CSR Policy
- Listed co.  $\geq$  3 directors:  $\geq$  1 Independent Director on committee
- Unspent  $\rightarrow$  transfer to specified fund within 6 months of FY-end
- Section 8 companies are NOT exempt from CSR
- Spend on company's OWN activities does NOT qualify
- Contribution to Trust / Society / Sec. 8 corpus qualifies if exclusively for CSR / Sch. VII

## Scope & Appointment

- Valuation of property, shares, securities, stock, debentures, goodwill, net worth
- Valuer qualified, experienced & registered with IBBI
- Appointed by Audit Committee; if absent → Board
- No interest 3 years before & 3 years after assignment
- Report mandatory for every scheme of arrangement / merger

## Duties & Penalties

- Impartial, true & fair valuation; due diligence
- Contravention penalty: ₹25,000 – ₹1 Lakh
- Intentional fraud: up to 1 yr + fine ₹1L – ₹5L
- On conviction: refund remuneration & pay damages
- CAA: share-exchange ratio & all assets per Valuers Rules 2017

## Board Composition

- Private min 2 · Public min 3 · OPC min 1 (max 15; more by SR)
- $\geq 1$  director resident in India ( $\geq 182$  days in FY)
- Listed / prescribed:  $\geq 1/3$ rd Independent Directors
- Woman Director: listed & prescribed thresholds
- Max 20 directorships ( $\leq 10$  public companies) — Sec. 165

## KMP — Sec. 203

- Whole-time KMP: MD/CEO/Manager, Company Secretary, CFO
- Mandatory: every listed co. & public co. PUC  $\geq$  ₹10 Cr
- CS required for company with PUC  $\geq$  ₹10 Cr
- Appointed by Board; vacancy filled within 6 months
- Default penalty: Company ₹5L; director/KMP ₹50,000 (+₹1,000/day)

## MODULE 4

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# Section 8 Companies

*Non-profit framework | CA 2013, Sec. 8 + Exemption Notification 2015*

## ♥ Objects & Nature

- Promotion of commerce, art, science, sports, education, research, welfare, religion, charity, environment
- Profits applied ONLY toward objects; dividend to members prohibited
- Name need not include 'Limited' / 'Private Limited'
- Company limited by shares OR by guarantee (with/without capital)
- Licence issued by ROC (delegated by Central Govt)
- Lineage: CA 1913 → Sec. 25 of CA 1956 → Sec. 8 of CA 2013

## ✔ Eligibility & Names

- Names: Foundation, Forum, Association, Federation, Chambers, Council, Electoral Trust, etc.
- CANNOT be an OPC (Rule 3) or a Small Company (Sec. 2(85))
- Existing Sec. 25 cos. — no fresh licence (protected u/s 465)
- Foreign NPO may promote a Sec. 8 company in India
- Society / Trust / LLP / Firm / Co-op may register as Sec. 8

# Section 8 — Governance, Meetings & Board

Sec. 8 + Notif.

- **Board Meetings**
- ≥ 1 meeting every 6 calendar months (Sec. 173 modified)
- Quorum: lower of 8 directors or 25% of strength (min 2)
- **General Meetings**
- AGM notice: 14 days (reduced from 21); financials sent 14 days prior
- Proxy may be only a FELLOW MEMBER (Rule 19)
- Postal ballot if > 200 members; e-voting if > 1,000 members
- **Directors & Committees**
- No min/max directors (Sec. 149(1) N/A); no Independent Director
- Directorship NOT counted toward the 20-cap (Sec. 165 N/A)
- Audit Committee need not have majority IDs; NRC & SRC not required
- Woman Director required if prescribed thresholds crossed

# Section 8 — Key Exemptions & Restrictions

Exemption Notif. 2015

## ✔ Exemptions Available

- No min/max number of directors
- No Independent Director; no NRC / SRC
- Only 1 Board meeting per 6 months
- Modified quorum (lower of 8 or 25%, min 2)
- AGM notice 14 days instead of 21
- Sec. 118 (Minutes) largely exempt
- CS need not be an ICSI member
- Sec. 165 directorship cap not applicable
- Certain Board resolutions by circulation allowed

## ⊘ Absolute Restrictions

- Cannot pay dividend to members
- Cannot issue bonus or redeemable preference shares
- Amalgamation ONLY with another Sec. 8 of similar objects
- Fast-Track Exit (Sec. 248(2)) NOT available
- Bonus to employee-member not allowed
- Penalty: Company ₹10L–₹1 Cr; Officers up to 3 yrs or ₹25,000–₹25L
- Fraudulent conduct → Sec. 447 (up to 10 yrs)

## MODULE 5

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# One Person Company (OPC)

*Sole-owner corporate vehicle | Sec. 2(62), 3, 12 + Exemptions*

## ∞ Benefits & Structure

- A company with only ONE member
- Sole-proprietor simplicity + corporate limited liability
- Personal assets protected; liability limited to unpaid subscription
- Perpetual succession via mandatory nominee
- Name carries '(One Person Company)' below it
- Corporate status eases bank loans & investment; MSME eligible

## ↔ Restrictions & Conversion

- Cannot be / convert into a Section 8 company
- Cannot invest in securities of any body corporate (Rule 3(6))
- Convert to Pvt/Public if PUC > ₹50L OR turnover > ₹2 Cr
- Reduced penalties (Sec. 446B): half of standard for certain defaults
- No 11% managerial remuneration ceiling — may pay any amount

- **Meetings**
- EXEMPT from holding an AGM (Sec. 96)
- Single-director OPC → Board-meeting requirement N/A (Sec. 173)
- More than one director →  $\geq 1$  Board meeting per half-year
- Sec. 103, 105, 107, 108 (quorum/proxy/voting) do NOT apply
- **Accounts & Filing**
- Cash Flow Statement not required
- Financials & annual return may be signed by one director
- File AOC-4 within 180 days of FY close (key distinction)
- **Directors**
- Independent Director provisions N/A
- Retirement by rotation N/A; auditor rotation N/A

## MODULE 6

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# Indian Partnership Act, 1932

*Formation · Relations · Registration · Dissolution | Sec. 4–73*

## Definition — Sec. 4

- Relation between persons who agree to share profits of a business carried on by all, or any of them acting for all
- 'Persons' = partners; collectively = the firm; the name = firm name
- Sec. 5: relation arises from contract, not status
- Sec. 7: partnership 'at will' (no fixed term)
- Sec. 8: 'particular' partnership (single venture)

## Five Essentials

- Agreement between two or more persons
- Business must exist (trade, occupation, profession)
- Sharing of profits of that business
- **Mutual agency — business carried on by all or any acting for all (the REAL test)**
- Max partners: 50 (Rule 10, Companies Misc. Rules)
- Sharing of profit is evidence of partnership — not conclusive (Sec. 6)

## Types of Partners

- Actual / Active — takes active part
- Sleeping / Dormant — capital, no active role
- Nominal — lends name, no capital/share
- Partner in profits only
- Sub-partner — shares a partner's profit
- Partner by holding out (Sec. 28) — liable to those who give credit on the representation
- Incoming & outgoing partners



## Minor Admitted — Sec. 30

- Cannot be a partner, but may be admitted to BENEFITS with consent of all partners
- Entitled to share of profits & property; may inspect & copy accounts
- Liability limited to his share — NOT personally liable
- On majority → 6 months to elect (public notice) to become / not become partner
- If he becomes a partner: liable as a full partner from the date of admission

# Relations of Partners — Rights, Duties & Property

Sec. 9–17

## Rights & Duties

- Duty of good faith, true accounts & full information (Sec. 9)
- Indemnify firm for loss by fraud (Sec. 10)
- Take part in business; access & copy books (Sec. 12)
- No remuneration unless agreed; share profits/losses equally
- Interest on capital only out of profits; interest on advances @ 6% p.a. (Sec. 13)
- Indemnified for acts in ordinary & proper conduct of business

## Property of the Firm

- Property originally brought in + acquired for the firm + goodwill (Sec. 14)
- Held & used exclusively for the business (Sec. 15)
- Personal profit from firm transactions / use of firm property → account to firm (Sec. 16)
- Profit from a competing business → account to the firm
- Rights & duties continue after a change, subject to contract (Sec. 17)

- **Agency & Implied Authority**

- Every partner is an agent of the firm (Sec. 18)
- Implied authority binds the firm for acts in the usual course of business (Sec. 19)
- Partners may extend or restrict authority by contract (Sec. 20)
- Act in firm name / manner showing intent to bind firm (Sec. 22)
- NO implied authority: submit dispute to arbitration, open bank a/c in own name, compromise claim, withdraw suit, admit liability, acquire/transfer immovable property, enter partnership

- **Liability of Partners**

- Liability for acts of firm is JOINT and SEVERAL (Sec. 25)
- Firm liable for partner's wrongful act in ordinary course (Sec. 26)
- Firm liable for misapplication of money/property (Sec. 27)
- An incoming partner is not liable for pre-admission acts (Sec. 31)
- Estate of a deceased / insolvent partner not liable for post-event acts

# Registration of Firms & Effect of Non-Registration

Sec. 56–69

## Registration

- Registration is **OPTIONAL**, not compulsory
- Application to Registrar of Firms with prescribed fee & particulars
- May be done at any time (even after formation / before suit)
- Statement signed by all partners; entry in Register of Firms
- Changes (name, place, partners) to be notified to the Registrar

## Effect of Non-Registration (Sec. 69)

- Partner **CANNOT** sue the firm or co-partners to enforce a contractual right
- Firm **CANNOT** sue third parties to enforce a contractual right
- No claim of set-off exceeding ₹100
- Exceptions: suit for dissolution / accounts of a dissolved firm; realisation of a dissolved firm's property; small claims  $\leq$  ₹100
- A **THIRD** party can always sue the unregistered firm

# Dissolution of a Firm

Sec. 39–47

Mode	Section	Trigger
By agreement	Sec. 40	With consent of all partners / per contract
Compulsory	Sec. 41	All but one insolvent; business becomes unlawful
On contingencies	Sec. 42	Expiry of term; end of venture; death / insolvency of a partner
By notice (at will)	Sec. 43	Any partner gives written notice of intention to dissolve
By the Court	Sec. 44	Unsound mind, permanent incapacity, misconduct, persistent breach, transfer of interest, perpetual loss, just & equitable

- Liability continues until public notice of dissolution is given (Sec. 45)
- Settlement (Sec. 48): losses paid from profits → capital → partners individually
- Assets applied: third-party debts → partners' advances → capital → residue in profit ratio

# Partnership vs LLP vs Company

Comparison

Feature	Partnership Firm	LLP	Company
Governing law	Partnership Act 1932	LLP Act 2008	Companies Act 2013
Legal status	Not separate from partners	Separate body corporate	Separate body corporate
Liability	Unlimited, joint & several	Limited to contribution	Limited to shares / guarantee
Perpetual succession	No	Yes	Yes
Registration	Optional	Mandatory	Mandatory
Members	2 – 50	2 – no maximum	Pvt 2–200 · Public 7+ · OPC 1
Audit	Only if tax audit applies	If contrib. > ₹25L or T/O > ₹40L	Mandatory for all

## MODULE 7

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# Limited Liability Partnership Act, 2008

*Structure · Compliance · 2021 & 2023 Amendments | Sec. 2–81*



## Nature & Partners

- Body corporate — separate legal entity with perpetual succession
- Indian Partnership Act 1932 does NOT apply (Sec. 4)
- Any individual or body corporate may be a partner
- Ineligible: undischarged insolvent, unsound mind, pending insolvency
- Min 2 partners; below 2 for > 6 months → remaining partner personally liable
- Small LLP (2021): contribution ≤ ₹25L AND turnover ≤ ₹40L



## Designated Partners

- Min 2 DPs; at least 1 resident in India (≥ 120 days — amended 2021)
- All-body-corporate partners → 2 individual nominees as DPs
- Each DP obtains a DPIN; responsible for all compliance & filings
- Vacancy filled within 30 days; if only 1 DP → all partners deemed DPs
- Penalty (Sec. 10): LLP ₹10,000 + ₹100/day (max ₹1L); partner ₹50,000

## Incorporation & Name

- ≥ 2 persons subscribe to incorporation document; file with Registrar
- Certificate of Incorporation within 14 days — conclusive proof
- Registered office mandatory; change filed with Registrar
- Name ends with 'Limited Liability Partnership' or 'LLP'
- Name not identical / similar to existing company / LLP / trademark
- RO default penalty: ₹500/day (max ₹50,000)

## Liability Framework

- LLP liable to the full extent of its assets (Sec. 27)
- Partner not personally liable for acts of LLP / other partners (Sec. 28)
- Partner liable for own wrongful acts / omissions
- Holding out (Sec. 29): represents as partner → personally liable
- Fraud (Sec. 30): partner & LLP unlimitedly liable
- Whistle-blower protection (Sec. 31)

# LLP — Compliance, Forms & Penalties

Sec. 34–42

Requirement	Form & Timeline	Notes
Statement of Accounts & Solvency	Form 8 — by 30 Oct	Signed by 2 DPs; audit if contrib > ₹25L or T/O > ₹40L
Annual Return	Form 11 — within 60 days of FY close (by 30 May)	Mandatory for all LLPs
Incorporation	Form FiLLiP	With Registrar of the state of registered office
Change in partners / DPs	Form 4 — within 30 days	Effective only on filing
Change of Registered Office	Form 15	Before change; effective on filing
Conversion to LLP	Form 17 (firm) / 18 (company)	Effective from date of registration certificate

- 2021 Amendment — enhanced punishment (Sec. 71A); general penalty ₹25,000–₹5L; adjudication of penalties (Sec. 76A); decriminalisation of compoundable defaults

## Conversion into LLP

- Firm → LLP (Sec. 55, Sch. II); Private Co. → LLP (Sec. 56, Sch. III)
- Unlisted Public Co. → LLP (Sec. 57, Sch. IV)
- All assets, liabilities & licences vest in the LLP
- Effective from date of the registration certificate
- Pending proceedings continue; partners' prior liability survives

## Key Amendments

- Small LLP introduced — lighter compliance & lower fees (2021)
- Resident threshold for DP cut to 120 days (2021)
- Many offences decriminalised; civil adjudication via Sec. 76A
- Special Status — 'Start-up LLP' recognised
- LLP (Amendment) Rules 2023: web-based forms, Statement of beneficial interest in contribution

