

PONDICHERRY UNIVERSITY DIRECTORATE OF DISTANCE EDUCATION

MBA – 1ST SEMESTER BUSINESS ENVIRONMENT AND LAW

COMPANIES ACT

PRESENTATION – 7 & 8 (26th & 27th MARCH 2022)

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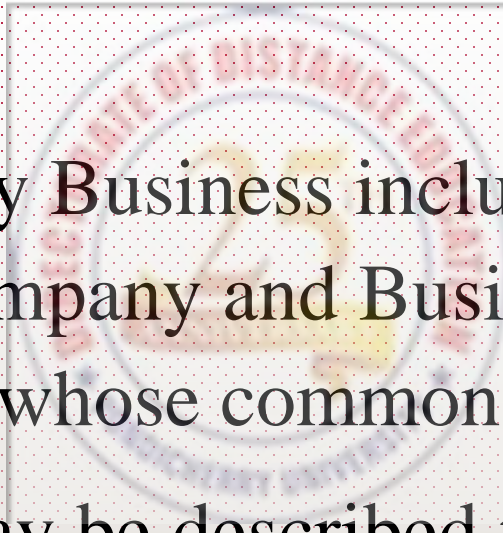
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COMPANY

- The word Company is derived from two Latin words, Com meaning **with or together** and panies meaning **bread**. As a whole the word Company originally refers to A group/An association of persons who will take their Bread/Food together, i.e. It is an association of persons doing the same activity, i.e. their goal/objective is common.
- A company, in its ordinary, non-technical sense, means a body of individuals associated for a common objective, which may be to carry on business for gain or to engage in some human activity for the benefit of the society.

COMPANY meaning

- Accordingly, the word 'company' is employed to represent associations formed either to carry on some business for profit or to promote art, science, education for societal benefit or even to fulfil some charitable purpose.
- The common objective of any Business includes earning profits. When we look in to both the words Company and Business it conveys the meaning of An association of persons whose common objective is earning profits.
- In simple terms Company may be described to means association of persons who come together for carrying on some business and sharing of profits there from.



COMPANIES ACT Terminology

- Lord Lindley has described the ‘**Company**’ as “an association of many persons who **contribute money or money’s worth** to a common stock and employ it in some trade or business; and who share the profit and loss (as the case may be) arising therefrom”. The total value of common stock so contributed is denoted in monetary terms, is ‘**the capital**’ of the company. The capital divided into small proportions are known as ‘**shares**’. The persons who contribute to it, or to whom it belongs, are ‘**share holders**’ i.e. owners in their proportion.

Kinds of Companies as per Companies Act, 2013

- **Companies Act, 2013** got assent of the President of the country on 29/08/ 2013. **The Act comprises of 29 chapters, 470 Sections with 7 Schedules** as against 658 sections and 14 Schedules in the Companies Act, 1956 (Old Act was of 1956). **The Companies (Amendment) Act, 2019 (“CAA 2019”)** has not only taken into consideration the amendments that were originally notified in the Companies (Amendment) Ordinance, 2018, Companies (Amendment) Ordinance, 2019 and Companies (Amendment) Second Ordinance, 2019 but has also brought about other key changes
- a) **Public Companies** – Minimum 7 Members – 3 Directors and Max. No limit for members - 15 Directors
- b) **Private Companies** - Minimum 2 Members – 2 Directors and Max. 200 members – 15 Directors
- c) **One Person Company** (to be formed as Private Limited) - **Only one person as member – as Director**
- d) **Small Companies** - Small company is a new form of private company under the companies act 2013. A classification of a private company into a small company is based on its size i.e. paid up capital and turnover. Paid up share capital – up to 50 Lac/ Turnover – up to 2 Cr. In other words, such companies are small sized private companies.

