

## Chapter - 6 "Registration of charges"

[Chapter VI of Companies Act, 2013 - Secs. 77 to 87]



### ✓ (i) Meaning and Types of Charges:

Sec. 2(16) : Interest or lien

↓ created on

the property or assets of a company or any of its  
undertaking or both

↓

as security

↓

and includes Mortgage

Types of charges: (a) fixed charge

(b) floating charge

- (a) fixed charge: - Charge created on specific assets of permanent nature, identified at the time of creation of charge.
- Borrowing Company is not permitted to sell such assets except with permission of chargeholder.
  - Charge is vacated/released on repayment of borrowings.

(b) Floating Charge: - Charge created on assets of fluctuating nature like inventory, debtors, etc.

- Assets under floating charge keeps on changing due to use of these assets for trading or producing final goods etc.
- Floating charge crystallises under following conditions:
  - (i) Violation of terms and conditions;
  - (ii) Cessation of company's business;
  - (iii) Liquidation of company; OR
  - (iv) Default in repayment of principal or payment of interest.

#### c) Registration of Charges:



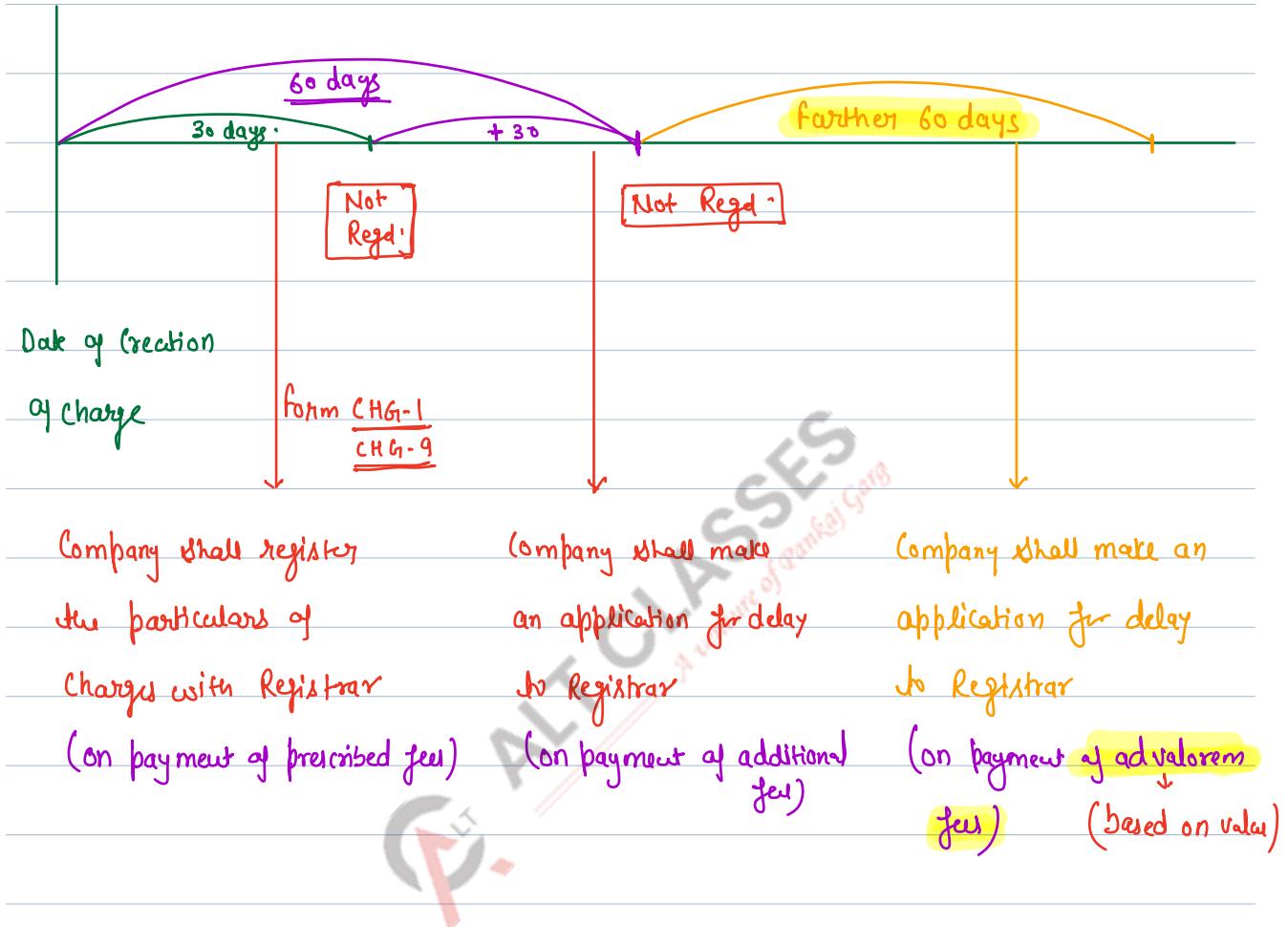
Duty to register  
charges, etc.