MODULE 8

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# Chapter XV — CAA

*Compromise, Arrangement & Amalgamation | Sec. 230–240*

# Scheme of Chapter XV — Section Map

Sec. 230–240

Section	Subject Matter	Forum
230–231	Compromise / Arrangement with members or creditors	NCLT
232	Merger & Amalgamation (incl. demerger)	NCLT
233	Fast-Track Merger — small cos. / WOS with holding	Regional Director
234	Cross-Border Merger — Indian ↔ Foreign company	NCLT + RBI
235	Acquisition of dissenting shareholders (squeeze-out)	NCLT
236	Purchase of minority shareholding (90%+)	NCLT
237	Amalgamation in public interest	Central Govt
238	Registration of offer of schemes / share transfer	ROC
239–240	Preservation of books; liability of officers post-merger	CG / continues

- **Application & Notice**
- Apply: company, any creditor, any member, or liquidator (CA/IBC)
- NCLT may order or dispense with the meeting of creditors/members
- Affidavit disclosing financial position, capital reduction & CDR scheme
- Notice to all members, creditors, debenture-holders, directors
- Listed cos.: notice also to SEBI & Stock Exchanges
- **Thresholds & Consents**
- Approval: 3/4th in value of creditors / members (or class) voting
- CDR: consent of  $\geq 75\%$  secured creditors in value
- Merger: consent of  $\geq 90\%$  of secured + unsecured creditors
- Objections only by holders of  $\geq 10\%$  shares OR  $\geq 5\%$  of debt
- Tribunal order filed with ROC within 30 days (Sec. 230(8))
- Auditor certificate that treatment conforms with Sec. 133 AS

## Sec. 231 — Tribunal Powers

- Supervise implementation of the scheme
- Issue directions & modify the scheme as needed
- If scheme unworkable & company cannot pay debts → order winding-up (Sec. 231(2))
- Such order deemed to be under Sec. 273
- 'Compromise' implies a dispute; 'Arrangement' = re-adjustment of rights

## Sec. 232 — Merger Effects

- Property transferred & liabilities assumed by transferee (Sec. 232(4))
- Pending proceedings continue against the transferee
- Certified copy filed with ROC within 30 days
- Effective from the 'Appointed Date' (not a later date)
- Annual compliance statement until completion; certified by CA/CS/CWA
- Penalty: ₹20,000 + ₹1,000/day (max ₹3,00,000)

## Procedure

- Eligible: two+ small companies; WOS with its holding company
- Board approves → notice to ROC / OL for objections (30 days)
- Declaration of solvency filed; scheme filed with Regional Director
- RD/OL objects → forwarded to NCLT under Sec. 232
- No CG objection within 60 days → scheme confirmed
- Registration by ROC = dissolution of transferor without winding-up

## Effects & Restrictions

- Transferor dissolved without winding-up
- Charges on transferred property remain enforceable
- Legal proceedings continue against the transferee
- Transferee cannot hold shares in its own name / trust / subsidiary
- File revised authorised capital & pay fees
- May instead opt for the Sec. 232 procedure

# Sections 235–238 — Squeeze-Out, Minority & Public Interest

Sec. 235–238

- **Sec. 235 — Dissenting Shareholders**
- $\geq 9/10$ th in value approve scheme within 4 months
- Transferee may notify dissenters within 2 months of the 4-month period
- Within 1 month of notice → bound to acquire on same terms
- **Sec. 236 — Minority Buyout**
- Holder of  $\geq 90\%$  must offer to buy minority equity shares
- Price determined by an IBBI-registered valuer
- Minority may also offer their shares at the valuer's price
- **Sec. 237–238**
- CG may order amalgamation in public interest (Sec. 237)
- Order specifies constitution, properties, rights & liabilities
- Every takeover circular registered with ROC (Sec. 238); director penalty ₹1,00,000

## MODULE 9

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# CAA Amendment Rules 2024 & Cross-Border Mergers

*Reverse flips · Expanded FTM · Sec. 234 | Effective 17 Sept 2024*

# CAA Amendment Rules, 2024 — Key Changes

Notif. 555(E) - 17 Sep 2024

- **1. Reverse-Flip Mergers (new)**
- Foreign HOLDING co. → wholly-owned INDIAN subsidiary via Fast-Track (Sec. 233)
- Requires prior RBI approval; encourages 'homecoming' of flipped startups
- **2. Expanded Fast-Track Scope (Rule 25)**
- Two+ unlisted cos.: combined loans + debentures + deposits ≤ ₹200 Cr & no default
- Holding & subsidiary (listed/unlisted) if transferor is unlisted
- Fellow subsidiaries of the same holding company (unlisted transferor)
- **3. Procedural Changes**
- Jurisdiction NCLT → Regional Director (faster)
- Petition-to-RD timeline relaxed 7 → 15 days after meetings
- **4. Impact**
- Speed & efficiency; attracts investment; streamlined restructuring

## Scope & Approval

- Chapter XV applies mutatis mutandis to mergers with notified foreign companies
- Foreign co. may merge INTO an Indian co. or vice-versa
- Prior approval of RBI mandatory (Sec. 234(2))
- 2024: reverse-flip mergers now under Fast-Track route with RBI approval

## Consideration & Compliance

- Payment: cash, depository receipts, or a mix — or as prescribed
- Must follow Sec. 233 requirements for the FTM route
- NCLT route available for complex cross-border mergers
- Outbound mergers subject to FEMA & RBI guidelines

## MODULE 10

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# Strike-Off, Winding-Up, NCLT & NCLAT

*Exit of companies & the adjudicatory framework | Sec. 248–252, 270–434*

## ROC-Initiated (Sec. 248(1))

- No business within 1 year of incorporation
- No business for 2 preceding FYs & no dormant status
- Subscribers unpaid & declaration not filed within 180 days
- Physical verification shows no business
- ROC issues SCN to company & directors → 30 days to reply
- Excludes listed, vanishing, under-investigation companies

## Voluntary (Sec. 248(2))

- After extinguishing all liabilities (not for Section 8 cos.)
- Approval: 75% members by paid-up capital OR Special Resolution
- Barred if in last 3 months: name change, RO shift, asset disposal, pending merger
- Forms: STK-2 (application), STK-3 (indemnity), STK-4 (affidavit)
- Fraudulent application → Sec. 447

## Effects & Appeal (Sec. 252)

- Liability of directors / officers continues as if not dissolved
- Tribunal retains power to wind up even after strike-off
- Appeal to Tribunal within 3 years of ROC order
- Company carrying on business may apply within 20 years
- Restoration → fresh Certificate of Incorporation (filed within 30 days)

## Winding-Up Grounds (Sec. 271)

- Special Resolution to wind up by Tribunal
- Acts against sovereignty / integrity / security of India
- Default in filing financials / annual returns for 5 years
- Tribunal finds it just & equitable
- Voluntary (IBC): solvency declaration + SR → IP as liquidator; notify ROC & IBBI in 7 days

# NCLT & NCLAT — Composition & Appeals

Sec. 408–434

Position	Qualification — NCLT	Qualification — NCLAT
President / Chairperson	HC Judge ≥ 5 years	SC Judge OR Chief Justice of HC
Judicial Member	HC Judge; or District Judge ≥ 5 yrs; or Advocate ≥ 10 yrs	HC Judge; or Tribunal JM ≥ 5 yrs
Technical Member	ICLS/ILS ≥ 15 yrs; CA/CS/CWA ≥ 15 yrs	Proven ability with special knowledge ≥ 25 yrs

- NCLT term: 5 years, re-appointable; President max age 67; Members 65
- NCLAT term: 5 years; Chairperson max age 70; Members 67
- Appeal NCLT → NCLAT: within 45 days (+45 by court) — Sec. 421
- Appeal NCLAT → Supreme Court: 60 days (+60), question of law only — Sec. 423
- Disposal of cases: within 3 months; max extension 90 days — Sec. 422



## SECURITIES LAWS • CLASSROOM SERIES

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A complete teaching deck on the five core enactments — with 100 practice MCQs

SCRA, 1956

SAST, 2011

ICDR, 2018

LODR, 2015

Delisting, 2021

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## What this deck covers

**A**

### Securities Contracts (Regulation) Act, 1956

Contracts & options in securities, listing, offences, penalties & adjudication.

**B**

### SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011

Triggers, open offers, creeping acquisition, exemptions & disclosures.

**C**

### SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018

Primary market — IPO/FPO, rights, eligibility, pricing & promoter lock-in.

**D**

### SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015

Secondary market — continuous compliance & corporate governance.

**E**

### SEBI (Delisting of Equity Shares) Regulations, 2021

Voluntary & compulsory delisting, reverse book building & exit price.

# The securities-market ecosystem

## SEBI Act, 1992 — the Regulator

protects investors • develops & regulates the market



### PRIMARY MARKET

Raising capital • ICDR, 2018

IPO • FPO • Rights • QIP • Preferential



### SECONDARY MARKET

Staying listed • LODR, 2015

Continuous disclosure • Governance • RPTs



### SCRA, 1956

Foundation — recognises exchanges, governs listing, sets offences & penalties



### SAST, 2011

Takeovers — governs change of control & substantial acquisition of shares



### Delisting, 2021

Exit — voluntary & compulsory removal of shares from the exchange



## PART A



*Contracts & options • Listing • Offences, penalties & adjudication*

---

The foundational statute. It recognises and regulates stock exchanges, governs the listing of securities, and sets out the offences, penalties and adjudication framework for the securities market.

**1957**

In force from 20 Feb 1957;  
applies to the whole of India

**51%**

Public equity required within 12  
months post-demutualisation

**10 yrs**

Max imprisonment for an  
offence under Section 23

**₹25 cr**

Max fine under Sections 23 /  
23E / 23F / 23G

# Key definitions you must know

## Core concepts

---

- **Securities [2(h)]** shares, scrips, stocks, bonds, debentures, derivatives, MF units, security receipts, Govt. securities.
- **Derivative [2(ac)]** a security derived from debt/shares, or a contract deriving value from underlying prices/indices.
- **Spot delivery [2(i)]** delivery & payment on the same day or the next day (RTP — read the proviso).
- **Option in securities** contract for a right to buy/sell — includes teji, mandi, put, call, put & call.

## Exchange & structure

---

- **Corporatisation [2(aa)]** succession of an exchange (society/body) by a company formed for the purpose.
- **Demutualisation [2(ab)]** segregation of ownership & management from members' trading rights.
- **Recognised stock exchange** an exchange recognised by the Central Govt. under Section 4.
- **Goods [2(bb)]** every movable property other than actionable claims, money and securities.
- **Member [2(c)]** a member of a recognised stock exchange.

# Recognition, corporatisation & withdrawal

## Recognition of an exchange [Sec 3–4]

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- **Power** vests in the Central Government, delegated to SEBI.
- **Application** Form A with prescribed fee + 4 copies of rules, articles & bye-laws.
- **Grant** SEBI/CG must be satisfied it is in the interest of trade & public interest.
- **Refusal** only after an opportunity of being heard; reasons in writing.
- **Published** every grant is published in the Gazette of India.

## Corporatisation & demutualisation [4A–4B]

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- **Scheme** every recognised exchange must submit a scheme to SEBI for approval.
- **SEBI may** approve (with/without modification) or reject in public interest.
- **Public holding** ≥ 51% equity to be held by the public within 12 months (extendable by 12 months).
- **Withdrawal [Sec 5]** CG may withdraw recognition in the interest of trade/public; opportunity to be heard.
- **Suspension [Sec 12]** CG may suspend an exchange's business for up to 7 days.

# Listing of securities & the appeal route

## Listing & continuing obligations

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- **Sec 21** conditions for listing of securities on a recognised exchange.
- **Sec 21A** power of the exchange to delist securities (appeal to SAT in 15 days).
- **Sec 22A** appeal to SAT where an exchange refuses to list a public company's securities.
- **Books** exchanges & members preserve books for a period not exceeding 5 years.

## Securities Appellate Tribunal (SAT)

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- **Sec 22B** not bound by CPC; guided by natural justice; powers of a civil court.
- **Sec 22C** appellant may appear via CA / CS / CMA / advocate / officer.
- **Sec 22E** civil courts' jurisdiction is barred on matters for SAT.
- **Sec 22F** appeal to the Supreme Court within 60 days on a question of law.
- **Timeline** SAT endeavours to dispose of an appeal within 6 months.

## Offences, penalties & adjudication

Section	Default	Penalty
23	Contravention of Sec 13/15 etc. (criminal)	Imprisonment up to 10 years or fine up to ₹25 crore, or both
23A	Failure to furnish information / maintain records	₹1 lakh/day or ₹1 crore, whichever is less
23B	Failure to enter into an agreement with client	₹1 lakh/day or ₹1 crore, whichever is less
23C	Failure to redress investor grievances	₹1 lakh/day or ₹1 crore, whichever is less
23D	Failure to segregate / misuse of client securities or money	Penalty not exceeding ₹1 crore
23E	Failure to comply with listing / delisting conditions	Penalty up to ₹25 crore
23F	Excess dematerialisation / delivery of unlisted securities	Penalty up to ₹25 crore
23G	Exchange failing to furnish returns / follow SEBI directions	Penalty up to ₹25 crore
23H	Residuary — where no separate penalty is provided	Penalty up to ₹1 crore

**Adjudication [Sec 23-I]:** SEBI appoints an adjudicating officer not below the rank of a Division Chief, after a reasonable opportunity of being heard, to impose penalties under Sec 23A–23H.



## PART B



*Triggers • Open offers • Creeping acquisition • Exemptions*

---

Governs change of control and substantial acquisition of shares in listed target companies — protecting public shareholders through a mandatory open-offer mechanism. In force from 23 October 2011.

**25%**

Initial trigger for a mandatory open offer (Reg 3(1))

**5%**

Creeping-acquisition headroom per financial year (Reg 3(2))

**26%**

Minimum size of a mandatory open offer (Reg 7(1))

**75%**

Maximum permissible non-public shareholding

# Key definitions

## Persons & control

---

- **Acquirer [2(1)(a)]** any person who acquires shares, voting rights or control over a target.
- **Control [2(1)(e)]** right to appoint a majority of directors / control management & policy decisions.
- **PAC [2(1)(q)]** persons acting in concert — a common objective to acquire shares/control.
- **Immediate relative** spouse, parent, sibling or child of a person or of the spouse.

## Market & pricing terms

---

- **Frequently traded** traded turnover  $\geq$  10% of total shares in the preceding 12 months.
- **Enterprise value** market cap + debt + minority interest + preferred shares – cash.
- **Identified date** 10th working day before the tendering period commences.
- **VWAP / VWAMP** volume-weighted average market price used for pricing.
- **Wilful defaulter / FEO** barred from making an open offer (Reg 6A / 6B).

# When is an open offer triggered?

1

## Initial threshold

Reg 3(1)

Acquiring 25% or more of voting rights (together with PACs) triggers a mandatory open offer.