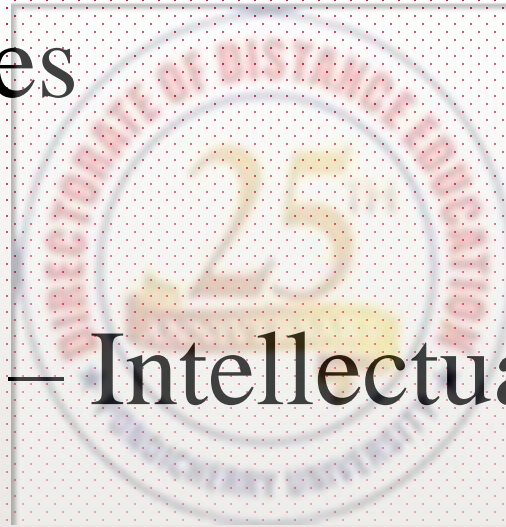
Kinds of Companies On the Basis of Membership- 1

- Private Company
- Public Company
- Government Company
- Holding Company
- Subsidiary Company



Kinds of Companies On the Basis of Membership-2

- Foreign Companies
- Associate/Joint Venture Companies
- Investment Companies
- Producer Companies
- Dormant Companies – Intellectual Property Companies



Kinds of Companies On the Basis of Membership-3

- **Section 25 company can be defined as a limited company formed for the sole object of “promoting commerce, art, science, religion, charity, or any other useful object, and intends to apply its profits, if any, or other income in promoting its objects, and to prohibit the payment of any dividend to its members.**
- The object is to promote a social cause.
- May earn profits but not allowed to distribute it as dividend to members.
- License has to be granted by the Central Government.
- Not required to use the word Ltd. Or Pvt. Ltd.
- Registered without paying stamp duty on Memorandum and Articles. Cannot alter its object without previous approval of Central Government.

CHARACTERISTICS OF COMPANY

- **Incorporated Association:** A company must be incorporated or registered under the Companies Act. In case of a Public Company – Minimum 7 Members & 3 Directors and Maximum No limit for members but 15 for Directors. Private Companies - Minimum 2 Members & 2 Directors and Maximum 200 members & 15 Directors.
- **As per Companies Act 2013** One Person Company may also be formed (To be formed as Private Limited, Only one person as member & same person as Director).
- **Artificial Person:** A company is created with the sanction of law and is not itself naturally like a human being, it is therefore, called artificial; and since it is clothed with certain rights and obligations, it is called a person. A company is accordingly, an artificial person.

CHARACTERISTICS OF COMPANY Continued..

- **Separate Legal Entity:** Section 34 (2) says that on registration, the association of persons becomes a body corporate by the name contained in the memorandum. A company is at law a different person altogether from the share holders.
- **Separate Management:** The Management and owners/share holders are different and will be managed professionally, even if some qualified or talented share holders take part in management they are entitled for remuneration.

CHARACTERISTICS OF COMPANY Continued..

- **Limited Liability:** The company being a separate person, its members are not as such liable for its debts. Hence, in the case of a company limited by shares, the liability of members is limited to the nominal value of shares held by them. Thus, if the shares are fully paid up, their liability will be nil.

(However, companies may be formed with unlimited liability of members or members may guarantee a particular amount. In such cases, liability of the members is not limited to the nominal or face value of the shares held by them. In case of unlimited liability companies, members shall continue to be liable till each paise has been paid off. In case of companies limited by guarantee, the liability of each member is determined by the guarantee amount, i.e. Liable to contribute up to the amount guaranteed by him.)

CHARACTERISTICS OF COMPANY Continued..

- **Separate Property:** The properties of a company will be treated as separate from the properties of share holders, though they are the owners, they can't claim any right either in full or in part on any property of the company.
- **Transferability of Shares:** Since business is separate from its members in a company form of organisation, it facilitates the transfer of member's interests. The shares of a company are transferable in the manner provided in the Articles of the company (s.82). However, in a private company, certain restrictions are placed on such transfer of shares but the right to transfer is not taken away absolutely.

CHARACTERISTICS OF COMPANY Continued..,

- **Perpetual Existence:** A company being an artificial person cannot be incapacitated by illness and it does not have an allotted span of life. The death, insolvency or retirement of its members leaves the company unaffected. Members may come and go but the company can go forever. The saying “King is dead, long live the Kingdom” very aptly applies to the company form of organisation.
- **Company may sue and be sued in its own name:** Another fallout of separate legal entity is that the company, if aggrieved by some thing wrong, it may sue others or may be sued by others in its own name.

