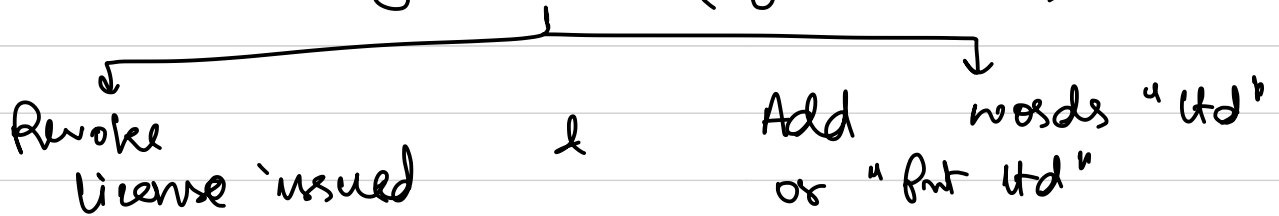
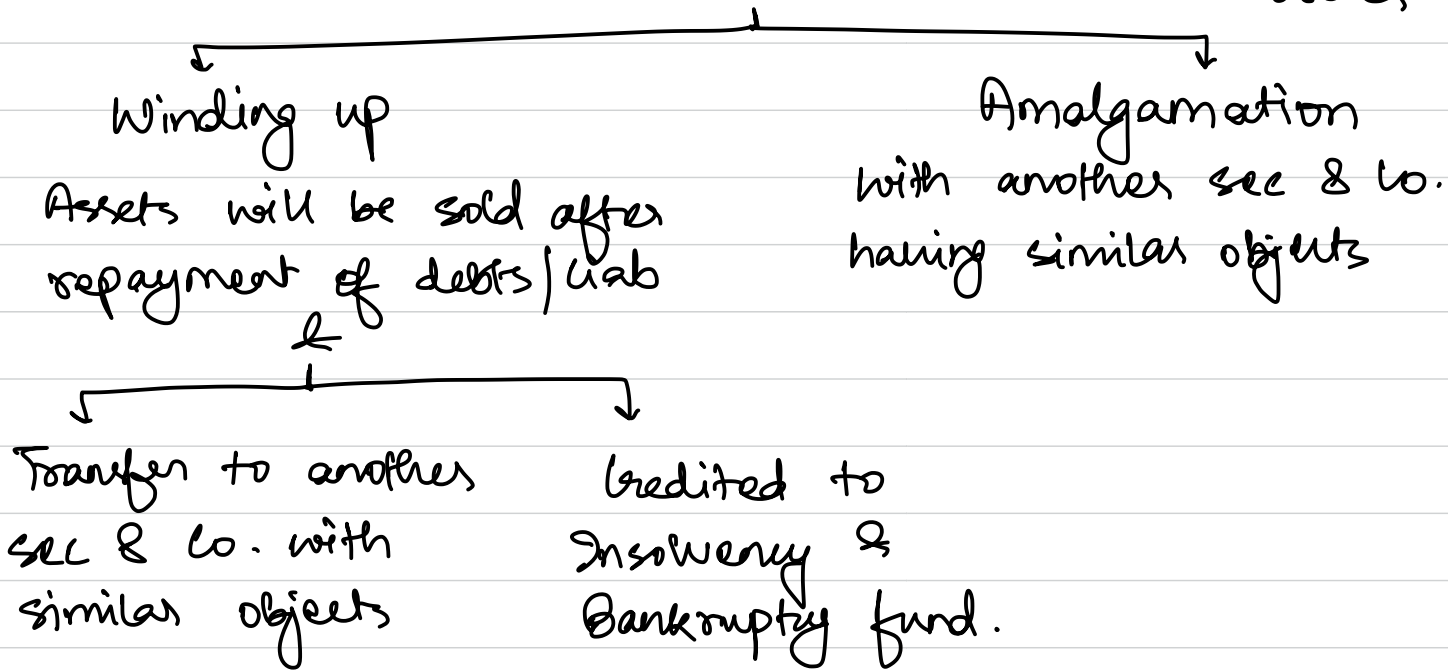


Action: CLs will give orders (after RDBH)