2

## Creeping acquisition

Reg 3(2)

Holding 25% to < 75%? You may creep by 5% in a financial year — beyond that, an open offer is required. Only gross purchases counted (no netting).

3

## Acquisition of control

Reg 4

Acquiring control — with or without acquiring shares — triggers an open offer.

4

## Indirect acquisition

Reg 5

Deemed direct if the target > 80% of NAV / turnover / enterprise value of the business acquired.

# Open offer — size, price & escrow

## Offer size & voluntary offers

---

- **Minimum size** 26% of total shares as on the 10th working day after tendering closes (Reg 7).
- **Voluntary offer** min 10% (max = permissible non-public); 25%+ holders only (Reg 6).
- **Lock-out** ineligible for a voluntary offer if any acquisition in the last 52 weeks triggered nothing.
- **Cooling-off** no further acquisition for 6 months after a voluntary offer.

## Pricing, escrow & payment

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- **Offer price** based on VWAMP — separate parameters for frequently/infrequently traded shares.
- **Escrow [Reg 17]** first ₹500 cr of consideration → 25%; balance → 10%.
- **Manager** SEBI-registered merchant banker, not an associate of the acquirer.
- **Tendering** offer kept open 10 working days; no withdrawal once tendered.
- **Payment** within 10 working days of closure of the tendering period.

# Exemptions, process & disclosures



## Key exemptions [Reg 10]

- Inter-se transfer among immediate relatives / promoters (3-yr record) / group
- Holding company ↔ subsidiary transfers
- Acquisition via court/NCLT scheme, CDR or buy-back
- Rights entitlement; SLFI / VCF acquisitions



## Open-offer process

- Public Announcement on date of acquisition
- Open escrow within 2 working days
- Detailed Public Statement within 5 working days
- SEBI observations in 15 working days → offer opens



## Disclosures [Reg 29–31]

- On crossing 5%; and every  $\pm 2\%$  change thereafter
- Holders of 25%+ — yearly as on 31 March (7 working days)
- Encumbrance / pledge — within 7 working days
- Competing offer — within 15 working days



## PART C



*The primary market — IPO, FPO, rights, QIP & preferential issues*

---

Governs how a company raises capital from the public. Sets eligibility, pricing, promoter commitment and disclosure norms so that money is raised fairly and transparently.

**₹15 cr**

Avg. pre-tax operating profit —  
profitability route

**20%**

Minimum promoter contribution  
(locked-in 3 years)

**90%**

Minimum subscription for the  
issue to succeed

**120%**

Cap of the price band over the  
floor price

# Main-Board IPO eligibility

## Profitability route [Reg 6(1)]

- **Net tangible assets**  $\geq$  ₹3 crore in each of the preceding 3 years ( $\leq$  50% in monetary assets).
- **Operating profit** avg. pre-tax profit  $\geq$  ₹15 crore in 3 of the last 5 years.
- **Net worth**  $\geq$  ₹1 crore in each of the preceding 3 years.
- **Name change** if changed,  $\geq$  50% revenue from the new activity.

## QIB route — the safety valve [Reg 6(2)]

- **Eligibility** a company failing the profitability test can still go public.
- **Condition**  $\geq$  75% of the net offer to be allotted to QIBs.
- **Allottees**  $\geq$  1,000 prospective allottees for a Main-Board IPO.
- **Ineligible** Fugitive Economic Offenders & entities they run are barred.
- **Reform** ICDR 2018 followed the Prithvi Haldea Committee.

# Promoter commitment & pricing

## Promoters' skin in the game

---

- **Minimum contribution**  $\geq 20\%$  of post-issue capital.
- **Lock-in (20%)** locked-in for 3 years.
- **Excess holding** holding above 20% — generally locked-in for 1 year.
- **Monitoring agency** mandatory if the fresh issue exceeds ₹100 crore.
- **GCP cap**  $\leq 25\%$  of proceeds for general corporate purposes.

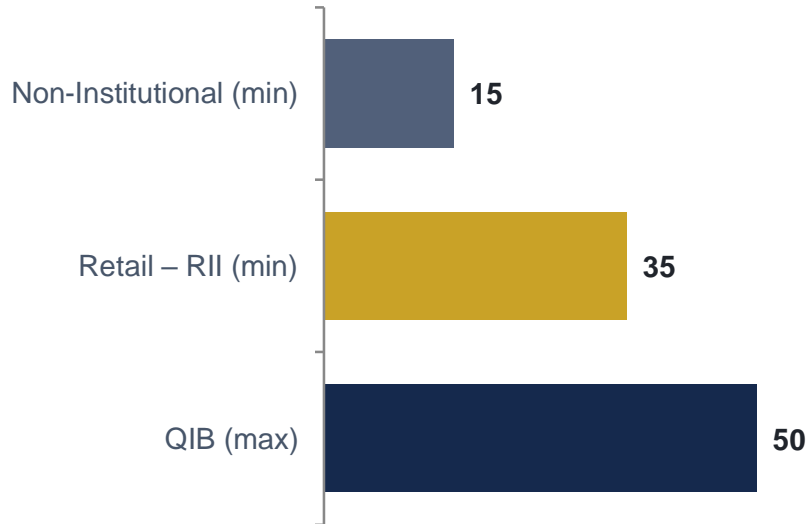
## Pricing & bidding

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- **Book building** price discovered within a band (e.g. ₹100–105).
- **Price band** the cap  $\leq 120\%$  of the floor price.
- **Min subscription**  $\geq 90\%$  — else the entire money is refunded.
- **ASBA** mandatory — money stays blocked in your bank account.
- **RHP** Red Herring Prospectus — everything except the final price.
- **Issue open** minimum 3 working days.

# Reservation, intermediaries & documents

## Reservation in a book-built net offer



## Key intermediaries & documents

- **Lead Merchant Banker** — the “captain” managing the entire issue.
- **Registrar to the Issue** — handles paperwork & allotment.
- **Underwriters** — promise to buy unsubscribed shares.
- **Red Herring Prospectus** — pre-final document, sans final price.
- **Shelf / Abridged Prospectus** — alternate offer documents.
- **Face value** — ₹1 permitted where issue price  $\geq$  ₹500.



## PART D



*The secondary market — continuous compliance & corporate governance*

---

Once listed, a company must stay compliant. LODR sets board composition, mandatory committees, disclosure timelines and related-party-transaction norms — Regulation 30 is its heart.

**45**

Days to submit quarterly financial results

**60**

Days to submit annual audited results

**30 min**

To disclose a board-meeting outcome (e.g. dividend)

**24 hrs**

To disclose other material events (Reg 30)

# Board composition & committees

## Board composition

---

- **Optimum mix** of executive & non-executive directors.
- **NED Chair**  $\geq$  1/3rd of the board must be Independent Directors.
- **Exec/related Chair**  $\geq$  1/2 of the board must be Independent Directors.
- **Woman director** at least one; Top 1000 — an Independent Woman Director.
- **Compliance Officer** must be a qualified Company Secretary.
- **Board gap** max 120 days between two consecutive meetings.

## Mandatory committees

---

- **Audit Committee**  $\geq$  3 directors; 2/3rd independent; CS is secretary.
- **Nomination & Remuneration**  $\geq$  50% Independent Directors.
- **Stakeholders Relationship** resolves security-holders' grievances.
- **Risk Management** meets at least twice a year.
- **Limits** director  $\leq$  10 committees; chair of  $\leq$  5.
- **Quorum** top entities — at least one Independent Director.

## The “golden numbers”

**2 wd**

Prior intimation of a board meeting (dividend, buy-back)

**5 wd**

Prior intimation — board meeting for financial results

**30 min**

Disclose board-meeting outcome (dividend, bonus)

**24 hrs**

Disclose material events under Regulation 30

**45 d**

Submit quarterly financial results

**60 d**

Submit annual audited financial results

**Memory trick: intimation 2 / 5 • disclosure 30 min / 24 hrs • results 45 / 60.**

# Material events, RPTs & website



## Regulation 30 — material events

- The “heart” of LODR — disclosure of price-sensitive events
- Strikes, fires, disruptions, change of MD/KMP
- Outcome of board meetings — within 30 minutes
- Other material events — within 24 hours



## Related-party transactions [Reg 23]

- Broad definition — any transfer of resources/obligations
- All material RPTs — prior approval of the Audit Committee
- 'Material' if > ₹1,000 cr or 10% of consolidated turnover
- Shareholder approval by ordinary resolution; RP cannot vote



## Functional website

- Financial information & shareholding pattern
- Composition of all committees
- Grievance-redressal officer's contact details
- All exchange disclosures — retained for 5 years



## PART E



*Voluntary & compulsory delisting • Reverse book building • Exit price*

---

The exit framework — permanent removal of equity shares from an exchange. Voluntary delisting (acquirer-driven, via reverse book building) or compulsory delisting (by the exchange, as a sanction). Notified 10 June 2021.

**90%**

Acquirer holding for a successful delisting offer

**2x**

Public votes for must be twice the votes against

**3 yrs**

Cooling-off for re-listing after voluntary delisting

**10 yrs**

Promoter market ban on compulsory delisting

# Conditions & the voluntary route

## Conditions for delisting [Reg 4]

---

- **3-year rule** ≥ 3 years since listing of that class of shares.
- **No converts** no outstanding instrument convertible into those shares.
- **6-month gap** 6 months since a buy-back / preferential allotment.
- **No recent sale** acquirer must not have sold shares in the prior 6 months.
- **IBC carve-out** does not apply to delisting under a Sec 31 IBC resolution plan.

## Voluntary delisting process

---

- **From some exchanges** no exit needed if shares stay on a nationwide-terminal exchange (Reg 5).
- **From all exchanges** exit opportunity required via reverse book building (Reg 7).
- **Board approval** within 21 days of the initial public announcement (Reg 10).
- **Due diligence** by a Peer Review Company Secretary — 2 years prior (Reg 10).
- **Special resolution** public votes for ≥ 2x against; within 45 days of board nod (Reg 11).

# Reverse book building & exit price

## Price discovery & escrow

---

- **Floor price** computed under Reg 8 of the Takeover Regulations.
- **Indicative price** acquirer may offer a price above the floor.
- **Discovered price** determined through reverse book building (RBB).
- **RBB outcome** announced within 2 hours of close of bidding.
- **Escrow** 25% within 7 wd of shareholder nod; balance 75% before DPA.

## Success, counter-offer & failure

---

- **Success [Reg 21]** acquirer's post-offer holding reaches 90% of issued shares.
- **Counter-offer** if discovered price unacceptable — not below book value (Reg 22).
- **Payment** via secondary-market settlement; higher price → within 5 wd.
- **Failure** 90% not met or price rejected → offer fails; shares returned.
- **Re-offer bar** no fresh delisting offer for 6 months after failure.

# Compulsory delisting, consequences & the 2024 update

## Compulsory delisting by the exchange

- **Who** the recognised stock exchange, by order on a panel's recommendation.
- **Process** notice in  $\geq 2$  newspapers; 15 wd for representations; hearing given.
- **Valuation** the exchange appoints an independent fair valuer.
- **Exit** promoters buy out public shares at the fair value determined.

## Consequences & residual rights

- **10-year ban** promoters, WTDs & their companies barred from the market for 10 years.
- **1-year window** residual public holders may tender for at least 1 year after delisting.
- **DR cancellation** outstanding overseas depository receipts cancelled within 1 year.
- **Re-listing** voluntary — after 3 years; compulsory — after 10 years.

### NEW 2024 Amendment — voluntary delisting (notified 25 Sep 2024)

- **Fixed-price route** an alternative to RBB for frequently traded shares; price  $\geq 15\%$  above the floor (Reg 19A).
- **Counter-offer price** higher of the RBB-tendered VWAP or the indicative price (the old book-value test is removed).
- **Counter-offer threshold cut 90% → 75%** acquirer + shares tendered  $\geq 75\%$  and  $\geq 50\%$  of public shareholding tendered.
- **Success still 90%; IHC route** eligible holdcos may delist via an NCLT-sanctioned scheme — no relisting for 3 years.

# Key-numbers cheat sheet

**25%**

SAST initial trigger

**5%**

SAST creeping limit

**26%**

Min. open-offer size

**75%**

Max. non-public holding

**20%**

ICDR promoter contribution

**90%**

ICDR min. subscription

**₹15 cr**

ICDR operating profit

**120%**

ICDR price-band cap

**45 d**

LODR quarterly results

**60 d**

LODR annual results

**120 d**

LODR max board-meeting gap

**24 hrs**

LODR Reg 30 events

**90%**

Delisting success

**2x**

Delisting vote ratio

**10 yrs**

Compulsory delisting ban

**₹25 cr**

SCRA max fine

## The five enactments at a glance

Enactment	Year	Theme	Signature provision
SCRA	1956	Foundation	Recognition, listing, offences & penalties (Sec 23 series)
SAST	2011	Takeovers	25% trigger • 5% creeping • 26% open offer
ICDR	2018	Primary market	IPO eligibility, 20% promoter lock-in, ASBA, RHP
LODR	2015	Secondary market	Governance, committees, Reg 30 disclosures
Delisting	2021	Exit	Reverse book building, 90% success, 10-yr ban

**ICDR = primary market (raising capital) • LODR = secondary market (staying compliant).**

# 100 Pra

Twenty questions on each of the five enactments. Attempt first, then check the answer keys at the end.