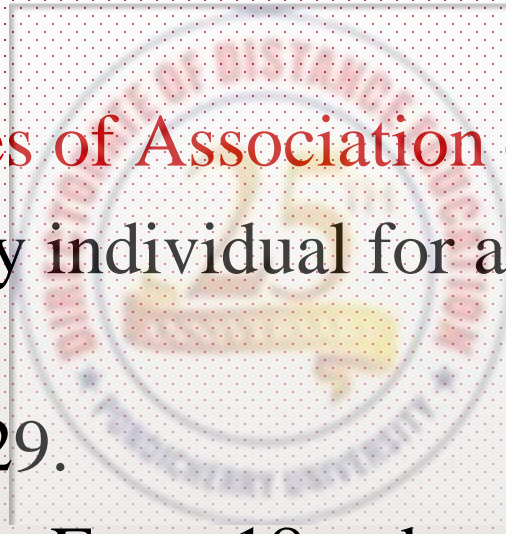
CHARACTERISTICS OF COMPANY Continued..

Common Seal: A company being an artificial person is not bestowed with a body of natural being. Therefore, it has to work through its directors, officers and other employees. But, it can be held bound by only those documents which bear its signature. Common seal is the official signature of a company. Seal of company when to be used – The articles of association of the company provide for putting the seal of the company on documents. Apart from those documents, the company seal is to be put on power of attorney, deed of lease, share certificates, debentures, debenture trust deed, deed of mortgage, promissory notes, negotiable instruments (except cheques), agreement of hypothecation, loan agreements with banks and financial institutions, contract of employment, guarantees issued by the company and all formal documents and also on the documents executed on stamp papers.

Incorporation of Companies

- **Steps for formation of a Company**

- Type of Company
- Availability of Name
- **The Memorandum and Articles of Association** duly signed, and stamped.
- The agreement, if any with any individual for appointment as its Managing or whole-time director.
- Consent of directors in Form 29.
- Notice of Registered address in Form 18 to be given within 30 days of the date of incorporation.
- Particulars of Directors in Form 32.



Incorporation of Companies -2

- **Steps for formation of a Company continued ..,**
- Payment of Registration Fees.
- Power of attorney, to fulfill various legal and other formalities.
- Statutory Declaration in Form No. 1 that all requirements of the Companies Act and the rules thereunder have been complied with.
- The declaration should be made by either an advocate of Supreme Court / High Court, a practicing Chartered Accountant or a director, or a manager or a secretary named in the Articles of the proposed company. [Section 33 (2)].

Memorandum and Articles of Association

- **Memorandum of Association** contains the fundamental rules regarding the constitution of the company. It lays down how the company is going to be constituted and what work it shall undertake. It sets out the constitution of the company. It is a foundation on which the structure of the company stands. Its purpose is to enable the shareholders, creditors, and those who deal with the company to know what is the permitted range of its enterprise. It defines as well as confines the power of the company.
- **Articles of Association** are by-laws or rules and regulations for governing the management of its internal affairs and conduct of business. It also includes regulation contained in Table A of Schedule I. Deals with the rights of the members inter se. Articles are subordinate to and controlled by Memorandum.

MEMORANDUM OF ASSOCIATION OF A COMPANY

Following meaning is drawn from definitions by **Palmer, Bowen L J. and Lord Cairns**

- It is the charter of a Company.
- It contains the objects for which the Company is incorporated.
- It defines the possible scope of operations of the Company.
- It defines the powers as well as limitations on the powers of a Company.
- It contains fundamental conditions upon which alone a company is allowed to be incorporated.

A document which enables the outside persons dealing with the company to know

- I. power and range of activities of the company;
- II. That a particular act is within the objects of the company

CLAUSES/CONTENTS OF MEMORANDUM

- **Name clause:** A company being a legal entity must have a name of its own to establish its separate identity. The name of the company is a symbol of its independent corporate existence.
 - a) In case of Public Company: “Ltd” as last word.
 - b) In case of Pvt Co: “Pvt Ltd” as last word.
 - c) In case of OPC: “OPC” in Bracket below name of Co.
- **Note:** Company registered under Section 8 for charitable objects has been exempted from this requirement.
- **Location or Registered Office Clause (Sec 12(1))**

A company shall, **within 30 days from (w. e. f 3/1/18)** its incorporation and at all times thereafter, have a registered office capable of receiving and acknowledging all communications and notices as may be addressed to it. The company shall furnish to the ROC verification of its registered office within 30 days of its incorporation in **Form INC-22. 3)**

CLAUSES/CONTENTS OF MEMORANDUM

Objects Clause

All companies must state in their MOA the objects for which the company is proposed to be incorporated and any matter considered necessary in furtherance thereof. It sets out the objects and is the most important of all clauses. It indicates the extent of company's power and the sphere of its activities. It defines the limit of operations to be carried on by the company.