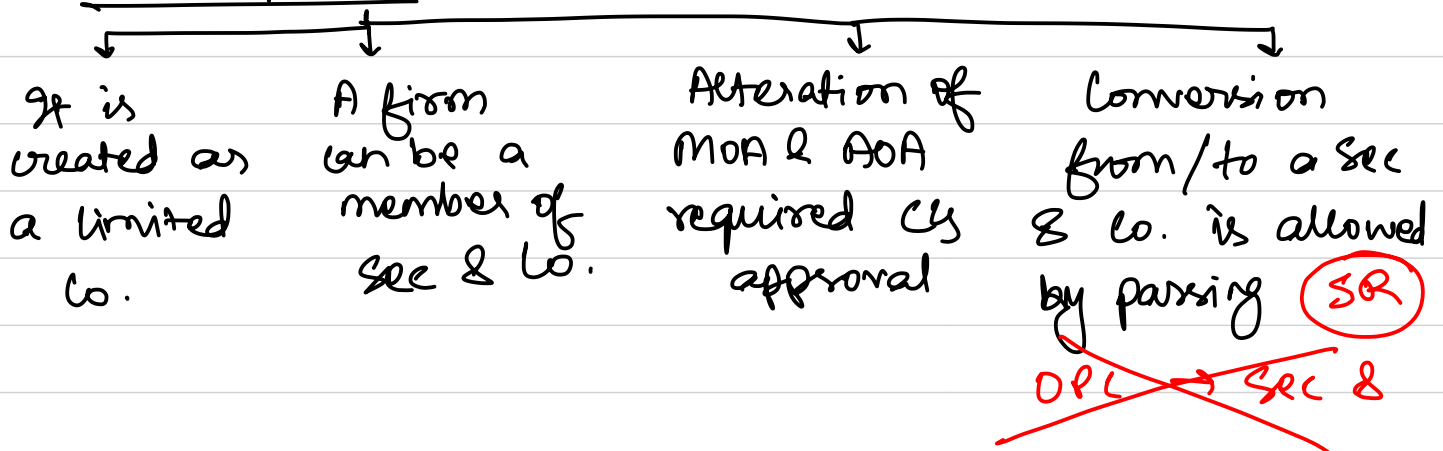


(+) In public interest, CLs will issue further orders



→ Penalty → Pg 2.7

→ Other points



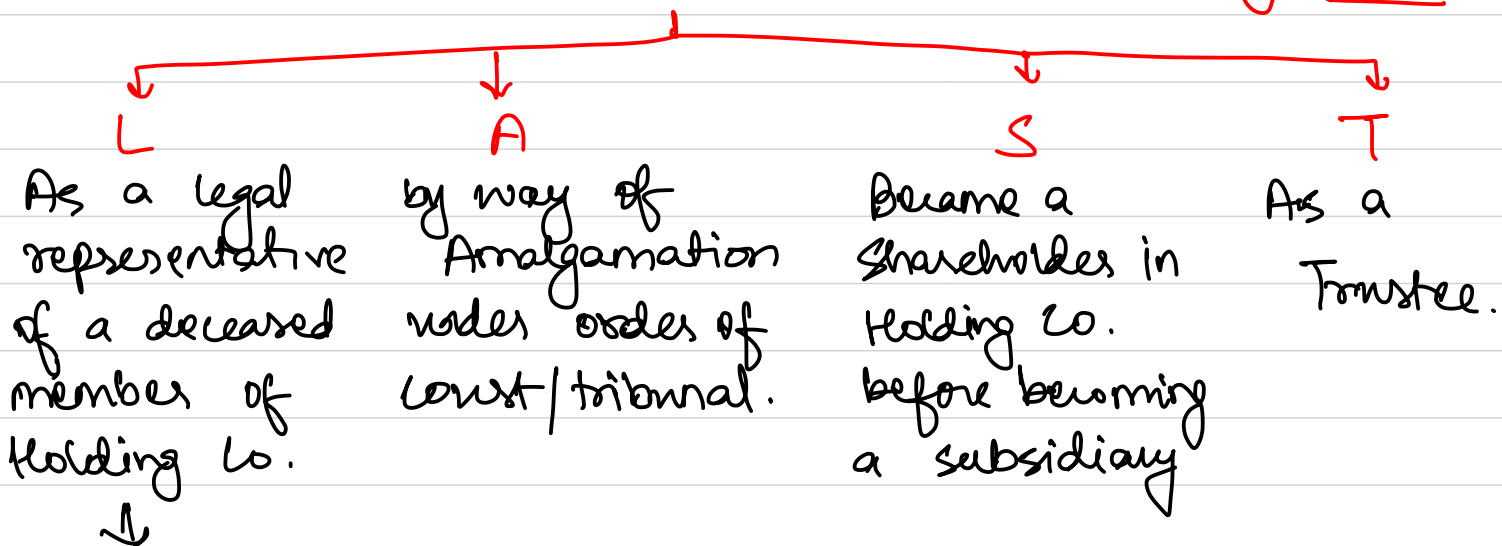
Sec 19 → Subsidiary cannot hold shares in Holding Co.

A subsidiary Co. cannot hold shares in Holding Co.

Any transfer or allotment of shares to Subsidiary Co. by Holding Co. shall be void.

Exceptions (4)

LAST Ltd can hold shares in Holding Co.



Right to vote is allowed.

Sec 20, 21, 22 → Pg 2.20

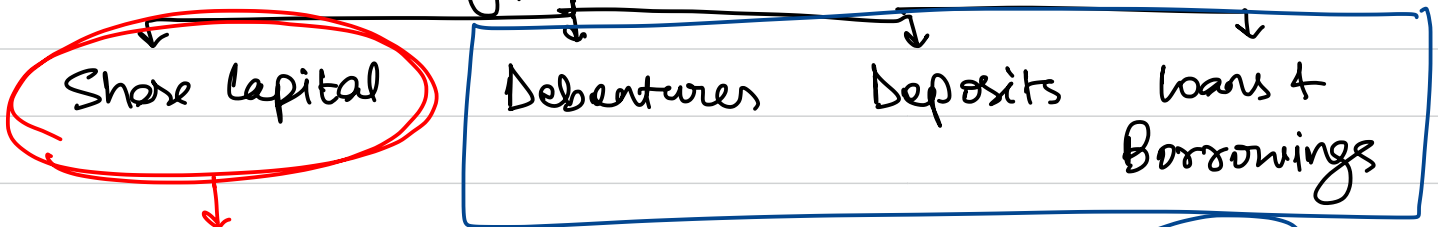
Ch 3 → Prospectus

Background

Abhi tak → Co. banke ready hai? (Yes)

↓
Co. kyu banaya gaya? To fulfill MOA → Object Clause

↓
Paisa lagega
(Types)



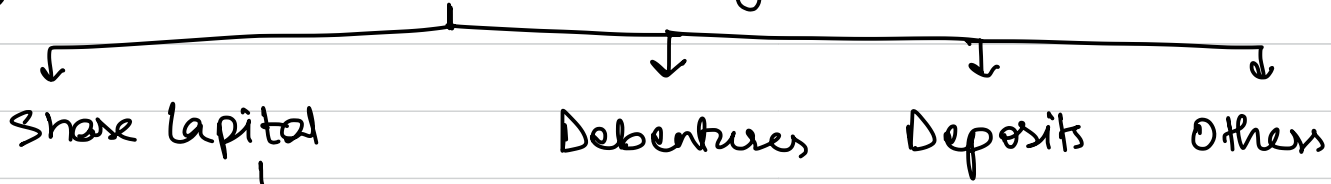
What are the future prospects of the Co?

(To be considering before giving money to the Co.)

→ Co. will issue a PROSPECTUS

↓
Simple words → A Doc. on the basis of which people will be willing to buy Co's shares
(Think of it as a catalog or brochure)

Sec 23 → Co. has to raise funds



New people

Existing people

Popartal

Jethalal

Public Issue

Private

Existing Shareholders

Employees

Fresh Issue

Offers for Sale

Placement

Share Tank

Rights Issue

Bonus Shares

ESOPs / Sweat Equity Shares

QIBs

Qualified Institutional Buyers.

For Pvt & Public Cos both.

For Pvt & Public Cos both

IPO/FPO
[Initial Public offers]
[Further Public offers]

(Prospectus will not suffice. Detailed investigation is req.)