A

SCRA, 1956

Q 1–20

B

SAST, 2011

Q 21–40

C

ICDR, 2018

Q 41–60

D

LODR, 2015

Q 61–80

E

Delisting, 2021

Q 81–100

## SCRA, 1956 — Questions 1–5

- 1** SCRA, 1956 came into force with effect from —

A) 20 February 1957    B) 30 January 1956    C) 1 April 1957    D) 12 October 2004
- 2** The primary objective of SCRA, 1956 is to —

A) regulate mutual funds    B) prevent undesirable transactions in securities    C) tax capital gains    D) license merchant bankers
- 3** SCRA, 1956 extends to —

A) only metro cities    B) only listed companies    C) the whole of India    D) only stock exchanges
- 4** The power to recognise a stock exchange has been delegated by the Central Government to —

A) RBI    B) SEBI    C) MCA    D) NCLT
- 5** “Corporatisation” [Sec 2(aa)] means succession of a recognised exchange (body of individuals/society) by —

A) a partnership firm    B) a company incorporated for the purpose    C) a trust    D) an LLP

## SCRA, 1956 — Questions 6–10

6

“Demutualisation” [Sec 2(ab)] means —

- A) merger of two exchanges    B) segregation of ownership & management from members' trading rights    C) listing of an exchange    D) winding up of an exchange

7

Post-demutualisation, public (non trading-right holders) must hold at least \_\_ of the exchange's equity within 12 months —

- A) 25%    B) 49%    C) 51%    D) 75%

8

A “spot delivery contract” [Sec 2(i)] provides for delivery and payment —

- A) within 11 days    B) on the same day or the next day    C) within T+2    D) any time within a month

9

An appeal against an exchange's refusal to list a company's securities lies to the —

- A) High Court    B) Securities Appellate Tribunal (SAT)    C) NCLT    D) Central Government

10

An appeal from an order of the SAT lies to the Supreme Court within —

- A) 30 days    B) 45 days    C) 60 days    D) 90 days

## SCRA, 1956 — Questions 11–15

11

The SAT shall endeavour to dispose of an appeal finally within —

- A) 3 months    B) 6 months    C) 9 months    D) 12 months

12

Under Sec 23A, failure to furnish information to an exchange attracts ₹1 lakh/day or \_\_, whichever is less —

- A) ₹10 lakh    B) ₹1 crore    C) ₹5 crore    D) ₹25 crore

13

Failure to comply with listing / delisting conditions (Sec 23E) attracts a penalty not exceeding —

- A) ₹1 crore    B) ₹10 crore    C) ₹25 crore    D) ₹50 crore

14

The residuary penalty under Sec 23H (no separate penalty provided) may extend to —

- A) ₹1 crore    B) ₹10 crore    C) ₹25 crore    D) ₹5 crore

15

The adjudicating officer under SCRA (Sec 23-l) must not be below the rank of —

- A) Executive Director, SEBI    B) Division Chief of SEBI    C) Whole-Time Member    D) Joint Secretary

## SCRA, 1956 — Questions 16–20

16

Contravention punishable under Sec 23 may extend to 10 years' imprisonment or a fine up to —

- A) ₹1 crore    B) ₹10 crore    C) ₹25 crore    D) ₹5 crore

17

Under Sec 28, SCRA does NOT apply to —

- A) listed companies    B) the Government, RBI and local authorities    C) stock brokers    D) merchant bankers

18

The Central Government may direct an exchange to suspend its business for a period not exceeding —

- A) 3 days    B) 7 days    C) 15 days    D) 30 days

19

A recognised stock exchange must preserve its books of account for a period not exceeding —

- A) 3 years    B) 5 years    C) 8 years    D) 10 years

20

“Securities” under Sec 2(h) includes all of the following EXCEPT —

- A) shares and debentures    B) derivatives    C) units of a mutual fund    D) actionable claims and money

## SAST, 2011 — Questions 21–25

21

The SEBI (SAST) Regulations, 2011 came into force with effect from —

- A) 23 September 2011    B) 23 October 2011    C) 1 January 2012    D) 28 July 2011

22

The initial threshold triggering a mandatory open offer (Reg 3(1)) is \_\_ or more voting rights —

- A) 15%    B) 25%    C) 26%    D) 5%

23

The creeping-acquisition limit per financial year (Reg 3(2)) for a holder of 25%+ is —

- A) 2%    B) 5%    C) 10%    D) 15%

24

The maximum permissible non-public shareholding (promoter cap) is —

- A) 51%    B) 75%    C) 90%    D) 100%

25

The minimum size of a mandatory open offer (Reg 7(1)) is —

- A) 10%    B) 20%    C) 26%    D) 50%

## SAST, 2011 — Questions 26–30

26

“Control” [Reg 2(1)(e)] includes the right to appoint —

- A) the auditor    B) a majority of directors / control management & policy    C) one director    D) the company secretary

27

“Frequently traded shares” require traded turnover of at least \_\_\_ of total shares in the preceding 12 months —

- A) 5%    B) 10%    C) 25%    D) 50%

28

The Manager to the open offer must be a SEBI-registered merchant banker who is —

- A) an associate of the acquirer    B) not an associate of the acquirer    C) the target's auditor    D) a director of the target

29

On the first ₹500 crore of consideration, the escrow deposit (Reg 17) must be —

- A) 10%    B) 25%    C) 50%    D) 100%

30

A voluntary open offer (Reg 6) must be for a minimum of —

- A) 5%    B) 10%    C) 26%    D) 15%

## SAST, 2011 — Questions 31–35

31

After completing a voluntary open offer, the acquirer cannot acquire further shares for —

- A) 3 months    B) 6 months    C) 12 months    D) 52 weeks

32

An acquirer who made any acquisition in the last 52 weeks without triggering the Code is —

- A) eligible for a voluntary offer    B) NOT eligible for a voluntary offer    C) exempt from open offer    D) barred for life

33

A copy of the public announcement must reach SEBI and the target company within —

- A) the same day    B) 1 working day    C) 2 working days    D) 5 working days

34

The “identified date” falls on the \_\_\_ working day prior to commencement of the tendering period —

- A) 5th    B) 7th    C) 10th    D) 15th

35

A competing offer must be made within \_\_\_ working days of the detailed public statement of the first offer —

- A) 7    B) 10    C) 15    D) 21

## SAST, 2011 — Questions 36–40

36

An indirect acquisition is deemed direct if the target exceeds \_\_\_ of NAV / turnover / enterprise value —

- A) 50%   B) 75%   C) 80%   D) 90%

37

A wilful defaulter or a Fugitive Economic Offender —

- A) may make an open offer with SEBI approval   B) cannot make an open offer   C) may make only a voluntary offer   D) may make a competing offer

38

A person holding 25%+ must disclose aggregate holding as on 31 March within \_\_\_ working days (Reg 30) —

- A) 2   B) 4   C) 7   D) 10

39

A promoter must disclose creation / invocation / release of a pledge within \_\_\_ working days (Reg 31) —

- A) 2   B) 4   C) 7   D) 15

40

The tendering period of an open offer (period kept open) is —

- A) 5 working days   B) 10 working days   C) 15 working days   D) 21 working days

## ICDR, 2018 — Questions 41–45

41

Minimum average pre-tax operating profit for a Main Board IPO (Profitability Route) —

- A) ₹10 crore   B) ₹15 crore   C) ₹5 crore   D) ₹25 crore

42

Under Reg 6(2) (QIB route), the % of the issue allotted to QIBs must be —

- A) 50%   B) 90%   C) 75%   D) 25%

43

The mandatory minimum subscription for an IPO to be successful is —

- A) 75%   B) 100%   C) 90%   D) 80%

44

The minimum post-issue promoter contribution is —

- A) 10%   B) 20%   C) 51%   D) 25%

45

The minimum promoter contribution (20%) is locked-in for —

- A) 1 year   B) 3 years   C) 5 years   D) 6 months

## ICDR, 2018 — Questions 46–50

46

The maximum permissible price band (cap vs floor) in a book-built IPO is —

- A) 105%   B) 110%   C) 120%   D) 150%

47

Which document excludes the final price during the bidding process —

- A) Shelf Prospectus   B) Red Herring Prospectus (RHP)   C) Abridged Prospectus   D) Letter of Offer

48

ASBA stands for —

- A) Account Settlement for Banking Assets   B) Applications Supported by Blocked Amount   C) Allotted Shares in Bank Accounts   D) Annual Securities Board Authorization

49

Minimum reservation for Retail Individual Investors (RII) in a standard IPO —

- A) 15%   B) 35%   C) 50%   D) 10%

50

Which intermediary manages the entire IPO process —

- A) Registrar to the Issue   B) Lead Merchant Banker   C) Underwriter   D) Depository Participant

## ICDR, 2018 — Questions 51–55

51

Minimum net worth requirement (profitability route, each of 3 years) —

- A) ₹1 crore    B) ₹5 crore    C) ₹3 crore    D) ₹10 crore

52

On a change of name, the % of revenue that must come from the new activity is —

- A) 25%    B) 50%    C) 75%    D) 100%

53

Who is strictly ineligible to be a Promoter —

- A) Foreign National    B) Institutional Investor    C) Fugitive Economic Offender    D) Non-Resident Indian

54

Minimum face value of equity shares for a Main Board IPO (issue price  $\geq$  ₹500) —

- A) ₹10    B) ₹1    C) ₹100    D) ₹5

55

Minimum number of days an IPO must remain open —

- A) 1 working day    B) 3 working days    C) 7 working days    D) 5 working days

## ICDR, 2018 — Questions 56–60

56

Which committee's report led to the ICDR 2018 overhaul —

- A) Kotak Committee    B) Prithvi Haldea Committee    C) Damodaran Committee    D) Narayana Murthy Committee

57

Maximum investment limit for a Retail Individual Investor (RII) —

- A) ₹1 lakh    B) ₹2 lakh    C) ₹5 lakh    D) ₹10 lakh

58

Minimum number of allottees required for a Main Board IPO —

- A) 100    B) 500    C) 1,000    D) 10,000

59

A Monitoring Agency is mandatory if the fresh issue exceeds —

- A) ₹50 crore    B) ₹100 crore    C) ₹250 crore    D) ₹500 crore

60

Max % of issue proceeds allowed for 'General Corporate Purposes' —

- A) 10%    B) 25%    C) 50%    D) No limit

## LODR, 2015 — Questions 61–65

61

**Who is mandatory to be appointed as the Compliance Officer of a listed entity —**

- A) Any Director    B) A qualified Company Secretary    C) The CFO    D) A Chartered Accountant

62

**Prior intimation to the exchange for a Board meeting to consider financial results — at least —**

- A) 2 working days    B) 5 working days    C) 7 working days    D) 11 working days

63

**Maximum time gap allowed between two consecutive Board meetings —**

- A) 90 days    B) 100 days    C) 120 days    D) 180 days

64

**The Audit Committee must consist of a minimum of —**

- A) Two directors    B) Three directors    C) Five directors    D) Four directors

65

**Minimum frequency for the Risk Management Committee to meet —**

- A) Once a year    B) Twice a year    C) Once a quarter    D) Once a month

## LODR, 2015 — Questions 66–70

66

**Outcome of a Board meeting (e.g. dividend) must be disclosed within —**

- A) 15 minutes    B) 30 minutes    C) 45 minutes    D) 60 minutes

67

**A director shall not be a member of more than \_\_\_ committees across all listed entities —**

- A) 5    B) 7    C) 10    D) 15

68

**For the Top 1000 listed entities, the Board must include at least one —**

- A) Foreign Director    B) Independent Woman Director    C) Resident Director    D) Nominee Director

69

**Material Related Party Transactions require shareholder approval through —**

- A) Special Resolution    B) Ordinary Resolution    C) Board Resolution    D) Unanimous consent

70

**Time limit for submitting quarterly financial results to the exchange —**

- A) 30 days    B) 45 days    C) 60 days    D) 15 days

## LODR, 2015 — Questions 71–75

71

Annual audited financial results must be submitted within —

- A) 45 days    B) 60 days    C) 90 days    D) 120 days

72

The Nomination & Remuneration Committee must have at least what % of Independent Directors —

- A) 33%    B) 50%    C) 66%    D) 75%

73

An RPT is 'material' if it exceeds ₹1,000 crore or \_\_\_ of annual consolidated turnover —

- A) 5%    B) 10%    C) 15%    D) 20%

74

If the Chairperson is a Non-Executive Director, the minimum proportion of Independent Directors is —

- A) 1/3rd of the Board    B) 1/2 of the Board    C) 2/3rd of the Board    D) 1/4th of the Board

75

A listed entity must maintain website disclosures for a minimum period of —

- A) 2 years    B) 3 years    C) 5 years    D) 8 years

## LODR, 2015 — Questions 76–80

76

Any change in the website content must be updated within —

- A) 1 working day    B) 2 working days    C) 24 hours    D) 7 days

77

The Board quorum for top listed entities must include at least —

- A) One Independent Director    B) Two Independent Directors    C) All Executive Directors    D) The Chairperson

78

Disclosure of material events (other than board outcomes) must generally be made within —

- A) 12 hours    B) 24 hours    C) 48 hours    D) 72 hours

79

A director shall not act as Chairperson of more than \_\_\_ committees across all listed entities —

- A) 3    B) 5    C) 10    D) 7

80

Which committee resolves grievances of security holders —

- A) Audit Committee    B) Stakeholders Relationship Committee    C) Grievance Redressal Committee    D) Ethics Committee

## Delisting, 2021 — Questions 81–85

81

The SEBI (Delisting of Equity Shares) Regulations, 2021 were notified on —

- A) 10 June 2009    B) 10 June 2021    C) 23 October 2011    D) 1 January 2021

82

A company cannot apply for delisting unless its shares have been listed for at least —

- A) 1 year    B) 2 years    C) 3 years    D) 5 years

83

In voluntary delisting from all exchanges, the exit price is discovered through —

- A) fixed price by the promoter    B) reverse book building (RBB)    C) auction by SEBI    D) average of last 60 days

84

A delisting offer is deemed successful when the acquirer's post-offer holding reaches \_\_\_ of issued shares —

- A) 75%    B) 90%    C) 51%    D) 100%

85

The special resolution for delisting succeeds only if public votes in favour are at least \_\_\_ the votes against —

- A) equal to    B) two times    C) three times    D) 75% of

## Delisting, 2021 — Questions 86–90

86

The special resolution for delisting is passed through —

- A) show of hands    B) postal ballot and/or e-voting    C) court-convened meeting    D) ordinary resolution

87

The acquirer must deposit \_\_\_ of total consideration in escrow within 7 working days of shareholders' approval —

- A) 10%    B) 25%    C) 75%    D) 100%

88

The “floor price” for delisting is computed in terms of —

- A) Companies Act, 2013    B) Regulation 8 of the Takeover Regulations    C) ICDR Reg 6    D) book value only

89

After the 2024 amendment, the counter-offer price shall not be less than the higher of —

- A) book value and face value    B) the RBB-tendered VWAP and the indicative price    C) the 60-day average and the floor price    D) the 26-week high and market price

90

The outcome of the RBB must be announced within \_\_\_ of closure of the bidding period —

- A) 30 minutes    B) 2 hours    C) 1 working day    D) 2 working days

## Delisting, 2021 — Questions 91–95

91

On failure of a delisting offer, \_\_\_ of the escrow is released to the acquirer within one working day —

- A) 25%   B) 75%   C) 99%   D) 100%

92

After a failed delisting offer, the acquirer cannot make another delisting offer for —

- A) 3 months   B) 6 months   C) 12 months   D) 24 months

93

On compulsory delisting, promoters & whole-time directors are barred from the securities market for —

- A) 3 years   B) 5 years   C) 10 years   D) life

94

The application for in-principle approval must be made within \_\_\_ working days of the special resolution —