Any business carried on by the company should be stated in the MOA hence the business activities not mentioned in the objects clause of the MOA shall be *ultra vires* and therefore, void. (**Doctrine of *Ultra Vires***).

CLAUSES/CONTENTS OF MEMORANDUM

- ***Liability Clause:*** Every company must state whether the liability of its members is limited by shares or limited by guarantee.

I. In a company limited by shares, the liability of its members is limited to the amount unpaid, and the liability of a member whose shares are fully paid up is nil.

II. In the case of a company limited by guarantee, the liability of its members is limited to the amount up to which each member undertakes to contribute: a) To the assets of the company in the event of its being wound-up while he is a member or within 1 year after he ceases to be a member, for payment of the debts and liabilities of the company or of such debts and liabilities as may have been contracted before he ceases to be a member, as the case may be; and b) To the costs, charges and expenses of winding-up and for adjustment of the rights of the contributories among themselves.

CLAUSES/CONTENTS OF MEMORANDUM

- *Capital clause (Only in case of Company having Share Capital)*
- The amount of share capital with which the company is to be registered and the division thereof into shares of a fixed amount and the number of shares which the subscribers to the MOA agree to subscribe which shall not be less than 1 share per subscriber; and
- The number of shares each subscriber to the MOA intends to take indicated against his name.
- The authorised share capital can also be termed as Registered or Nominal Share Capital.

CLAUSES/CONTENTS OF MEMORANDUM

- **Association or Subscription clause**
- The subscribers to the MOA declare: "*We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company in pursuance of this Memorandum of Association, and we respectively agree to take the number of shares in the capital of the company set, as specified against our names*".
- Then follow the names, addresses, description, occupations of the subscribers, and the number of all shares each subscriber has agreed to take and their signatures attested by a witness.

CLAUSES/CONTENTS OF MEMORANDUM

- *Succession Clause (Only in case of OPC):*
- Name of person (Nominee) who in the event of death of subscriber, shall become member of company.
- **REQUIREMENTS FOR MEMORANDUM**
- The MOA shall be **Printed**, Divided into **paragraphs** and **numbered** consecutively, **Signed by each subscriber**, who shall mention his address, description and occupation, if any.
- The signature shall be made in the presence of at least **1** witness who shall attest the signatures
- As per the recent amendment in stead of Printed Digital MOA is also accepted

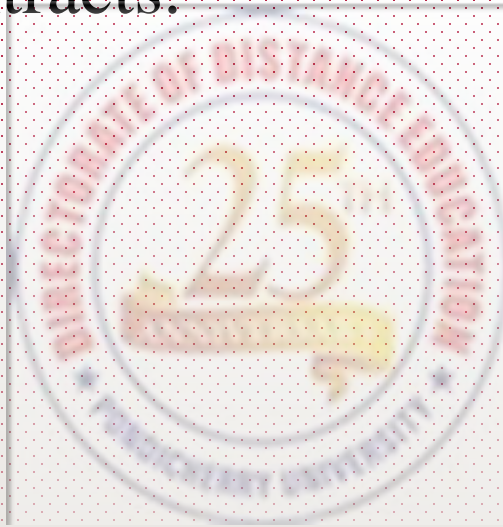
ARTICLES OF ASSOCIATION

- The AOA of a company shall contain the regulations for management of the company. The AOA of a company are its bye-laws or rules and regulations that govern the management of its internal affairs and the conduct of its business. The AOA play a very important role in the affairs of a company. It deals with the rights of the members of the company inter se. They are subordinate to and are controlled by the MOA and shall also contain such matters, as may be prescribed. Sec 5(2)

ARTICLES OF ASSOCIATION CONTENTS

AOA usually contain provisions relating to the following matter.

- 1) Exclusion wholly or in part of Table F.
- 2) Adoption of preliminary contracts.
- 3) Number and value of shares.
- 4) Issue of preference shares.
- 5) Allotment of shares.
- 6) Calls on shares.
- 7) Lien on shares.
- 8) Transfer and transmission of shares.



ARTICLES OF ASSOCIATION CONTENTS

- 9) Nomination.
- 10) Forfeiture of shares.
- 11) Alteration of capital.
- 12) Buy back.
- 13) Share certificates.
- 14) Dematerialization.
- 15) Conversion of shares into stock.
- 16) Dividends and reserves.