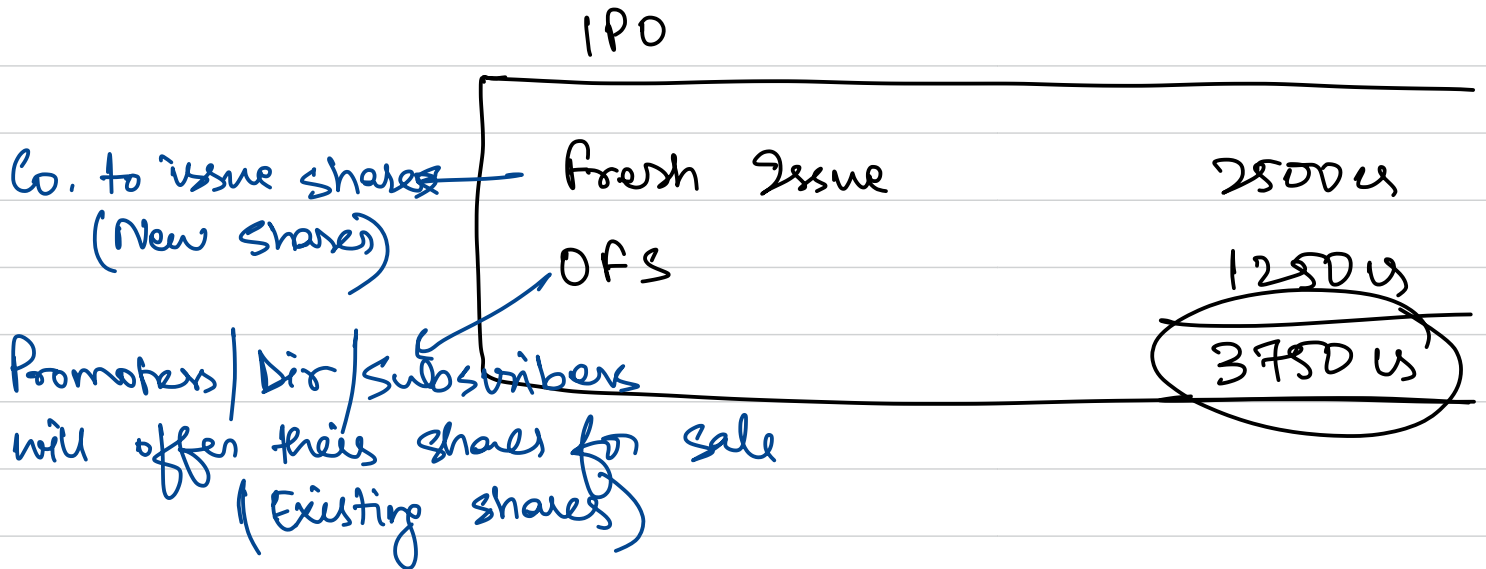
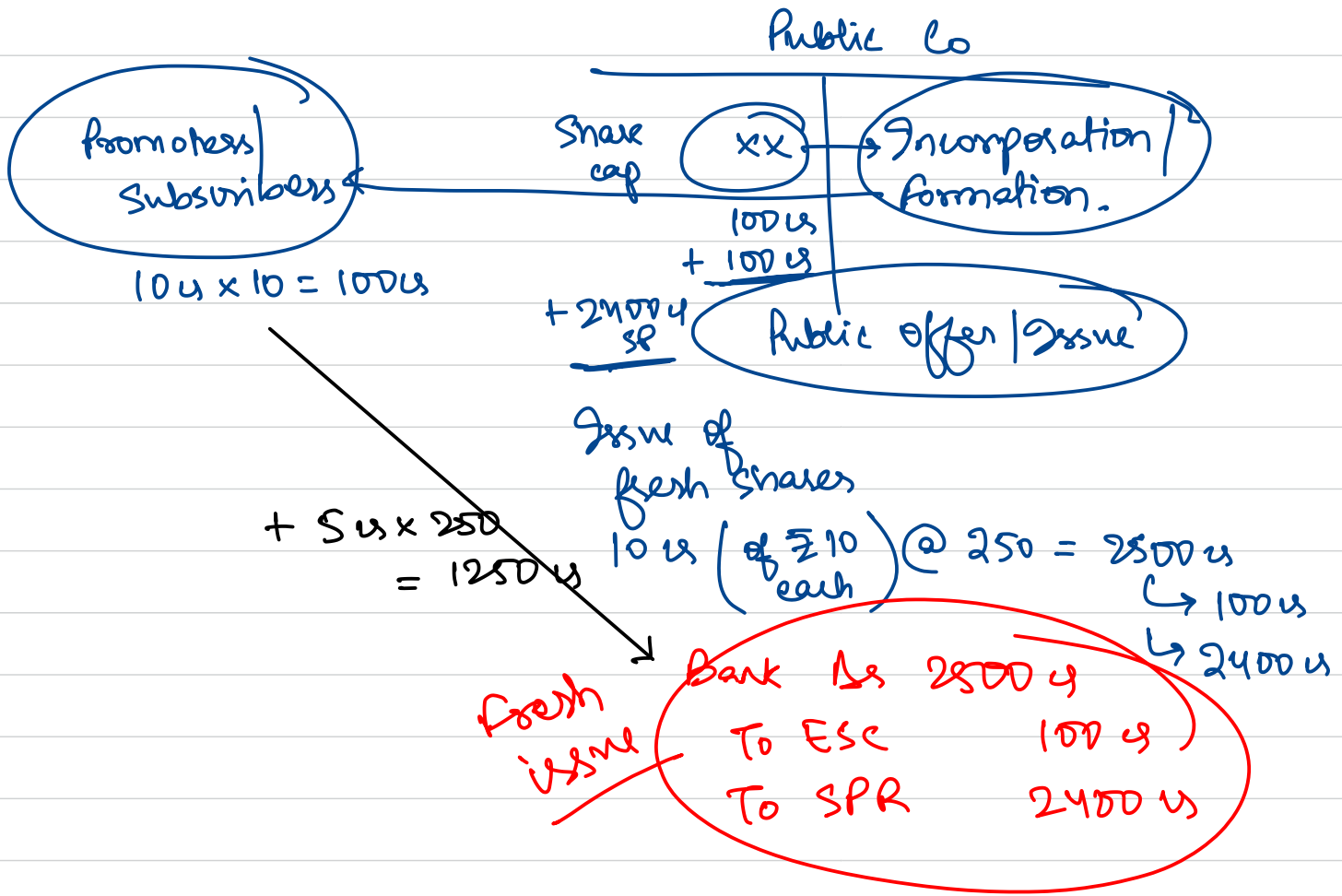
(Prospectus Not required)

For Public Cos. only

A Pvt Co. cannot go for a public issue.