- A) 7   B) 15   C) 21   D) 30

95

The Delisting Regulations do NOT apply to delisting pursuant to a resolution plan approved under —

- A) Sec 230, Companies Act   B) Section 31 of the IBC, 2016   C) SARFAESI Act   D) Sec 66, Companies Act

## Delisting, 2021 — Questions 96–100

96

The Board of Directors must approve the delisting proposal not later than \_\_\_ days from the IPA —

- A) 15   B) 21   C) 30   D) 45

97

Due diligence on the acquirer's dealings (2 years prior) is conducted by a —

- A) Chartered Accountant   B) Peer Review Company Secretary   C) Registered Valuer   D) Merchant Banker

98

After a successful delisting, residual public shareholders may tender shares to the acquirer for at least —

- A) 6 months   B) 1 year   C) 2 years   D) 3 years

99

The cooling-off period for re-listing after a voluntary delisting (2021 Regulations) is —

- A) 1 year   B) 3 years   C) 5 years   D) 10 years

100

Compulsory delisting is ordered by —

- A) SEBI   B) the recognised stock exchange   C) NCLT   D) the Central Government

## Questions 1–50 (SCRA • SAST • ICDR Q41–50)

1 <b>A</b>	2 <b>B</b>	3 <b>C</b>	4 <b>B</b>	5 <b>B</b>	6 <b>B</b>	7 <b>C</b>	8 <b>B</b>	9 <b>B</b>	10 <b>C</b>
11 <b>B</b>	12 <b>B</b>	13 <b>C</b>	14 <b>A</b>	15 <b>B</b>	16 <b>C</b>	17 <b>B</b>	18 <b>B</b>	19 <b>B</b>	20 <b>D</b>
21 <b>B</b>	22 <b>B</b>	23 <b>B</b>	24 <b>B</b>	25 <b>C</b>	26 <b>B</b>	27 <b>B</b>	28 <b>B</b>	29 <b>B</b>	30 <b>B</b>
31 <b>B</b>	32 <b>B</b>	33 <b>B</b>	34 <b>C</b>	35 <b>C</b>	36 <b>C</b>	37 <b>B</b>	38 <b>C</b>	39 <b>C</b>	40 <b>B</b>
41 <b>B</b>	42 <b>C</b>	43 <b>C</b>	44 <b>B</b>	45 <b>B</b>	46 <b>C</b>	47 <b>B</b>	48 <b>B</b>	49 <b>B</b>	50 <b>B</b>

*Tip: most distractors are adjacent values — anchor on the exact figure, not the ballpark.*

## Questions 51–100 (ICDR • LODR • Delisting)

51 <b>A</b>	52 <b>B</b>	53 <b>C</b>	54 <b>B</b>	55 <b>B</b>	56 <b>B</b>	57 <b>B</b>	58 <b>C</b>	59 <b>B</b>	60 <b>B</b>
61 <b>B</b>	62 <b>B</b>	63 <b>C</b>	64 <b>B</b>	65 <b>B</b>	66 <b>B</b>	67 <b>C</b>	68 <b>B</b>	69 <b>B</b>	70 <b>B</b>
71 <b>B</b>	72 <b>B</b>	73 <b>B</b>	74 <b>A</b>	75 <b>C</b>	76 <b>B</b>	77 <b>A</b>	78 <b>B</b>	79 <b>B</b>	80 <b>B</b>
81 <b>B</b>	82 <b>C</b>	83 <b>B</b>	84 <b>B</b>	85 <b>B</b>	86 <b>B</b>	87 <b>B</b>	88 <b>B</b>	89 <b>B</b>	90 <b>B</b>
91 <b>C</b>	92 <b>B</b>	93 <b>C</b>	94 <b>B</b>	95 <b>B</b>	96 <b>B</b>	97 <b>B</b>	98 <b>B</b>	99 <b>B</b>	100 <b>B</b>

*Tip: most distractors are adjacent values — anchor on the exact figure, not the ballpark.*



## Key

- 1 SCRA is the foundation — it recognises exchanges, governs listing and supplies the penalty & adjudication machinery (Sec 23 series, SAT, Supreme Court).
- 2 SAST protects public shareholders on a change of control — master the 25% / 5% / 26% / 75% quartet.
- 3 ICDR is the primary market and LODR the secondary market — entry norms vs. continuous compliance.
- 4 Delisting is the exit — reverse book building, the 90% success test, and the 3-year / 10-year re-listing bars.

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*For information and educational purposes only.*

## Objective & Definitions

- Prevent undesirable transactions; regulate stock exchanges
- Spot delivery — same/next day; ready delivery — within 11 days
- Options in securities: teji, mandi, put, call
- Derivatives (Sec. 18A) valid only if traded on RSE & cleared by its CC
- Sec. 13: off-RSE transactions illegal; Sec. 14: contra-bye-law contracts void

## Penalty Framework

- 23A: failure to furnish info → ₹1L/day up to ₹1 Cr
- 23E: listing non-compliance → ₹5L to ₹25 Cr
- 23F: delisting non-compliance → ₹5L to ₹25 Cr
- 23H: residual → ₹1L to ₹1 Cr
- Sec. 23 criminal: up to 10 yrs or fine up to ₹25 Cr

# LODR 2015 — Governance & Key Timelines

Reg. 2–50

Requirement / Event	Threshold / Number	Reg.
Board meetings	4 / FY; max 120 days apart	17(2)
Audit Committee — independent	At least 2/3 independent	18
Risk Management Committee	Top 1,000 by market cap; 2x / FY	21
Annual audited results	Within 60 days of FY-end	33
Quarterly shareholding pattern	Within 21 days of quarter	31
Annual report to holders	≥ 21 days before AGM	36(2)
Fine / penalty disclosure	≥ ₹1L sectoral / ₹10L other → 24 hrs	Sch. III
Website content update	Within 2 working days	46
Top 100 entities — AGM	Within 5 months of FY-end	44(5)

## ⇒ SAST 2011 — Takeover

- Open-offer trigger: acquirer + PACs  $\geq$  25% (Reg. 3(1))
- Creeping acquisition: 25–75% may add 5%/FY (gross) (Reg. 3(2))
- Any acquisition of CONTROL triggers an open offer
- Open-offer size: minimum 26% (Reg. 7(1))
- Threshold-crossing disclosure within 2 working days (Reg. 29)
- Post-offer restriction: 6 months (Reg. 22)

## 📄 ICDR 2018 — Capital Issues

- Profitability route: NTA  $\geq$  ₹3 Cr; avg op. profit  $\geq$  ₹15 Cr; NW  $\geq$  ₹1 Cr
- Book-building: loss-making eligible if  $\geq$  75% to QIBs
- Min. promoter contribution  $\geq$  20%; lock-in 3 yrs (excess 1 yr)
- Allocation: QIB 50% · NII 15% · RII 35% (Reg. 50)
- Min. subscription 90%; else refund in 15 days
- SME platform: ₹10 Cr–₹25 Cr; 100% underwriting; market maker

## Delisting 2021

- Disqualified: < 3 yrs since listing; < 6 months since buyback
- Acquirer cannot use company's own funds
- Voluntary delisting: 2/3 of public shareholders via postal ballot
- Discovered price when acquirer + tendered  $\geq$  90%
- Re-attempt only after 12 months; re-listing barred 5 years
- Post-delisting exit window: 1 year at discovered price

## LODR 3rd Amendment 2024

- 'Material subsidiary': 'income' replaced by 'TURNOVER'
- Compliance Officer must be a whole-time KMP one level below Board
- Half-yearly compliance certificate removed
- NED turning 75: Special Resolution BEFORE attaining age
- SR Equity Shares definition inserted (tech founders)
- Rank 1001–2000:  $\geq$  1 woman Independent Director
- Acquisition disclosure threshold raised 5%  $\rightarrow$  20% (material)

## MODULE 12

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# Case Studies, Illustrations & Quick Reference

*Problem-based learning + ready-reckoner tables*



## Company Law

- Private placement vs public issue distinction
- Validity of allotment without minimum subscription
- Variation of class rights & dissenting shareholders
- DVR shares & preference dividend arrears voting
- Acceptance / repayment of deposits
- Buy-back & bonus issue conditions



## CAA, Charges & Accounts

- Eligible entities for Fast-Track Merger
- CDR consent — 75% vs 90% scenarios
- Sec. 235 dissenting-shareholder notice timeline
- Effect of NCLT order on pending litigation
- Charge registration & condonation timeline
- Audit Committee composition & XBRL applicability

## Partnership & LLP

- Liability of a firm for a partner's act (implied authority)
- Effect of non-registration — who can sue whom (Sec. 69)
- Minor admitted to benefits — rights & election on majority
- Dissolution grounds — by Court vs by notice
- Body corporate as an LLP partner; DP vacancy consequences
- Conversion of firm / company into LLP; holding-out liability

## SEBI Regulations

- Open-offer trigger — identifying the 25% breach
- Creeping acquisition — gross vs net calculation
- Cross-border merger — RBI approval requirement
- FTM eligibility — testing the ₹200 Cr combined limit
- Book-building IPO for a loss-making company; QIB allocation
- Delisting 90% success; LODR 24-hour disclosure rule

# Worked Illustration — Partnership Liability

8-mark model

## Facts:

- A, B & C are partners in an unregistered firm. C, without authority, buys goods on credit from T in the firm name for the usual business. The firm refuses to pay; T sues the firm. A also sues C for the loss.

## ✔ T's suit against the firm

- C is an agent of the firm (Sec. 18)
- Buying goods for usual business is within implied authority (Sec. 19)
- Firm bound; liability joint & several (Sec. 25)
- Non-registration is NO bar to a third party (Sec. 69) → T succeeds

## ✘ A's suit against C

- A & C are co-partners of an unregistered firm
- Sec. 69(1) bars a partner from suing co-partners on a contractual right
- A's suit is not maintainable until the firm is registered
- Conclusion: register the firm to enforce inter-se rights

# Quick Reference — Companies Act Timelines

Ready Reckoner

Event / Action	Timeline	Section
Annual Return filing	Within 60 days of AGM	92
Financial Statements filing	30 days of AGM (180 days OPC)	137
Registration of charge	30 + 30 + 60 (condonation)	77–79
1st AGM / subsequent	9 months / 6 months from FY-end	96
Prospectus validity	90 days from filing	26
Allotment of PP securities	60 days; refund in next 15 days	42
AGM notice period	21 days (14 for Sec. 8)	101
Appeal NCLT → NCLAT	45 days (+45)	421
Restoration of struck-off name	Appeal 3 yrs; company 20 yrs	252

# Quick Reference — Partnership, LLP, CAA & SEBI

Ready Reckoner

Topic	Key Number	Reference
Partnership — max partners	50	Rule 10, Cos. Misc. Rules
Partnership — non-registration bar	Partner can't sue firm/co-partners	Sec. 69
Partnership — interest on advances	6% p.a.	Sec. 13
LLP — min partners / DPs	2 partners; 2 DPs (1 resident)	Sec. 6, 7
LLP — Annual Return (Form 11)	Within 60 days of FY close	Sec. 35
Small LLP	Contribution ≤ ₹25L & T/O ≤ ₹40L	Sec. 2(ta)
CAA — FTM (unlisted, 2024)	Loans/debentures/deposits ≤ ₹200 Cr	Rule 25
SAST — open-offer trigger / size	≥ 25% / min 26%	Reg. 3(1), 7(1)
ICDR — promoter lock-in	20% → 3 yrs; excess → 1 yr	Reg. 16

# Appendix — Forms & E-Filing Ready Reckoner

MCA Forms

Form	Purpose	Timeline / Trigger
SPICe+ (INC-32)	Company incorporation (integrated)	At formation
INC-12	Section 8 licence application	Before incorporation
MGT-7 / 7A	Annual Return (7A for OPC & small co.)	60 days of AGM
AOC-4	Filing of Financial Statements	30 days of AGM
CHG-1 / CHG-4	Creation / satisfaction of charge	30 days (+300 condonation)
PAS-3	Return of allotment	15 days of allotment
DIR-12	Appointment / change of director	30 days
DPT-3	Return of deposits / exempt receipts	30 June annually
FiLLiP	LLP incorporation	At formation
LLP Form 11	LLP Annual Return	60 days of FY close
LLP Form 8	Statement of Account & Solvency	30 October
STK-2	Application for strike-off	Voluntary removal

## Monetary Penalties

- Adjudication of penalties by RoC / Adjudicating Officer — Sec. 454
- Appeal against AO order to Regional Director within 60 days — Sec. 454(5)
- Small co. & OPC: penalty capped at 50% (max ₹2L co. / ₹1L officer) — Sec. 446B
- Continuing default: per-day penalty up to prescribed ceiling
- Repeat offence within 3 yrs: twice the penalty amount — Sec. 451
- Fraud (Sec. 447): 6 months–10 yrs + fine up to 3x the amount

## Compounding of Offences

- Compounding under Sec. 441 for offences punishable with fine (or fine + imprisonment)
- RD compounds where max fine  $\leq$  ₹25L; above that, NCLT
- Not compoundable: offences punishable with imprisonment only, or imprisonment + fine
- No compounding if similar offence compounded within preceding 3 yrs
- Application via Form GNL-1 to RoC for onward submission
- Compounding  $\neq$  acquittal; default must first be made good

# Appendix — Abbreviations & Glossary

## Quick Glossary

Abbr.	Meaning	Abbr.	Meaning
RoC	Registrar of Companies	NCLT	National Company Law Tribunal
RD	Regional Director	NCLAT	NCL Appellate Tribunal
AO	Adjudicating Officer	CAA	Compromise, Arrangement & Amalgamation
KMP	Key Managerial Personnel	FTM	Fast-Track Merger (Sec. 233)
OPC	One Person Company	DP	Designated Partner (LLP)
PP	Private Placement (Sec. 42)	T/O	Turnover
CSR	Corporate Social Responsibility	DVR	Differential Voting Rights
LODR	Listing Obligations & Disclosure Req.	SAST	Substantial Acquisition of Shares & Takeovers
ICDR	Issue of Capital & Disclosure Req.	SCRA	Securities Contracts (Regulation) Act

**PART B**

# **Case Studies & Application**

*35 case studies · 175 questions with suggested answers across 7 high-yield topics*

CASE-STUDY TOPIC 1

---

# Winding-Up & Liquidation

*Tribunal winding-up · IBC voluntary liquidation · priority of claims*

**5 case studies · 25 questions**

## FACTS

XYZ Ltd has not filed its financial statements and annual returns for the last six consecutive financial years. The Registrar, after giving the company an opportunity, moves to have it wound up. In one instance the company's affairs were also found prejudicial to public order.