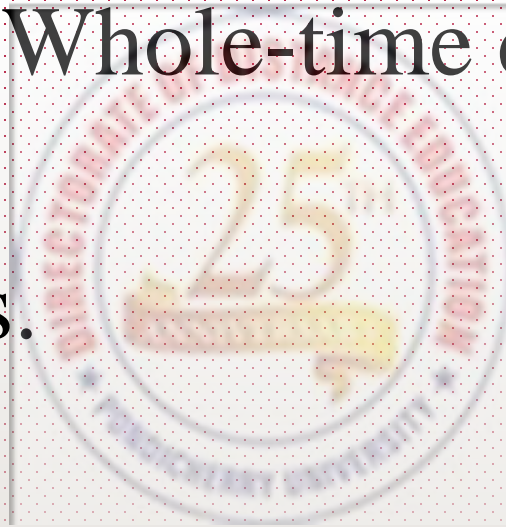
ARTICLES OF ASSOCIATION CONTENTS

- 17) Accounts and audit.
- 18) Winding up.
- 19) Indemnity.
- 20) Capitalization of reserves.
- 21) Voting rights and proxies.
- 22) Meetings and rules regarding committees.
- 23) Directors, their appointment and delegations of powers.
- 24) Nominee directors.



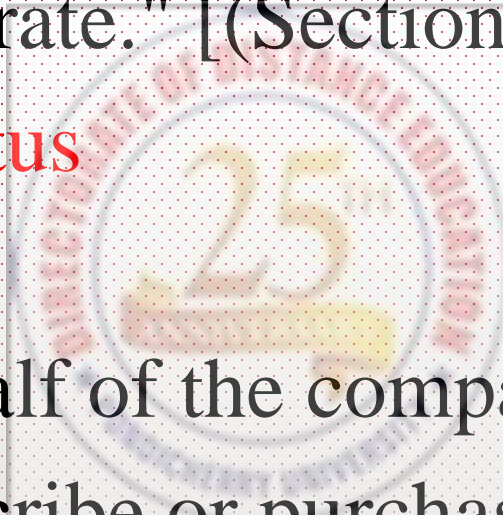
ARTICLES OF ASSOCIATION CONTENTS

- 25) Issue of Debentures and stocks.
- 26) Audit committee.
- 27) Managing director, Whole-time director, Manager, Secretary.
- 28) Additional directors.
- 29) Seal.
- 30) Remuneration of directors.
- 31) General meetings



Prospectus (For Public Limited Companies)

- "Any document described or issued as a prospectus and includes any notice, circular, advertisement, or other document inviting deposits from the public or for the subscription or purchase of any shares in, or debenture of a body corporate." [(Section 2(36)).
- **What constitute a Prospectus**
- An invitation to public.
- Invitation be by or on behalf of the company.
- Invitation must be to subscribe or purchase.
- Must relate to shares / debentures or other investment instrument.

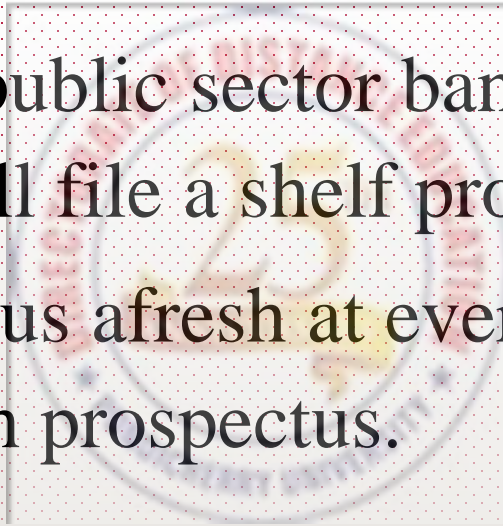


Statement in lieu of Prospectus

- Promoters are required to prepare a draft prospectus known as statement in Lieu of Prospectus.
- A copy of it must be filed with the Registrar of Companies at least three days before any allotment of shares is made.
- It contains similar particulars as are required for a prospectus.
- No minimum subscription is required to be stated.
- If the statement contains any misinformation or omission, the liability, civil and criminal, is same as in case of Prospectus - Fine up to Rs 10,000.
- The process of issuing securities through a statement in lieu of prospectus is a kind of private placement.