Through Prospectus
[Offer Document]

Eg for Self understanding



Sec 24 → SEBI regulations

listed
cos
u/s 2(52)

cos. which intend to get their securities listed on RSE.

2(70) → Prospectus

Naam ka

Kaam ka

means
any Doc issued
as Prospectus.

Red
Herring
Prospectus
u/s 32

Shelf
prospectus
u/s 31

Notice, circular,
advertisement,
other doc through
which invitation
of securities is
made to public.

Deemed Prospectus u/s
25

Sec 25

Any Doc + offer for invitation + To public = Prospectus

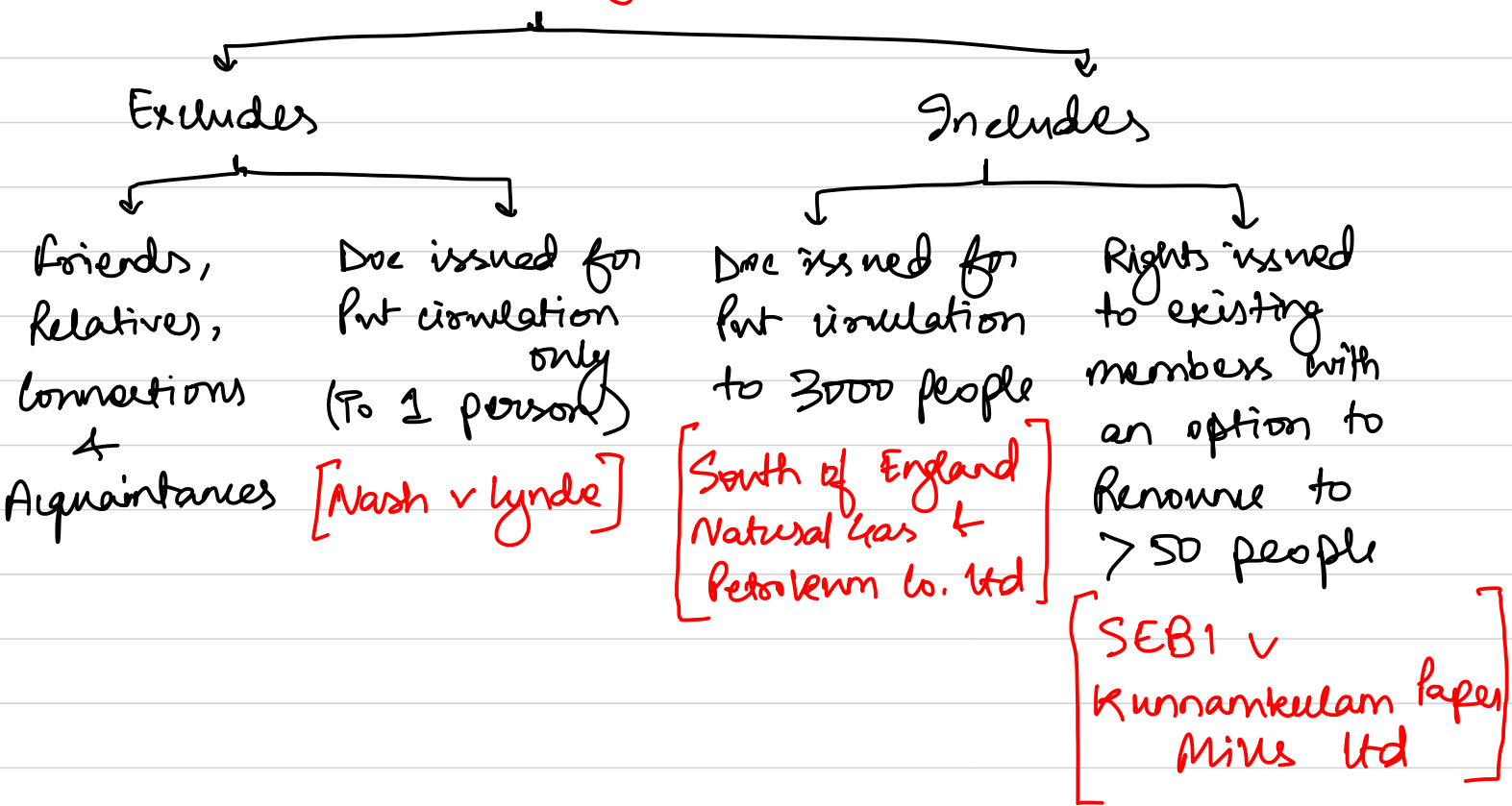
notice, circular,
advertisement,
other doc