## QUESTIONS

- Q1** On what grounds may a company be wound up by the Tribunal?
- Q2** Is non-filing of financials/returns for 5 years a valid ground?
- Q3** Who may present a winding-up petition?
- Q4** Can the Registrar petition, and with whose sanction?
- Q5** Is 'just and equitable' a residual ground?

# Winding-Up — Case Study 1: Suggested Answers

Sec. 271–272

## SUGGESTED ANSWERS

- Q1** Grounds: special resolution to wind up; acts against sovereignty/integrity/security of India or public order; fraudulent/unlawful conduct; default in filing financials or returns for 5 consecutive FYs; just & equitable. *[Sec. 271]*
- Q2** Yes — default in filing financial statements or annual returns for the immediately preceding five consecutive financial years is a specific statutory ground. *[Sec. 271(d)]*
- Q3** The company, a contributory, the Registrar, any person authorised by the Central Government, or the CG/State Government. *[Sec. 272]*
- Q4** Yes — but only with the previous sanction of the Central Government and after giving the company a reasonable opportunity of being heard. *[Sec. 272(3)]*
- Q5** Yes — 'just and equitable' is a wide residual discretionary ground for the Tribunal. *[Sec. 271(e)]*

## FACTS

ABC Pvt Ltd is fully solvent, has nominal debts, and its members wish to wind it up voluntarily. The directors are willing to make a declaration of solvency supported by audited accounts and asset valuation.

## QUESTIONS

- Q1** Under which law is voluntary winding-up of a solvent company now carried out?
- Q2** What declaration must the directors make?
- Q3** What approvals are needed to commence voluntary liquidation?
- Q4** Who acts as the liquidator?
- Q5** Within what time must the resolution be notified to the ROC and IBBI?

# Winding-Up — Case Study 2: Suggested Answers

IBC Sec. 59

## SUGGESTED ANSWERS

- Q1** Voluntary liquidation of a corporate person is governed by Section 59 of the IBC, 2016 (the Companies Act provisions on voluntary winding-up were omitted). *[IBC Sec. 59]*
- Q2** A declaration of solvency by a majority of directors, verified by affidavit, that the company will pay its debts in full from the proceeds of its assets — with audited financials and a valuation report. *[IBC Sec. 59(3)]*
- Q3** A special resolution of members within 4 weeks of the declaration; and, if the company owes debt, approval of creditors representing two-thirds in value of the debt. *[IBC Sec. 59(3)]*
- Q4** An Insolvency Professional (IP) is appointed to act as the liquidator. *[IBC Sec. 59]*
- Q5** The resolution (and creditors' approval, if any) must be notified to the ROC and the IBBI within seven days. *[IBC Sec. 59(4)]*

## FACTS

PQR Ltd is being wound up by the Tribunal and its assets are insufficient to meet all claims. Outstanding are workmen's dues, dues of secured creditors who have relinquished their security, government taxes and ordinary unsecured creditors.

## QUESTIONS

- Q1** What are 'overriding preferential payments'?
- Q2** How are workmen's dues and secured creditors' dues ranked inter se?
- Q3** Where do government dues rank?
- Q4** Which provision governs distribution in an IBC liquidation?
- Q5** Do Sections 326/327 apply to an IBC liquidation?

# Winding-Up — Case Study 3: Suggested Answers

Sec. 326–327

## SUGGESTED ANSWERS

- Q1** Workmen's dues and the debts of secured creditors (to the extent security is relinquished/unrealised) are overriding preferential payments, paid in priority to all other debts. *[Sec. 326]*
- Q2** They rank pari passu; if assets are insufficient, they abate in equal proportions. *[Sec. 326]*
- Q3** Government taxes/revenues are preferential payments ranking after overriding preferential payments but ahead of ordinary unsecured creditors. *[Sec. 327]*
- Q4** Distribution follows the waterfall mechanism under Section 53 of the IBC, 2016. *[IBC Sec. 53]*
- Q5** No — Sec. 326/327 do not apply to liquidation under the IBC; the IBC Sec. 53 waterfall governs. They apply only to winding-up by the Tribunal under the Companies Act. *[Sec. 327(7)]*

## FACTS

On a winding-up order, the Tribunal appoints a Company Liquidator. Certain assets must be realised, the business must be continued briefly for a beneficial sale, and pending suits need to be handled.

## QUESTIONS

- Q1** Who may be appointed as a Company Liquidator?
- Q2** Must the liquidator disclose conflicts, and within what time?
- Q3** What is the effect of the winding-up order on the company's officers?
- Q4** Can the liquidator carry on the business of the company?
- Q5** Under whose supervision does the liquidator function?

# Winding-Up — Case Study 4: Suggested Answers

Sec. 275, 290

## SUGGESTED ANSWERS

- Q1** An Insolvency Professional registered with the IBBI is appointed as the (provisional/Company) Liquidator. *[Sec. 275]*
- Q2** Yes — the liquidator must file a declaration disclosing any conflict of interest or lack of independence, generally within seven days of appointment. *[Sec. 275(4)]*
- Q3** The order operates in favour of all creditors and contributories; the powers of the Board/officers cease and vest in the liquidator (save as continued). *[Sec. 277]*
- Q4** Yes — with the sanction of the Tribunal, the liquidator may carry on the business so far as necessary for the beneficial winding-up of the company. *[Sec. 290]*
- Q5** Under the overall supervision and directions of the Tribunal, to which the liquidator submits periodic reports. *[Sec. 290, 348]*

## FACTS

Two equal (50:50) shareholders of a closely-held 'quasi-partnership' company reach a complete management deadlock and mutual trust breaks down. The company is profitable. One shareholder petitions for winding-up on the just-and-equitable ground.

## QUESTIONS

- Q1** Can a profitable company be wound up?
- Q2** What does the 'just and equitable' ground cover?
- Q3** Is a complete deadlock a recognised ground?
- Q4** Will the Tribunal order winding-up if an alternative remedy exists?
- Q5** What alternative remedy might the Tribunal point to?

# Winding-Up — Case Study 5: Suggested Answers

Sec. 271(e), 273

## SUGGESTED ANSWERS

- Q1** Yes — solvency/profitability is not a bar; a company may be wound up on the just-and-equitable ground even if profitable. *[Sec. 271(e)]*
- Q2** A wide residual ground covering deadlock, loss of substratum, fraud and breakdown of mutual confidence in a quasi-partnership. *[Sec. 271(e)]*
- Q3** Yes — a complete deadlock in a quasi-partnership is a classic just-and-equitable ground for winding-up. *[Sec. 271(e)]*
- Q4** The Tribunal may refuse if some other remedy is available and the petitioner is acting unreasonably in seeking winding-up instead of that remedy. *[Sec. 273(2)]*
- Q5** Relief against oppression & mismanagement, or a buy-out of one group's shares. *[Sec. 241–242]*

## CASE-STUDY TOPIC 2

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# Compromise, Arrangement & Amalgamation

*Schemes · Fast-Track Merger · minority squeeze-out · cross-border*

**5 case studies · 25 questions**

## FACTS

A Ltd proposes a scheme of arrangement with its creditors. At the NCLT-convened meeting, of the creditors present and voting, 80% in value and 60% in number vote in favour of the scheme. A creditor holding 3% of the debt objects.

## QUESTIONS

- Q1** What majority is required to approve a scheme under Sec. 230?
- Q2** Is the scheme approved on these figures?
- Q3** Who may apply for a compromise or arrangement?
- Q4** Whose objection to the scheme is maintainable?
- Q5** Within what time is the Tribunal's order filed with the ROC?

## SUGGESTED ANSWERS

- Q1** Approval by a majority of persons representing three-fourths (75%) in value of the creditors/members (or class) present and voting, in person or by proxy/postal ballot. *[Sec. 230(6)]*
- Q2** Yes — 75% in value is met (80% achieved) along with a majority in number (60%); the scheme is approved. *[Sec. 230(6)]*
- Q3** The company, any creditor, any member, or — where the company is being wound up — the liquidator. *[Sec. 230(1)]*
- Q4** Objections may be made only by persons holding  $\geq 10\%$  of the shareholding or having  $\geq 5\%$  of the total outstanding debt; the 3% creditor's objection is not maintainable. *[Sec. 230(4)]*
- Q5** A certified copy of the order is filed with the ROC within thirty days of its receipt. *[Sec. 230(8)]*

## FACTS

H Ltd holds 100% of the equity of S Ltd (a wholly-owned subsidiary). They wish to merge quickly and avoid the time and cost of approaching the NCLT.

## QUESTIONS

- Q1** Are they eligible for a Fast-Track Merger?
- Q2** Which authority approves a Fast-Track Merger?
- Q3** What member and creditor approvals are required?
- Q4** What is filed, and to whom, for objections?
- Q5** What happens if the Regional Director has objections?

## SUGGESTED ANSWERS

**Q1** Yes — Fast-Track Merger is available to two or more small companies, a holding company and its wholly-owned subsidiary, and other prescribed classes; a holding–WOS merger qualifies. *[Sec. 233(1)]*

**Q2** The Central Government acting through the Regional Director — not the NCLT. *[Sec. 233]*

**Q3** Members holding  $\geq 90\%$  of the total number of shares and creditors representing  $\geq 9/10$ th (90%) in value approve (by meeting or written consent). *[Sec. 233(1)]*

**Q4** A notice inviting objections is filed with the ROC and the Official Liquidator; a declaration of solvency is filed; the scheme is filed with the Regional Director. *[Sec. 233(1)–(3)]*

**Q5** If the RD/ROC/OL has objections, the RD may apply to the NCLT to consider the scheme under the normal Sec. 232 route; otherwise the RD confirms and registers it. *[Sec. 233(4)–(5)]*

## FACTS

The NCLT sanctions the merger of T Ltd into Transferee Ltd. The scheme specifies an 'appointed date'. Some litigation is pending against T Ltd and several assets stand in its name.

## QUESTIONS

- Q1** From which date does the merger take effect?
- Q2** What happens to the property and liabilities of the transferor?
- Q3** What happens to pending legal proceedings?
- Q4** Within what time is the order filed with the ROC?
- Q5** Is the transferor wound up, and how is it dissolved?

## SUGGESTED ANSWERS

- Q1** The scheme takes effect from the 'appointed date' specified in it (which cannot be later than the date of the scheme). *[Sec. 232(6)]*
- Q2** All property, rights and liabilities of the transferor are transferred to, and vest in, the transferee company. *[Sec. 232(4)]*
- Q3** Pending proceedings by or against the transferor continue by or against the transferee. *[Sec. 232(4)]*
- Q4** A certified copy of the order is filed with the ROC within thirty days. *[Sec. 232(5)]*
- Q5** The transferor is dissolved without winding-up upon the order taking effect/registration. *[Sec. 232(3)]*

## FACTS

Following a share-exchange, Acquirer Ltd has become the registered holder of 92% of the equity share capital of Target Ltd. It now wishes to acquire the remaining 8% held by the minority.

## QUESTIONS

- Q1** Which provision governs the purchase of minority shareholding?
- Q2** What is the threshold for invoking it?
- Q3** How is the price for the minority shares determined?
- Q4** Can the minority also compel a buy-out?
- Q5** Under Sec. 235, what approval lets an acquirer compulsorily acquire dissenters?

## SUGGESTED ANSWERS

- Q1** Purchase of minority shareholding is governed by Sec. 236. *[Sec. 236]*
- Q2** An acquirer (with PACs) holding  $\geq 90\%$  of the equity may notify and buy out the minority; the minority may also be bought out. *[Sec. 236(1)–(2)]*
- Q3** At a price determined by a registered valuer in accordance with prescribed rules. *[Sec. 236(2)]*
- Q4** Yes — the minority shareholders may also offer to sell their shares to the majority at the price so determined. *[Sec. 236(3)]*
- Q5** Where the scheme/contract is approved by holders of  $\geq 9/10$ th in value of the shares (within 4 months), the transferee may notify dissenters to acquire their shares on the same terms. *[Sec. 235]*

## FACTS

Indus Ltd, an Indian company, proposes to merge with a company incorporated in Singapore, which is a jurisdiction notified by the Central Government for the purpose of cross-border mergers.

## QUESTIONS

- Q1** Is a cross-border merger permitted under the Act?
- Q2** Which approval, besides the NCLT, is mandatory?
- Q3** Can an Indian company merge into a foreign company (outbound)?
- Q4** What may the consideration comprise?
- Q5** What 2024 change eased 'reverse-flip' mergers?

## SUGGESTED ANSWERS

- Q1** Yes — Chapter XV applies mutatis mutandis to mergers between Indian companies and foreign companies of notified jurisdictions. *[Sec. 234(1)]*
- Q2** Prior approval of the Reserve Bank of India is mandatory. *[Sec. 234(2)]*
- Q3** Yes — both inbound and outbound mergers with companies of notified jurisdictions are permitted. *[Sec. 234(2)]*
- Q4** Cash, or depository receipts, or a combination of both, as provided in the scheme. *[Sec. 234(2)]*
- Q5** The CAA Amendment Rules 2024 (eff. 17 Sep 2024) brought reverse-flip mergers (foreign holding co. into its wholly-owned Indian subsidiary) under the Fast-Track route with RBI approval. *[Rule 25A]*

CASE-STUDY TOPIC 3

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# Section 8 Companies

*Licence · exemptions · restrictions · revocation · conversion*

**5 case studies · 25 questions**

## FACTS

A group of philanthropists wishes to form a company to promote education. Its profits are to be applied solely to its objects and the payment of dividends to members is to be prohibited.

## QUESTIONS

- Q1** Under which provision can they incorporate such a company?
- Q2** Who grants the licence and in which form?
- Q3** Must the name contain the word 'Limited'?
- Q4** Can it be incorporated as a One Person Company?
- Q5** Can a partnership firm be a member?

# Section 8 — Case Study 1: Suggested Answers

## SUGGESTED ANSWERS

- Q1** Under Section 8 of the Companies Act, 2013 (a company with charitable/not-for-profit objects). [Sec. 8(1)]
- Q2** The Central Government (powers delegated to the ROC); the licence is granted in Form INC-12. [Sec. 8(1)]
- Q3** No — a Sec. 8 company is exempt from using 'Limited' or 'Private Limited' in its name. [Sec. 8(1)]
- Q4** No — a Sec. 8 company cannot be incorporated or converted into a One Person Company. [Rule 3, *Incorp. Rules*]
- Q5** Yes — a firm may be a member of a Sec. 8 company. [Sec. 8(3)]

## FACTS

A newly licensed Sec. 8 company seeks clarity on how its board-meeting, general-meeting and governance requirements differ from those of an ordinary company.