Shelf Prospectus

- Concept introduced by Amendment Act 2000 by the insertion of Section 60A. A prospectus issued by any financial institution or bank for one or more issues of securities.
- Public Financial Institutes, public sector banks or scheduled banks whose main object is financing shall file a shelf prospectus.
- Not required to file prospectus afresh at every stage of offer by it within the period of validity of such prospectus.

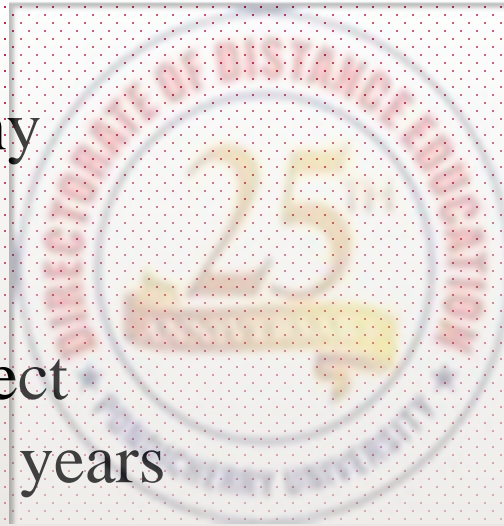


Information Memorandum (Sec 60B)

- "Information Memorandum means a process undertaken prior to the filing of a prospectus by which a demand for the securities proposed to be issued is elicited and the price and terms of issue is assessed by means of a notice, circular, advertisement or document."
- Companies intend to issue securities may circulate Information Memorandum to public. Offer a Red-Herring prospectus 3 days before the opening of offer. "**Red-herring** prospectus means a prospectus which does not have complete particulars on the price of the securities offered and the quantum of securities offered."

Abridged Prospectus

- Every application form to contain a prospectus. The Central Govt. has prescribed that there should be one Abridged Prospectus with every two application forms, attached by way of a perforated lines.
- The information in Abridged Prospectus to be given under 9 heads:
 - (a) General Information
 - (b) Capital Structure of the company
 - (c) Terms of the Present Issue
 - (d) Particulars of the Issue
 - (e) Company, Management & Project
 - (f) Financial Performance for last 5 years
 - (g) Payments / Refunds
 - (h) Particulars of Companies under Same Management
 - (i) Management's perception of Risk Factors



Share Capital

- In relation to a company, share capital means – total sum shares in terms of rupees divided into specified number of a fixed amount each. The memorandum must state the amount of capital and its various division.
- (a) Nominal, Authorized or Registered Capital
- (b) Issued Capital
- (c) Subscribed Capital
- (d) Called-up Capital
- (e) Un-called Capital
- (f) Paid-up Capital



Meaning and Nature of Shares

- "A share means a share in the share capital of a company, and includes stocks except where a distinction between stocks and shares is expressed or implied." [Section 2(46)]
- "The interest of a shareholder in a company measured by a sum of money, for the purpose of liability in the first place and of dividend in the second." (*Farewell J*)
- "An interest measured by a sum of money and made up of diverse rights conferred by Articles." (The Supreme Court of India)
- "A share is right to participate in the profits made by a company, while it is a going concern and declares dividend, and in the assets when it is wound up."

Kinds of Shares

- Two classes of Shares [Sec 86 as amended in 2002]

(A) Equity Shares [Sec 85(2)] "Equity Share Capital means all share capital which is not preference share capital." The equity shareholders receive dividend out of profits declared in AGMs. Dividend declared only after depreciation allowance and payment of preference share holders. Voting right is in proportion to paid-up equity capital.

(B) Preference Shares [Sec 85(1)] Preference share capital is that part of share capital which fulfills two conditions: (i) carries preferential right with respect to dividend- fixed amount or at fixed rate; and (ii) carries preferential right with respect to repayment of capital on winding up.

Sweat Equity Shares

- Sweat Equity Shares [**Sec 79A, 1999**) means equity shares issued to employees or directors at a discount for consideration other than cash
- for providing know-how or making available rights in the nature of intellectual property or value addition by whatever name called.
- Issue must be authorized by a special resolution. Resolution has to specify number, current market price and consideration of shares, and the class or classes of directors or employees.
- If shares are listed, the issue must be in accordance with SEBI regulations.
- All limitation, restriction and provisions of equity shares are applicable.