Shares to be
allotted within
6m from date
of offer

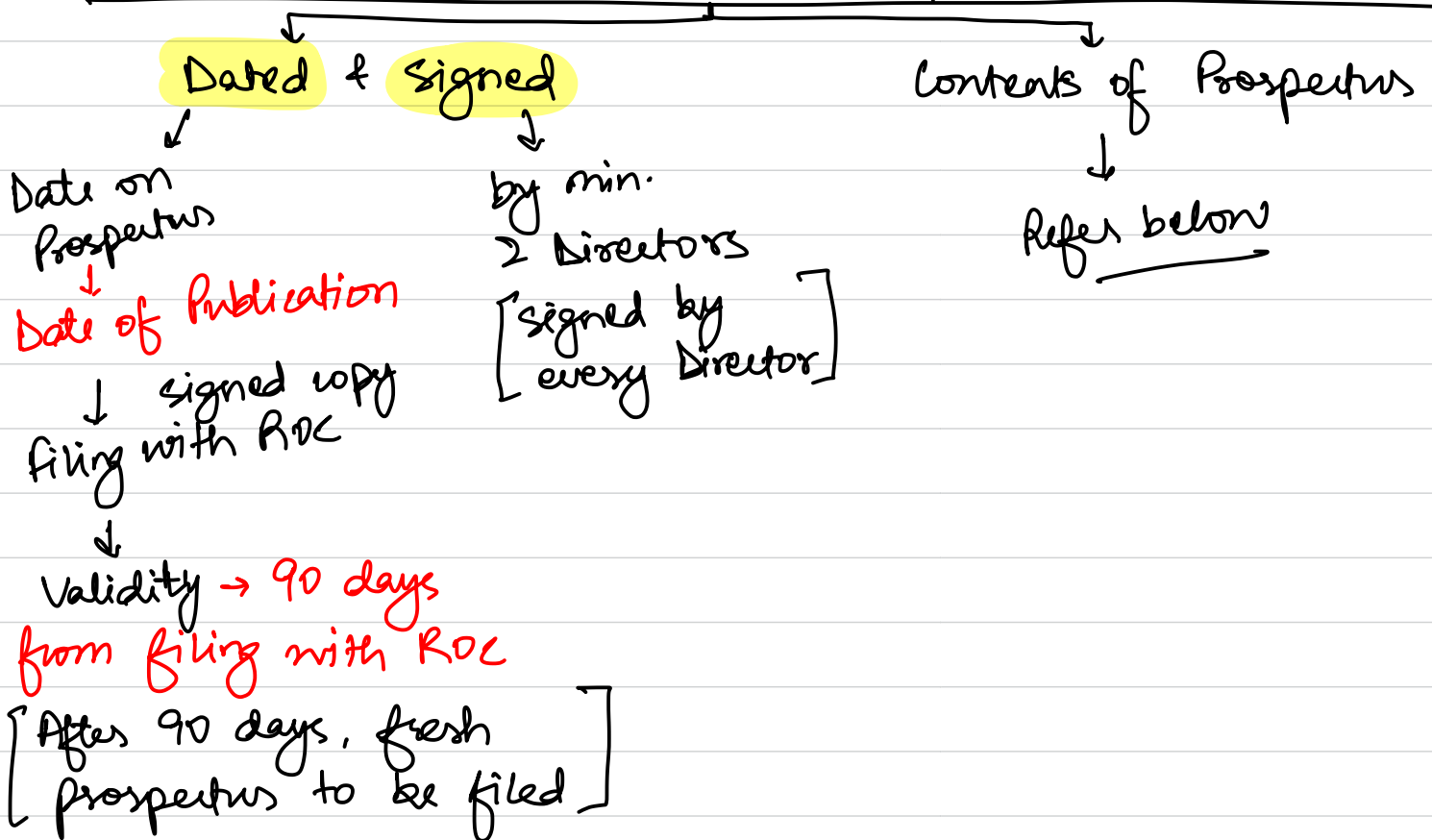
contain
matters
u/s 26

Signed by
2 Directors.

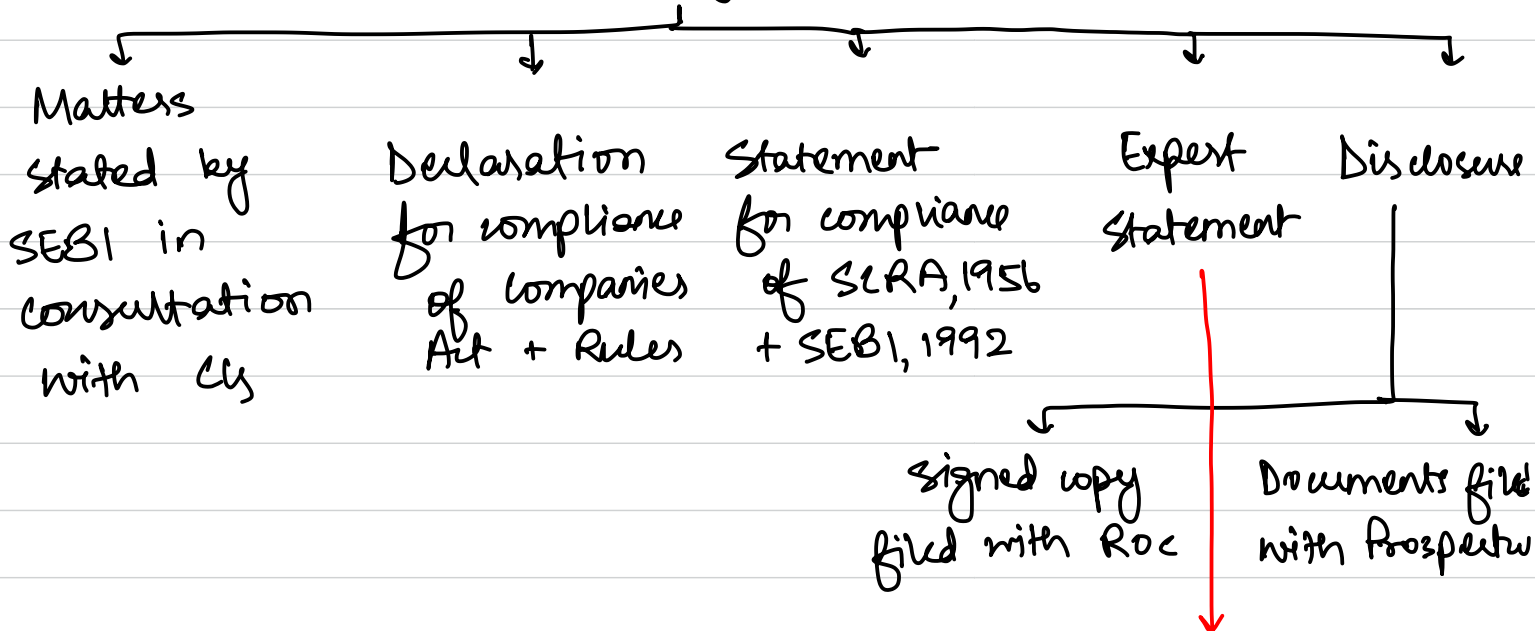
* Public (general public at large)
 (Persons not personally known to promoters)