## QUESTIONS

- Q1** How often must its Board meet?
- Q2** What is the AGM notice period?
- Q3** Is an Independent Director required?
- Q4** Are its directorships counted towards the Sec. 165 cap?
- Q5** Who may be appointed as its Company Secretary?

# Section 8 — Case Study 2: Suggested Answers

Exemption Notif. 2015

## SUGGESTED ANSWERS

- Q1** At least one Board meeting within every six calendar months (relaxed requirement). *[Sec. 173 (modified)]*
- Q2** Fourteen days' notice, instead of the usual twenty-one days. *[Sec. 101 (modified)]*
- Q3** No — the Independent Director provisions do not apply to a Sec. 8 company. *[Sec. 149(4) N/A]*
- Q4** No — directorship in a Sec. 8 company is not counted towards the limit of twenty companies. *[Sec. 165 N/A]*
- Q5** The Company Secretary need not be a member of the ICSI. *[Exemption Notif.]*

## FACTS

A Sec. 8 company has crossed the CSR thresholds. Its board wishes to declare a dividend to members, issue bonus shares and alter the objects clause of its memorandum.

## QUESTIONS

- Q1** Can it pay a dividend to its members?
- Q2** Is it subject to CSR under Sec. 135?
- Q3** Can it alter its memorandum/objects freely?
- Q4** Can it amalgamate with a for-profit company?
- Q5** Can it issue bonus shares to members?

# Section 8 — Case Study 3: Suggested Answers

Sec. 8, 135

## SUGGESTED ANSWERS

- Q1** No — payment of dividend to members is prohibited; profits must be applied to promoting its objects. [Sec. 8(1)]
- Q2** Yes — Sec. 8 companies are NOT exempt from CSR if they meet the Sec. 135 thresholds. [Sec. 135]
- Q3** No — alteration of the memorandum/articles requires the prior approval of the Central Government. [Sec. 8(4)]
- Q4** No — it may amalgamate only with another Sec. 8 company having similar objects. [Sec. 8(4) proviso]
- Q5** No — it cannot issue bonus shares or otherwise distribute profits to members. [Sec. 8(1)]

## FACTS

On inspection, a Sec. 8 company is found to be conducting its affairs fraudulently and in a manner contrary to its objects and prejudicial to the public interest.

## QUESTIONS

- Q1** Who can revoke the licence?
- Q2** On what grounds may the licence be revoked?
- Q3** What procedural safeguard must be observed?
- Q4** What may the Government direct on revocation?
- Q5** What penalties apply for contravention of Sec. 8?

# Section 8 — Case Study 4: Suggested Answers

Sec. 8(6)

## SUGGESTED ANSWERS

- Q1** The Central Government may revoke the licence. [Sec. 8(6)]
- Q2** Where the company contravenes Sec. 8 or its affairs are conducted fraudulently / against its objects / prejudicial to public interest. [Sec. 8(6)]
- Q3** The Government must give written notice and a reasonable opportunity of being heard before revocation. [Sec. 8(6) proviso]
- Q4** It may direct conversion (adding 'Limited'/'Private Limited'), or order amalgamation or winding-up. [Sec. 8(7)–(9)]
- Q5** Company ₹10 lakh–₹1 crore; officers up to 3 years or ₹25,000–₹25 lakh; fraudulent conduct attracts Sec. 447. [Sec. 8(11)]

## FACTS

A Sec. 8 company now wishes to convert into an ordinary private limited company so that it can distribute profits to its members.

## QUESTIONS

- Q1** Is conversion permitted?
- Q2** What approval is required for conversion?
- Q3** What resolution/forms are needed?
- Q4** What happens to accumulated income built from concessions?
- Q5** Can it convert into an OPC?

# Section 8 — Case Study 5: Suggested Answers

Rule 21–22

## SUGGESTED ANSWERS

- Q1** Yes — conversion is permitted subject to the Incorporation Rules and Government approval. *[Rule 21–22]*
- Q2** Prior approval of the Regional Director (CG-delegated), after a special resolution and surrender/alteration of the licence. *[Sec. 8(4); Rule 21]*
- Q3** A special resolution; application to the RD in Form INC-18; advertisement in Form INC-19; and filing of Form INC-20. *[Rule 22]*
- Q4** The RD may impose conditions — e.g., transfer of accumulated assets/income (built from concessions) to another Sec. 8 company or to the IEPF. *[Rule 22]*
- Q5** No — it cannot convert into a One Person Company. *[Rule 3]*

## CASE-STUDY TOPIC 4

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# Meetings & Books under Companies Act

*AGM/EOGM · quorum & proxies · resolutions · books of account · registers*

**5 case studies · 25 questions**

## FACTS

DEF Ltd was incorporated on 1 April 2023 with a financial year ending 31 March. Its first financial year closed on 31 March 2024, but the company has not yet held any Annual General Meeting.

## QUESTIONS

- Q1** By when must the first AGM be held?
- Q2** What is the maximum permissible gap between two AGMs?
- Q3** Can the ROC extend the time for holding an AGM?
- Q4** On what day, time and place can an AGM be held?
- Q5** What is the remedy if the company defaults in holding an AGM?

# Meetings & Books — Case Study 1: Suggested Answers

Sec. 96–97

## SUGGESTED ANSWERS

- Q1** The first AGM must be held within nine months of the close of the first financial year, i.e., by 31 December 2024. *[Sec. 96(1)]*
- Q2** Not more than fifteen months may elapse between two AGMs (subsequent AGMs within six months of FY close). *[Sec. 96(1)]*
- Q3** Yes — the ROC may extend the time (other than for the first AGM) by up to three months for special reasons. *[Sec. 96(1) proviso]*
- Q4** During business hours (9 a.m.–6 p.m.), on a day that is not a National Holiday, at the registered office or another place in the same city/town/village (subject to relaxations). *[Sec. 96(2)]*
- Q5** Any member may apply to the Tribunal, which may call or direct the calling of the AGM. *[Sec. 97]*

## FACTS

GHI Ltd, a public company with 6,000 members on its register, convenes a general meeting. At the appointed time only 12 members are personally present; several others have sent proxies.

## QUESTIONS

- Q1** What is the quorum for this meeting?
- Q2** Is the quorum met?
- Q3** Who may be a proxy and how many members can one proxy represent?
- Q4** Does a proxy count towards the quorum?
- Q5** What happens if the quorum is not present?

# Meetings & Books — Case Study 2: Suggested Answers

Sec. 103, 105

## SUGGESTED ANSWERS

**Q1** For a public company with more than 5,000 members, the quorum is 30 members personally present. *[Sec. 103(1)]*

**Q2** No — only 12 members are present, so the quorum of 30 is not met. *[Sec. 103(1)]*

**Q3** A proxy need not be a member; one person may act as proxy for up to 50 members holding in aggregate not more than 10% of the voting share capital. *[Sec. 105]*

**Q4** No — a proxy is not counted towards the quorum, which requires members personally present. *[Sec. 103]*

**Q5** The meeting is adjourned to the same day next week (or as the Board decides); if quorum is again absent, the members present form the quorum (AGM); a requisitioned EOGM stands cancelled. *[Sec. 103(2)–(3)]*

## FACTS

JKL Ltd wishes to alter its articles of association and to appoint a new auditor at a general meeting, and is examining the notice and majority requirements for each item.

## QUESTIONS

- Q1** What length of notice is required for a general meeting?
- Q2** What majority is required to alter the articles?
- Q3** What is a 'special resolution'?
- Q4** Can a meeting be validly called at shorter notice?
- Q5** Is alteration of articles an ordinary or a special resolution?

# Meetings & Books — Case Study 3: Suggested Answers

Sec. 101, 114

## SUGGESTED ANSWERS

- Q1** At least twenty-one clear days' notice, in writing or by electronic mode. *[Sec. 101(1)]*
- Q2** A special resolution is required to alter the articles of association. *[Sec. 14(1)]*
- Q3** A resolution passed by not less than three-fourths of the votes cast, with notice specifying the intention to propose it as a special resolution. *[Sec. 114(2)]*
- Q4** Yes — with the consent of at least 95% of the members entitled to vote at the meeting. *[Sec. 101(1) proviso]*
- Q5** A special resolution. *[Sec. 14]*

## FACTS

MNO Ltd keeps part of its books of account at a branch office and partly in electronic form. The managing director seeks clarity on the place of keeping, electronic maintenance and retention period.

## QUESTIONS

- Q1** Where must the books of account be kept?
- Q2** Can they be kept at a place other than the registered office?
- Q3** May books be maintained in electronic form?
- Q4** For how many years must the books be preserved?
- Q5** Who is responsible and what is the penalty for default?

# Meetings & Books — Case Study 4: Suggested Answers

Sec. 128

## SUGGESTED ANSWERS

**Q1** At the registered office, kept on an accrual basis and the double-entry system, giving a true and fair view. [Sec. 128(1)]

**Q2** Yes — the Board may keep them at any other place in India and must file a notice with the ROC (Form AOC-5) within seven days. [Sec. 128(1) proviso]

**Q3** Yes — books may be maintained in electronic mode, retained intact and remaining accessible in India, as prescribed. [Sec. 128; Rule 3]

**Q4** For at least eight financial years immediately preceding (or the period of existence, if shorter); longer if an investigation is ordered. [Sec. 128(5)]

**Q5** The MD, the whole-time director in charge of finance, the CFO or other person charged by the Board; penalty ₹50,000 to ₹5,00,000. [Sec. 128(6)]

## FACTS

PQR Ltd has not maintained its register of members correctly and is now preparing to file its annual return for the financial year.

## QUESTIONS

- Q1** Which registers must a company maintain under Sec. 88?
- Q2** Where are these registers ordinarily kept?
- Q3** What is the annual return and in which form is it filed?
- Q4** By when must the annual return be filed?
- Q5** Who certifies the annual return of a listed company?

# Meetings & Books — Case Study 5: Suggested Answers

Sec. 88, 92

## SUGGESTED ANSWERS

- Q1** A Register of Members, a Register of Debenture-holders, and a Register of any other security holders. [Sec. 88(1)]
- Q2** At the registered office (or, by special resolution, at another place in India where more than one-tenth of members reside). [Sec. 88(3)]
- Q3** The annual return in Form MGT-7 (MGT-7A for OPC and small companies), with prescribed particulars as on the FY close. [Sec. 92(1)]
- Q4** Within sixty days from the date of the AGM (or from the date it ought to have been held, with reasons). [Sec. 92(4)]
- Q5** A company secretary in practice certifies in Form MGT-8 for a listed company or one with paid-up capital  $\geq$  ₹10 crore or turnover  $\geq$  ₹50 crore. [Sec. 92(2)]

## CASE-STUDY TOPIC 5

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# One Person Company

*Eligibility & nominee · conversion · exemptions · sole-member contracts*

**5 case studies · 25 questions**

## FACTS

Mr. Rao, an Indian citizen, wishes to incorporate a One Person Company and to nominate his brother as the nominee member.

## QUESTIONS

- Q1** Who is eligible to form an OPC?
- Q2** Is nomination of a nominee mandatory?
- Q3** Can a person be a member of more than one OPC?
- Q4** Can a minor be a member or a nominee?
- Q5** Can a non-resident Indian (NRI) form an OPC?

## SUGGESTED ANSWERS

- Q1** Only a natural person who is an Indian citizen (resident or otherwise; resident = stay  $\geq$  120 days in the previous FY). *[Rule 3]*
- Q2** Yes — the sole member must nominate a person (consent in Form INC-3) who becomes member on the subscriber's death/incapacity; named in the MOA. *[Sec. 3(1) proviso]*
- Q3** No — a person can be a member of only one OPC and a nominee in only one OPC. *[Rule 3]*
- Q4** No — a minor cannot be a member, a nominee, or hold a beneficial interest in an OPC. *[Rule 3]*
- Q5** Yes — since the 2021 amendment NRIs may incorporate OPCs (residency reduced to 120 days). *[Rule 3 (2021)]*

## FACTS

An OPC's paid-up share capital has risen to ₹60 lakh and its average annual turnover is now ₹2.5 crore. The director asks whether it must convert into a private or public company.

## QUESTIONS

- Q1** Must the OPC mandatorily convert?
- Q2** What were the old thresholds and what changed in 2021?
- Q3** Can an OPC convert voluntarily?
- Q4** What steps are involved in conversion?
- Q5** Can an OPC convert into a Section 8 company?

## SUGGESTED ANSWERS

- Q1** No — the 2021 amendment removed the mandatory-conversion thresholds, so an OPC may grow without compulsory conversion. *[Rule 6 (2021)]*
- Q2** Earlier conversion was mandatory if paid-up capital exceeded ₹50 lakh OR average turnover exceeded ₹2 crore; these mandatory thresholds were omitted in 2021. *[Rule 6 (pre-2021)]*
- Q3** Yes — an OPC may convert voluntarily into a private or public company by altering its MOA/AOA and increasing members/directors. *[Rule 6(1)]*
- Q4** Pass resolution, alter MOA/AOA, increase members to  $\geq 2$  and directors as required, and file the prescribed forms (INC-6). *[Rule 6]*
- Q5** No — an OPC cannot convert into a Section 8 company. *[Rule 3]*

## FACTS

An OPC with a single director seeks to understand the compliance relaxations available to it regarding meetings, filings and financial statements.

## QUESTIONS

- Q1** Must an OPC hold an Annual General Meeting?
- Q2** How are Board meetings handled for a single-director OPC?
- Q3** By when must its financial statements be filed?
- Q4** Is a cash flow statement required?
- Q5** Who may sign the financial statements and annual return?

## SUGGESTED ANSWERS

**Q1** No — an OPC is exempt from holding an AGM. *[Sec. 96(1)]*

**Q2** For a single-director OPC, Sec. 173 is deemed complied with by entering and signing the resolution in the minutes book; with  $\geq 2$  directors, one Board meeting in each half-year with a gap of  $\geq 90$  days. *[Sec. 173(5)]*

**Q3** Within one hundred eighty (180) days from the close of the financial year (Form AOC-4). *[Sec. 137]*

**Q4** No — a cash flow statement is not a required part of an OPC's financial statements. *[Sec. 2(40)]*

**Q5** The financial statements may be signed by the sole director; the annual return (MGT-7A) by the company secretary, or, where there is none, by the director. *[Sec. 92, 134]*

## FACTS

The sole member of an OPC, who had duly named a nominee, passes away. Questions arise about the continuity of the company and the steps the nominee must take.

## QUESTIONS

- Q1** What happens to the OPC on the sole member's death?
- Q2** Can the nominee decline to become a member?
- Q3** Which forms are filed on the change of member/nominee?
- Q4** Must the new member nominate a fresh nominee?
- Q5** Why is naming a nominee mandatory at incorporation?