Debentures

- In corporate finance, a debenture is a medium to long-term debt instrument used by large companies to borrow money, at a fixed rate of interest. The legal term "debenture" originally referred to a document that either creates a debt or acknowledges it, but in some countries the term is now used interchangeably with bond, loan stock or note.
- A debenture is thus like a certificate of loan or a loan bond evidencing the fact that the company is liable to pay a specified amount with interest and although the money raised by the debentures becomes a part of the company's capital structure, it does not become share capital. Senior/old debentures get paid before subordinate/latest debentures, and there are varying rates of risk and payoff for these categories.
- Debentures are generally freely transferable by the debenture holder. Debenture holders have no rights to vote in the company's general body meetings of shareholders, but they may have separate meetings or votes e.g. on changes to the rights attached to the debentures. The interest paid to them is a charge/expense against profit in the company's financial statements.

Board of Directors

- The Board of Directors of a company is a nucleus selected according to the procedure prescribed in the Act and the Articles of Association, out of the entire mass of shareholders and even from non-shareholders.
- Acting collectively as a Board of Directors, they can exercise all the powers of the company except those, which are prescribed by the Act to be specifically exercised by the company in the general body meeting.
- Directors, as a body, frame the general policy of the company, direct its affairs, appoints the company officers, ensures that they carry out their duties and recommend to the share holders regarding distribution of dividend.
- "A director includes any person occupying the position of director by whatever name called." [Section 2(13)]; Only individual, and not a body corporate, association or firm, shall be appointed as director. [Section 253]; "An individual who direct, control, manage, superintend the affairs of the company in the form of the board of directors."

Types of Directors

- **Professional Directors:** Specialists in different fields of management. Income derives principally from sitting fees.
- **Nominee Directors:** Appointed by FIs, or Banks. Powerful tool of project supervision, monitoring and control.
- **Executive Directors:** Is a full time employee of the company. May not be members of the board, as such not a director in strict sense.
- **Independent Directors:** Do not have any material pecuniary relationship or transaction with the company. Entitled to receive director's remuneration.
- **Government Directors (Section 408):** Appointed by the Central Government on the recommendation of the Company Law Board, To safeguard the interest of the company or its shareholder or in public interest, When the operations of the company are conducted in such a manner as to oppress any member of the company or in a manner prejudicial to the company.

Types of Directors ..

- **Whole-time Directors [Section 269(1)]:** Includes a director in the whole time employment of the company. Technical director, legal director, works director sales director if appointed on full time basis. A whole-time director is also a managerial person. [Section 268(1)]. They cannot accept the office of executive or whole-time director in any other company. There is no restriction on the period of appointment of a whole time director, he may be appointed for a longer period.
- To sum up there are mainly two types of company directors - Executive Directors or Whole-Time Directors (MD, Technical Directors) and, Non-executive or part-time Directors who are professionals and serve on the board of many companies.
- Executive directors have employment stake in the company. They wield substantial power, enjoy maximum remuneration, perquisites, fees, commission and allowances.
- Part-time directors get only sitting fees for the board meetings attended by them and wield little or no powers.

Managing Director

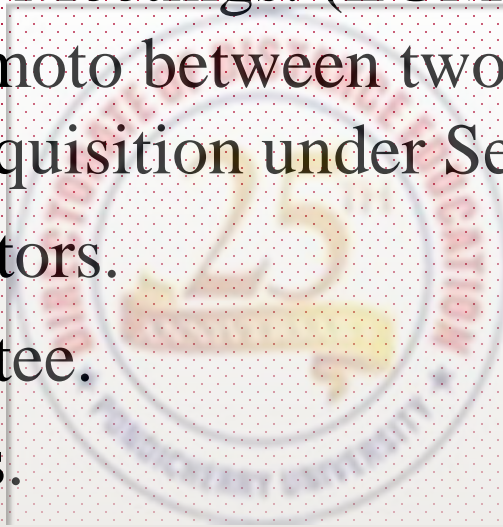
- A director who, by virtue of an agreement, or of a resolution passed in the general meeting or board meeting or by virtue of the Memorandum or Articles, is entrusted with substantial power of management and includes a director occupying the position of MD, by whatever name called. [Section 2(26)]
- Powers exercised subject to the superintendence, control, and direction of the company's board of directors.
- A person who is not a director of the company must be first appointed as an additional director in accordance with Section 260 to be appointed as MD.
- He must sign and file his consent to act as a director pursuant to the provisions of Section 264 and obtain qualification shares u/s 270.
- He may have dual capacity that of an employee and agent.
- It obligatory for public companies having paid up capital of Rs 5 crore or more to appoint a MD or whole-time director.
- Appointment of MD or whole-time director in a public company only with the prior approval of the central govt.