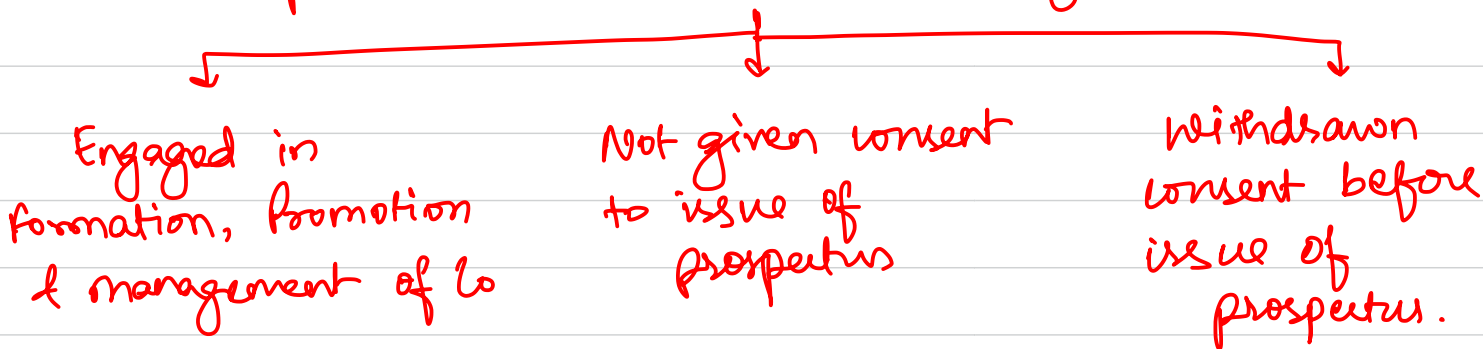
Sec 26 → Matters to be Stated / Contents of Prospectus



Contents of Prospectus



Expert st. not included in the foll cases -



Sec 27 → Variation of Objects in Prospectus

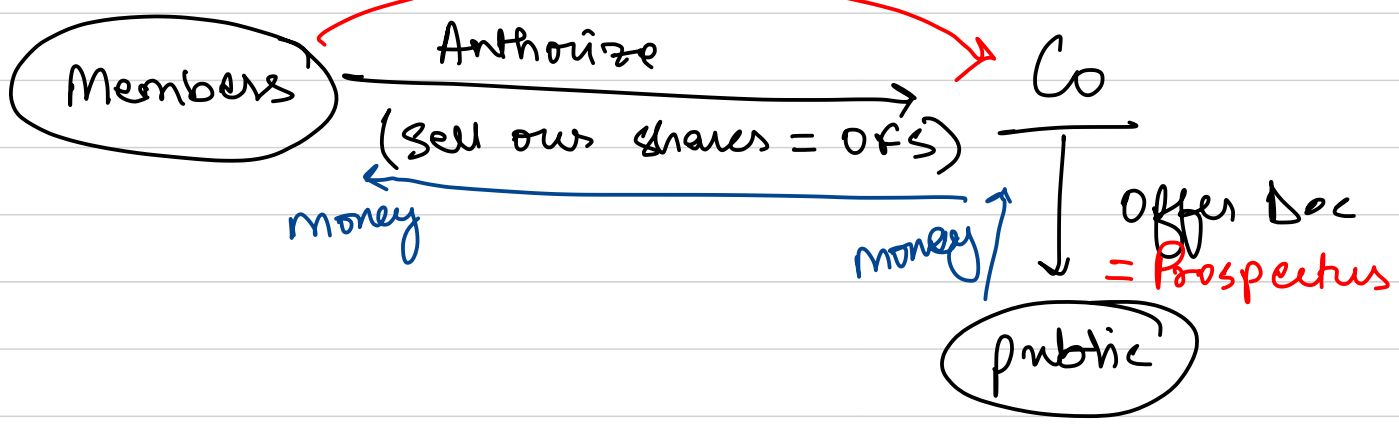
Same as Sec 13

MOA alters → SR in Crm → Dissenting Shareholders → Exit opp.

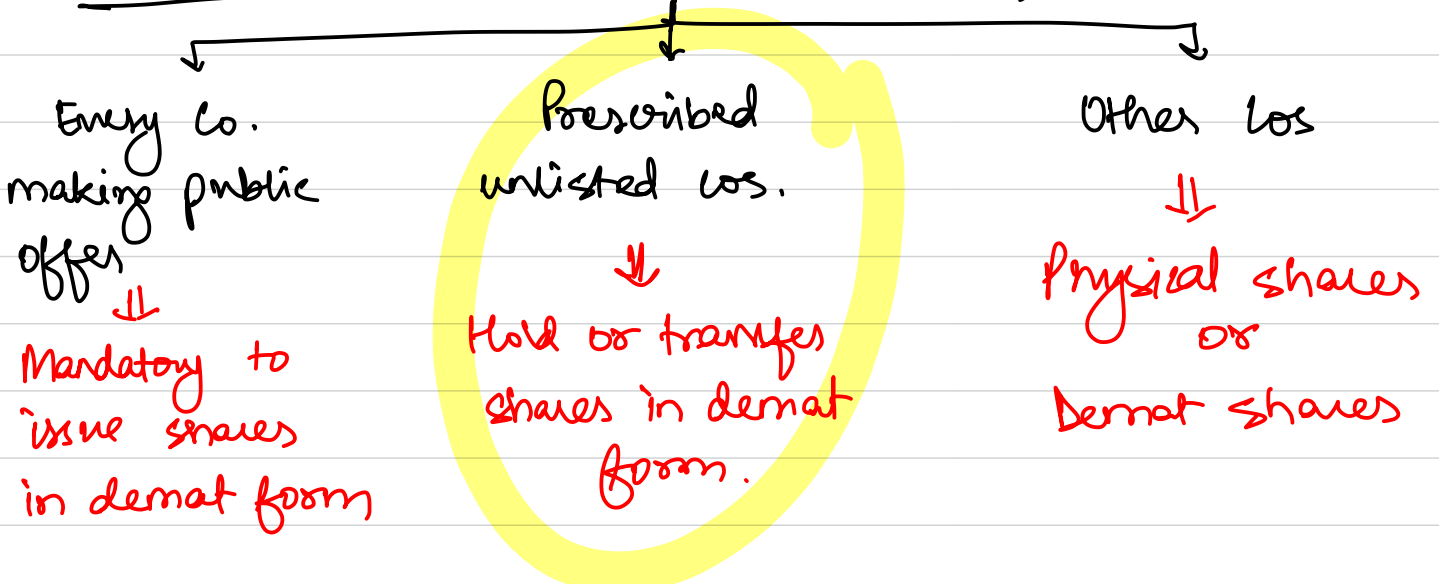
↳ file altered MOA with Roc

Restriction → Co. shall not use funds raised through prospectus for buying, trading or dealing in securities.