## SUGGESTED ANSWERS

- Q1** The nominee automatically becomes the new member of the OPC on the death or incapacity of the sole member. *[Sec. 3(1) proviso]*
- Q2** Yes — a nominee may withdraw consent earlier; on becoming member, the new member must name a fresh nominee. *[Rule 4]*
- Q3** Form INC-4 (change/cessation of member) and Form INC-3 (consent of new nominee) are filed with the ROC within the prescribed time. *[Rule 4]*
- Q4** Yes — the new member must nominate another person within 15 days and intimate the company, which files the change. *[Rule 4(4)]*
- Q5** Because an OPC has only one member, a nominee ensures perpetual succession and continuity of the company. *[Sec. 3(1)]*

## FACTS

The sole member of an OPC, who is also its sole director, enters into a contract with the company that is not in the ordinary course of business and is made orally.

## QUESTIONS

- Q1** Must such a contract be recorded?
- Q2** How is it recorded if it is not in writing?
- Q3** Must the Registrar be informed?
- Q4** Is there a cap on managerial remuneration in an OPC?
- Q5** Do the related-party rigours apply in full to an OPC?

## SUGGESTED ANSWERS

- Q1** Yes — where an OPC contracts with the sole member who is also a director and it is not in the ordinary course of business, the terms must be recorded (in writing or in the minutes). *[Sec. 193(1)]*
- Q2** If not in writing, the company records the terms in the minutes of the first Board meeting held after entering into the contract. *[Sec. 193(1) proviso]*
- Q3** Yes — the company must inform the ROC of every such contract recorded in the minutes within 15 days of Board approval. *[Sec. 193(2)]*
- Q4** No — the ceiling on managerial remuneration (11% of net profit) under Sec. 197 does not apply to an OPC. *[Sec. 197]*
- Q5** Several procedural rigours are relaxed for OPCs; the specific safeguard for sole-member contracts is the recording requirement under Sec. 193. *[Sec. 193]*

## CASE-STUDY TOPIC 6

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# Limited Liability Partnership

*Formation & DPs · liability & holding out · compliance · conversion*

**5 case studies · 25 questions**

## FACTS

Two individuals and one private company propose to form an LLP and wish to understand the requirements relating to partners and designated partners.

## QUESTIONS

- Q1** What is the minimum number of partners?
- Q2** Who must be a designated partner and how many?
- Q3** Must a designated partner be resident in India?
- Q4** Can a body corporate be a partner or a designated partner?
- Q5** What identification must a designated partner obtain?

## SUGGESTED ANSWERS

- Q1** A minimum of two partners, with no maximum limit. *[Sec. 6(1)]*
- Q2** At least two designated partners who are individuals; if all partners are bodies corporate, they must nominate two individuals as DPs. *[Sec. 7(1)]*
- Q3** Yes — at least one designated partner must be resident in India (stay  $\geq$  120 days in the FY, reduced from 182 in 2021). *[Sec. 7(1)]*
- Q4** A body corporate may be a partner, but a designated partner must be an individual (or an individual nominee of a body corporate). *[Sec. 5, 7]*
- Q5** A Designated Partner Identification Number (DPIN/DIN). *[Sec. 7(6)]*

## FACTS

A partner of an LLP commits a fraud on a third party in the course of the LLP's business. Separately, an outsider knowingly permits himself to be represented to a lender as a partner of the LLP.

## QUESTIONS

- Q1** Is the LLP liable for a partner's wrongful act in the course of business?
- Q2** Are the other partners personally liable?
- Q3** What is the effect of fraud under Sec. 30?
- Q4** What is liability by 'holding out' under Sec. 29?
- Q5** To what extent is the LLP liable for its obligations?

## SUGGESTED ANSWERS

**Q1** Yes — the LLP is liable for wrongful acts or omissions of a partner done in the course of business or with its authority. *[Sec. 27(2)]*

**Q2** No — a partner is not personally liable merely by being a partner; liability is limited (but a partner remains liable for his own wrongful acts). *[Sec. 28]*

**Q3** Where the LLP/partner acts to defraud creditors or for a fraudulent purpose, the liability of the LLP and the partners involved is unlimited. *[Sec. 30]*

**Q4** A person who represents himself, or knowingly permits himself to be represented, as a partner is liable to anyone who gave credit on that basis. *[Sec. 29]*

**Q5** The LLP is liable to the full extent of its assets. *[Sec. 27(3)]*

## FACTS

An LLP has a partner contribution of ₹30 lakh and a turnover of ₹50 lakh in the financial year, and is preparing its annual filings.

## QUESTIONS

- Q1** Which annual statements must it file?
- Q2** When is Form 8 due?
- Q3** When is Form 11 due?
- Q4** Is audit mandatory for this LLP?
- Q5** What is the consequence of delay in filing?

## SUGGESTED ANSWERS

**Q1** The Statement of Account & Solvency (Form 8) and the Annual Return (Form 11). [Sec. 34, 35]

**Q2** Form 8 is due by 30 October (within 30 days from the end of six months of the financial year). [Sec. 34(2)]

**Q3** Form 11 is due within 60 days of the close of the financial year, i.e., by 30 May. [Sec. 35]

**Q4** Yes — audit is mandatory because contribution exceeds ₹25 lakh OR turnover exceeds ₹40 lakh (here both apply). [Rule 24]

**Q5** Delay attracts an additional fee (graded by period and small/non-small LLP after the 2021 amendment; earlier a flat ₹100 per day without ceiling). [Sec. 69]

## FACTS

A private company wishes to convert itself into an LLP and seeks to understand the conditions, the vesting of assets and the effective date of conversion.

## QUESTIONS

- Q1** Is conversion of a private company into an LLP permitted?
- Q2** Which schedule governs such a conversion?
- Q3** What are the principal pre-conditions?
- Q4** What happens to assets, liabilities and pending proceedings?
- Q5** From what date does the conversion take effect?

## SUGGESTED ANSWERS

**Q1** Yes — a private company may convert into an LLP. *[Sec. 56]*

**Q2** The Third Schedule to the LLP Act governs conversion of a private company into an LLP. *[Sch. III]*

**Q3** No security interest subsisting on assets at the date of application; all members become partners of the LLP (and no one else); and up-to-date filings/consents. *[Sch. III]*

**Q4** All assets, liabilities, rights, privileges and obligations vest in the LLP; pending proceedings continue by/against it; the company is deemed dissolved. *[Sch. III]*

**Q5** From the date of the certificate of registration of conversion issued by the Registrar. *[Sec. 58]*

## FACTS

An LLP's partners reduce to one and it continues to carry on business in that state for seven months. It also seeks to know whether it qualifies as a 'small LLP'.

## QUESTIONS

- Q1** What is the minimum number of partners?
- Q2** What is the consequence of carrying on with one partner beyond six months?
- Q3** What is a 'small LLP' under the 2021 amendment?
- Q4** What benefits does small-LLP status confer?
- Q5** Is there a maximum limit on the number of partners?

## SUGGESTED ANSWERS

- Q1** A minimum of two partners is required. [Sec. 6(1)]
- Q2** If business is carried on with fewer than two partners for more than six months, the sole continuing partner who knows of it becomes personally liable for the obligations incurred during that period. [Sec. 6(2)]
- Q3** An LLP whose contribution does not exceed ₹25 lakh (extendable to ₹5 crore) AND turnover does not exceed ₹40 lakh (extendable to ₹50 crore). [Sec. 2(1)(ta)]
- Q4** Lower filing fees, lighter penalties and simplified compliance. [2021 Amendment]
- Q5** No — there is no maximum limit on the number of partners in an LLP. [Sec. 6(1)]

## CASE-STUDY TOPIC 7

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# Foreign LLP

*Establishment in India · Forms 27/28/29 · authorised representatives · service & closure*

**Recap + 5 case studies · the examiner's favourite**

## Meaning & Establishment

- Foreign LLP = an LLP incorporated outside India that establishes a place of business in India — Sec. 2(1)(m)
- Sec. 59 empowers the Central Government to make rules for foreign LLPs (LLP Rules, 2009)
- On establishing a place of business → file Form 27 within 30 days with the Registrar
- Attach: certified incorporation document, particulars of partners/DPs, principal place of business
- Documents must be in English; else a certified English translation

## Representatives, Forms & Service

- At least 2 authorised representatives — individuals resident in India — to accept service & ensure compliance
- Form 28: alteration in incorporation document / partners / DPs / registration certificate
- Form 29: change in authorised representatives / principal place of business / closure of place of business
- Service is valid if left at, or posted to, the declared place of business or an authorised representative
- On closure → notice in Form 29; filing obligations cease from the date of notice

## FACTS

Sigma LLP, registered in the United Kingdom, opens an office in Mumbai to carry on a consultancy business in India for the first time.

## QUESTIONS

- Q1** Is Sigma LLP a 'foreign LLP'?
- Q2** Which form must it file and within what time?
- Q3** What documents accompany the filing?
- Q4** How many authorised representatives are required?
- Q5** With whom is the form filed?

# Foreign LLP — Case Study 1: Suggested Answers

Sec. 2(1)(m); Rule 34

## SUGGESTED ANSWERS

- Q1** Yes — an LLP incorporated outside India that establishes a place of business in India is a foreign LLP. *[Sec. 2(1)(m)]*
- Q2** Form 27, within 30 days of establishing the place of business in India. *[Rule 34(1)]*
- Q3** A certified copy of the incorporation/registration document, particulars of the partners and designated partners, and the full address of the principal place of business in India. *[Rule 34(1)]*
- Q4** At least two individuals resident in India, authorised to accept service of notices and ensure compliance. *[Rule 34(1)]*
- Q5** With the Registrar (Registrar of Companies), through the MCA portal. *[Rule 34]*

## FACTS

A creditor in India wishes to serve a legal notice on a foreign LLP that maintains a place of business in Delhi and has appointed authorised representatives.

## QUESTIONS

- Q1** How is service effected on a foreign LLP?
- Q2** What is the role of an authorised representative?
- Q3** Must the representatives be resident in India?
- Q4** What if the place-of-business address changed but was not updated?
- Q5** Can the LLP's documents be in a language other than English?

# Foreign LLP — Case Study 2: Suggested Answers

Rule 34

## SUGGESTED ANSWERS

- Q1** Service is valid if the document is addressed to an authorised representative and left at, or sent by post to, the declared place of business in India. *[Rule 34]*
- Q2** Authorised representatives accept service of process/notices for the foreign LLP and are responsible for its compliance and filings. *[Rule 34]*
- Q3** Yes — they must be individuals resident in India. *[Rule 34]*
- Q4** Service at the address on record remains valid; failure to update the address does not invalidate such service and itself attracts penalty for non-filing. *[Rule 34]*
- Q5** Documents must be in English; if in another language, a certified English translation must be filed. *[Rule 34]*

## FACTS

A foreign LLP changes its designated partners abroad, and some months later shifts its India office from Pune to Hyderabad and replaces one authorised representative.

## QUESTIONS

- Q1** Which form notifies a change in the incorporation document or DPs of the foreign LLP?
- Q2** Which form notifies a change in the principal place of business in India?
- Q3** Within what time must such changes be filed?
- Q4** Which form notifies a change of authorised representative?
- Q5** Which form is used to notify closure of the place of business?

# Foreign LLP — Case Study 3: Suggested Answers

Forms 28 & 29

## SUGGESTED ANSWERS

- Q1** Form 28 — alteration in the incorporation document, names/addresses of partners or DPs, or the registration certificate of the foreign LLP. *[Form 28]*
- Q2** Form 29 — change in the principal place of business of the foreign LLP in India. *[Form 29]*
- Q3** Within the time prescribed under the Rules — generally 60 days for Form 28 alterations and 30 days for the relevant Form 29 changes. *[Rule 34]*
- Q4** Form 29 — change in the authorised representatives is also notified through this form. *[Form 29]*
- Q5** Form 29 — notice of closure/cessation of the place of business in India. *[Form 29]*

## FACTS

A foreign LLP decides to wind down and discontinue its place of business in India, while certain Indian liabilities incurred earlier remain outstanding.

## QUESTIONS

- Q1** What must the foreign LLP do on ceasing its place of business?
- Q2** When do its filing obligations end?
- Q3** Are its pre-cessation liabilities extinguished?
- Q4** Can a foreign LLP be wound up under Indian law?
- Q5** Which provision empowers the rules governing foreign LLPs?

# Foreign LLP — Case Study 4: Suggested Answers

Sec. 59; Rule 34

## SUGGESTED ANSWERS

- Q1** It must file a notice in Form 29 of the closure/cessation of its place of business in India with the Registrar. *[Form 29]*
- Q2** The obligation to file documents with the Registrar ceases from the date of the cessation notice. *[Rule 34]*
- Q3** No — liabilities and obligations incurred before cessation are not extinguished and remain enforceable. *[Rule 34]*
- Q4** Yes — a foreign LLP with a place of business in India may be wound up as an unregistered entity under the applicable winding-up rules. *[Sec. 65; Rules]*
- Q5** Section 59 of the LLP Act, 2008 empowers the Central Government to make rules for foreign LLPs (the LLP Rules, 2009). *[Sec. 59]*

## FACTS

A foreign LLP has carried on business in India for eight months without filing Form 27 and without appointing any authorised representative in India.

## QUESTIONS

- Q1** Has the foreign LLP contravened the Act/Rules?
- Q2** What is the consequence of not filing Form 27?
- Q3** Why are authorised representatives critical?
- Q4** Can the Registrar or courts take cognizance?
- Q5** What is the examiner's key takeaway on foreign LLPs?

# Foreign LLP — Case Study 5: Suggested Answers

Sec. 59; Rule 34

## SUGGESTED ANSWERS

**Q1** Yes — establishing a place of business without filing Form 27 within 30 days and without authorised representatives contravenes Sec. 59 read with Rule 34. *[Sec. 59; Rule 34]*

**Q2** Non-filing attracts penalty and additional fees; the foreign LLP and its representatives/officers in default are punishable, and the India place of business is not validly registered. *[Rule 34]*

**Q3** They are the statutory contact for service of notices and are responsible for compliance; their absence frustrates both service and compliance. *[Rule 34]*

**Q4** Yes — the Registrar may act for non-compliance; for service, leaving documents at the declared place of business is valid, enabling courts to proceed. *[Rule 34]*

**Q5** Foreign LLP provisions (Sec. 2(1)(m), Sec. 59, Rule 34, Forms 27/28/29, authorised representatives, English-language and service rules) form a compact, frequently-tested topic — master the forms and timelines. *[Sec. 59]*

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