Application for  
registration of charges  
by charge-holder

Sec. 77 to apply  
in certain  
matters

Date of  
Notice of  
Charge

(a) Duty to register charges etc. (Sec. 77)



(a) If charge registered: - Registrar shall issue a certificate of registration of charge in form No. CHG-2.  
- Certificate is a conclusive evidence that all requirements of this chapter has been complied with.

(b) If charge not regd.: Charge becomes void against the creditor.

Note: It implies that creditor will be treated unsecured at the time of liquidation of company. Debt against the company remains valid.

### (b) Application for registration of charge by chargeholder : Sec. 78

If Company fails to register the charge within 30 days, chargeholder may apply to Registrar for registration of charge.

within 14 days allow the

chargeholder to register the charges

↓ if

Company itself not register the charge, or shows cause the reasons for non registration.

### (c) Sec. 77 to apply in certain matters (Sec. 79):

↓  
(a) In the case of a company acquiring any property, subject to charge, with the permission of charge-holder.

↑  
(b) Any modification in  
- terms and conditions  
- extent or operation

↓  
of any existing charge  
regd. u/s 77.

Note: As per Rule 6, Registrar is required to issue certificate in form CHG-2, and Certificate so issued shall be conclusive evidence of the matter that all requirements as to the provisions of this chapter are complied with.

(d) Date of Notice of Charge: Sec. 80

Where any person acquiring any property, asset or undertaking covered by a charge registered u/s 77



it shall be deemed that he had notice of charge



from the date of registration.

H.W: : Written Practice of Questions: (i) Nov. 20 Exam (Sec. 77)  
(ii) Nov. 21 MTP (Sec. 80)



(iii) Satisfaction of charge:

Sec. 82

Sec. 83

Company to report satisfaction of charge

Power of Registrar to make entries of satisfaction

(a) Company to report satisfaction of charge ( Sec. 82):

Within 30 days of full payment, Company shall give intimation to the Registrar ( Note 1)

Registrar shall cause a notice to the chargeholder calling upon him to show cause within such time not exceeding 14 days, as to why the payment shall not be recorded. ( Note 2)

No cause shown

Any cause is shown

- Registrar shall order that a memorandum of satisfaction shall be entered and inform the company.
- Registrar shall record a note to that effect in the Register of charges and inform the company.
- Registrar shall issue the certificate of satisfaction of charge in form No. (HG-5).

Note 1: Registrar may allow such intimation of payment within 300 days of payment, on an application by the company or chargeholder and payment of prescribed additional fees.

Note 2: No notice shall be required to be sent, in case the intimation to Registrar is in specified form and signed by the chargeholder.

(b) Power of Registrar to make entries of satisfaction and release in the absence of intimation from the company (Sec. 83):

- Registrar, may on evidence being provided to his satisfaction w.r.t. any registered charge that

(a) debt has been paid or satisfied in whole or in part OR

(b) part of the property / undertaking charged has been released or Company ceased to retain the property

Undertaking

enter in the Register of Charges, a memorandum of satisfaction or the fact that part of property / undertaking has been released from the charge



despite the fact that no intimation has been received by the Registrar from the company.

- Registrar shall inform, affected parties within 30 days of Entry in Register of charges.

(iv) Miscellaneous:

↓  
Sec. 84

↓  
Sec. 86

↓  
Sec. 87

Intimation of  
appointment of  
Receiver or  
Manager

Punishment for  
Contravention

Rectification by C.G.  
in Register of charges

To be covered from book

H.W: Complete Revision of Chapter 5 and 6.