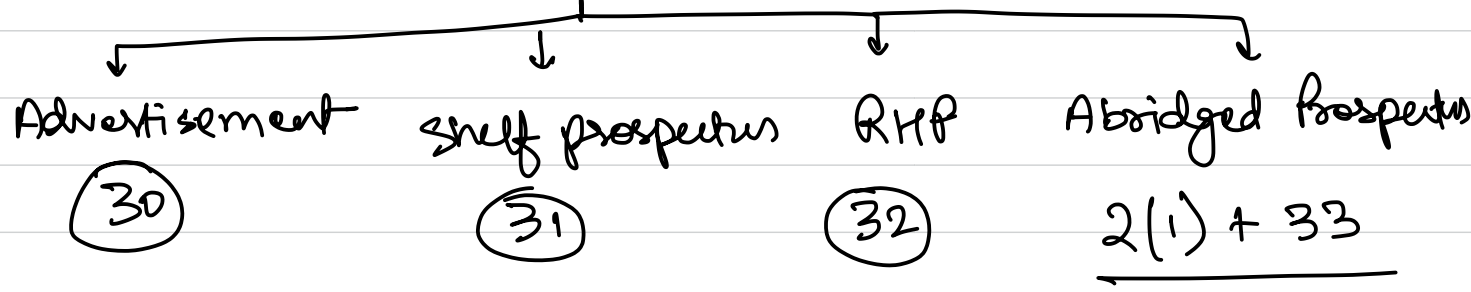
Sec 28 → OFS (Pg 3.4)
 Reimburse for exp.