Company Meetings

- A company being an artificial person expresses its will or takes its decision through resolutions passed at regularly convened meeting of the general body of the shareholders, and the directors.
- The companies Act provides the shareholders a forum of self-protection, which is general body meeting of shareholders.
- The shareholders can use the forum to appoint directors as well as auditors of their own choice who may safeguard them from the possible manipulation.
- The business of the meeting is conducted in the form of resolutions proposed and passed.

Types of Company Meetings

- Shareholders Meetings:
 - Statutory Meeting under Section 165;
 - Annual General Body Meetings under Section 166: (AGM)
 - Extraordinary General Body Meetings: (EGM)
 - Convened by directors Suo moto between two AGMs.
 - Convened by directors on requisition under Sec 169.
- Meetings of the Board of Directors.
- Meetings of the Board Committee.
- Class Meetings of Shareholders.
- Meetings of the Debenture holders.
- Meetings of the Creditors.
- Meetings of the Contributories in winding up.



Statutory Meetings [Section 165]

- Companies limited by guarantee and/or share shall, within one month and not more than six months from the date of commencement of business, must hold a general body meeting of the members to be called the Statutory Meeting. Failure to hold Statutory Meeting renders the company liable to be wind up u/s 433(b). This provision is not applicable to a private company. [Section 165(10)] The board shall, at least 21 days before the day on which the meeting is held, forward a report to every member of the company called Statutory Report.

Annual General Body Meeting [Section 166]

- Every company must, in each calendar year, hold an annual general body meeting so specified in the notice calling it, provided that not more than 15 months shall elapse between two AGMs. First AGM may be held within 18 months from the date its incorporation. Subsequent AGM should be held on the earliest of the following: [Sec 166 & 210]
 - 15 months from the last AGM;
 - The last day of the calendar year; or
 - 6 months from the close of the financial year.
- In case of difficulty in holding meeting the Registrar of Companies may extend time by not more than 3 months. Application for extension of time should be made before the due date of holding AGM.

Annual General Body Meeting ...

- Any delay including extension by RoC, shall make the officer in default punishable with fine extending up to Rs 50,000 and Rs 2,500 for every day of the default. Delay in completion of audit or annual accounts do not constitute a special reason justifying extension of time for holding of AGM.
- Every AGM called after giving 21 days notice must be held on a day other than a public holiday. IT should be held on a working day, during business hours, at the Registered Office of the company, or a place within the city, town, or village in which registered office is situated.
- An adjourned meeting accidentally comes to be held on a public holiday does not contravenes the provisions of Section 166 (2). Time of subsequent AGMs may be fixed by the Articles or by a resolution in the AGM.

Business Transacted at an AGM [Section 173]

- Ordinary business relating to:
 - Consideration of accounts, Balance Sheet and report of board and auditor,
 - Declaration of dividend;
 - Appointment of director in place of those retiring; and
 - Appointment and fixing of remuneration of the auditors.
 - Every other business is a special business.

Extraordinary General Body Meeting [Sec 169]

- Every general body meeting of company with exception to Statutory Meeting and AGM is called an EGM.
- Every business at an EGM is a special business, which arises between two AGMs being urgent, and cannot be deferred to the next AGM.
- The Company Law Board (CLB) may also call for an EGM.

Meeting of Board of Directors

- A meeting of the Board of directors shall be held at least once in every three months and at least four such meetings shall be held in one year. As long as four meetings are held in a calendar year, the interval between two meetings may be more than three months.
- Listed companies are required to hold at least four board meetings in a year with a maximum time gap of four months between two meetings. Notice of every meeting of the board shall be given in writing to every director for the time being in India, and at his usual address in India to every director.
- The notice should contain the time date and place of meeting. There is no provision for minimum days for giving notice. It is generally prescribed by the Articles. If the notice of the meeting is not given to even one director the meeting and any resolution passed there at would be invalid. Notice of the adjourned meeting should be given to the directors who did not attend the original meeting.
- Failure would make the officer in default punishable with a fine extending up to Rs 1000.
- The meeting of the director may be held at any time and place convenient to directors, outside the business hours and even on public holiday unless Articles provides otherwise. Good practice demands that the agenda containing business to be transacted is circulated preferably along with the notice at least a week before the date of meeting.



Thank
you