Sec 29 → Dematerialisation



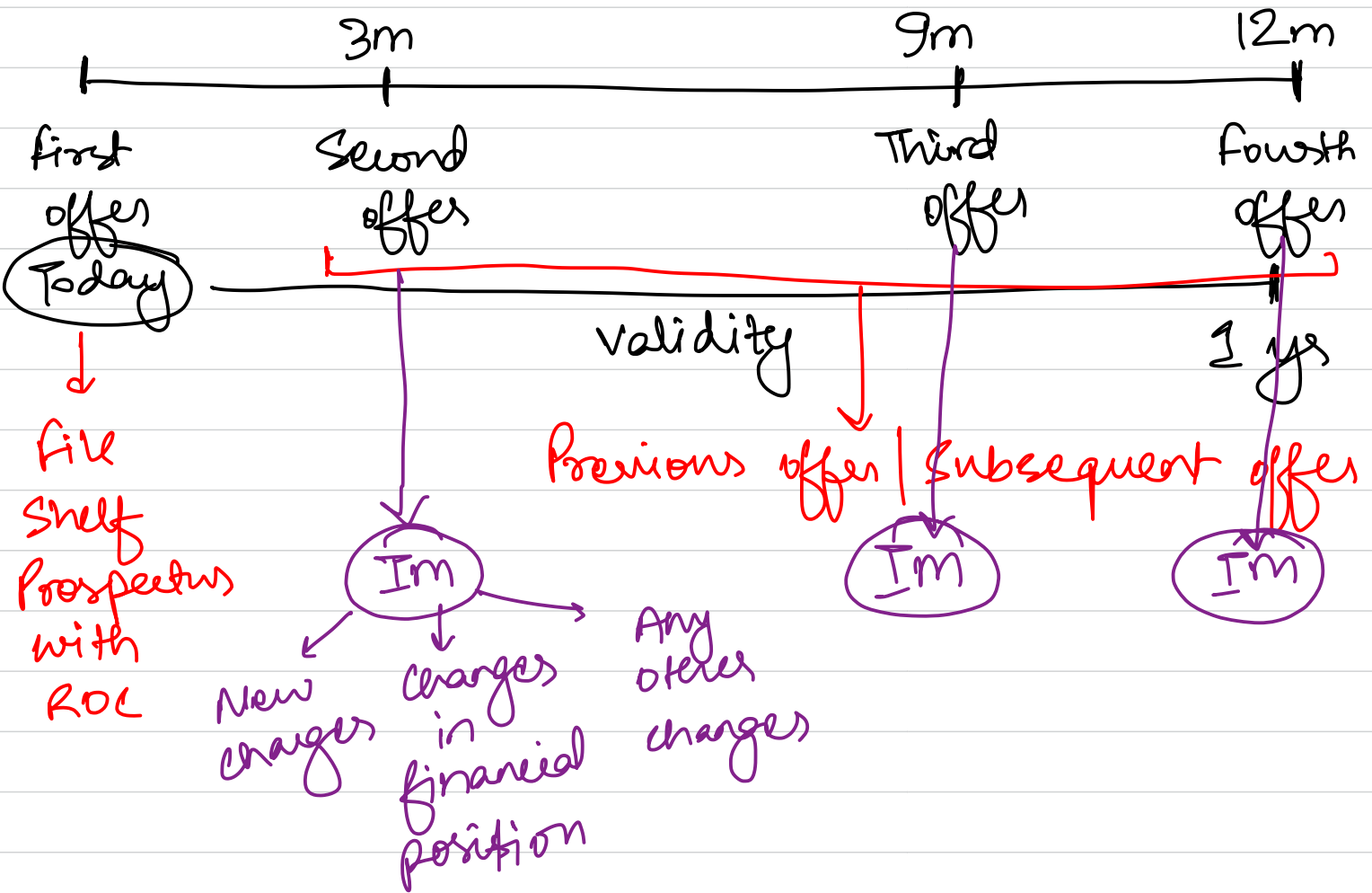
Types of Prospectus



Sec 30 → Advertisement

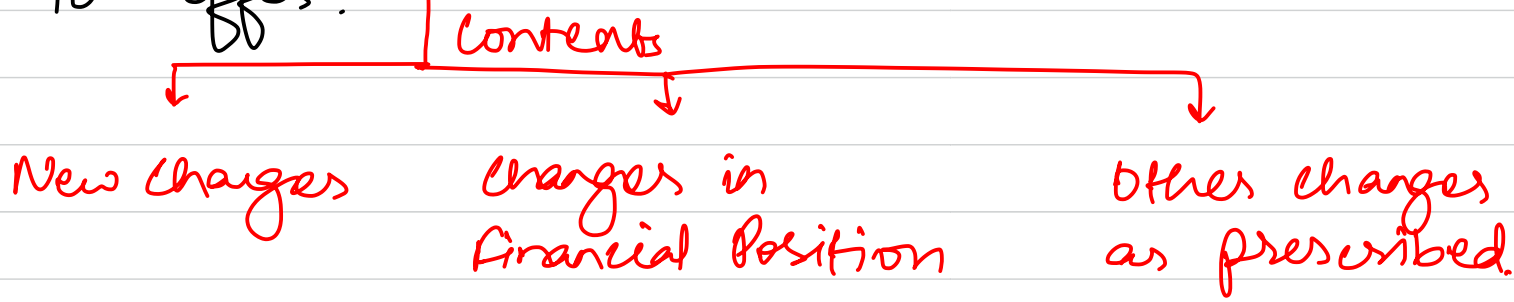
Advertisement of Prospectus = Specify contents of MOA

Sec 31 → Shelf Prospectus



- Shelf Prospectus → Issued by Co. when there are 2 or more subsequent issues.
- No further prospectus is required.
- File Shelf Prospectus with ROC at first offer of securities
- Validity → 1 yr from date of opening of first offer of securities.

→ For every subsequent offer, **Information Memorandum** is filed with ROC prior to offer.



→ Shelf prospectus + IM = Deemed prospectus

→ Other points

All provisions of prospectus will apply to shelf prospectus

If any person has given an advance at the time of shelf prospectus but wishes to withdraw when IM is filed

↓
Co. shall refund the application money within 15 days.

Sec 32 → Red Herring Prospectus (RHP)

→ RHP is a prospectus which does not include complete particulars about price & quantity.

→ RHP to be filed with ROC at least 3 days prior to opening of the issue for subscription.

→ Then, price & quantity are decided & variations are highlighted b/w RHP & Prospectus.

→ Prospectus to be filed with ROC & SEBI with foll. details

↓
Total capital raised

↓
Listing price

→ All provisions applicable to Prospectus are equally applicable to RHP.

Sec 2(1) + 33 → Abridged Prospectus

2(1) → A prospectus containing salient features as specified by SEBI.

→ Abridged Prospectus to be accompanied with application form.

→ on request, the Co. must send a copy of prospectus

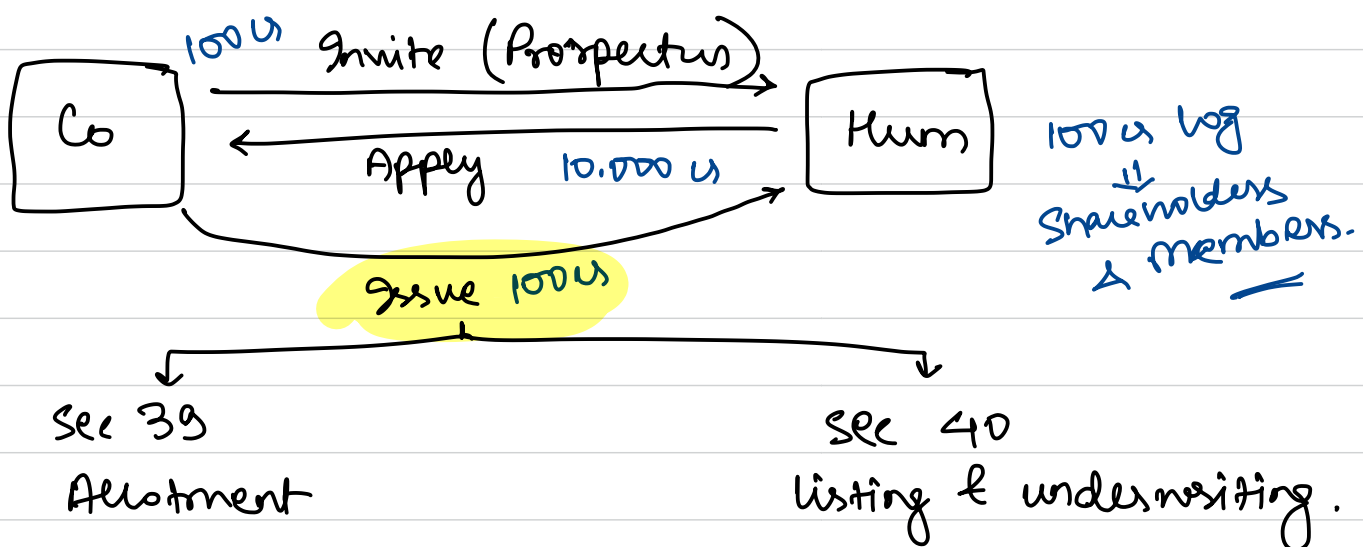
→ Abridged Prospectus not required in four cases -

underwriting agreement

Not offered to public

(but placement)

offered to existing members only.



Sec 39 → Allotment of Securities

→ Co. shall issue offer doc to public (Prospectus)

Minimum
Subscription

→ ① 90% of issue size (i.e. 1800 us)
(AND)

(10 us x 200 = 2000 us)
shares

→ ② 5% Application money per shares [Co. Act → Unlisted Co.]

25% Application money per share [SEBI → Listed Co.]

(within 30 days of issue of offer Document)

If Min subscription
criteria does not meet

If min. subscription
criteria meets



If not received within 30 days

Co. shall allot securities
within 60 days from
date of closing of offer

Co. shall refund whole amount
in the next 15 days.



Failure to refund within 15 days

Failure to allot within 60 days

Promoters
BoB,
others

→ liable to pay interest
@ 15% pa after 15
days till date of refund.

Refund within 15 days



Failure to refund
Int @ 15% pa after
15 days till date of
refund.

(30 + 15)

(30 + 60 → 30 → 15)

****** File return of allotment with ROC within 30 days. with foll. details

Allottee details

No. of securities to each allottee.

Sec 40 → listing & underwriting of securities

listing

Underwriting

→ Before making public offer Co. to apply to 1 or more RSE & obtain permission

→ Authorization by AOA

↓
Name of RSE to be disclosed in prospectus

→ Shares = lower of 5% of issue price or rate as per AOA.

→ Deb = lower of 2% of issue price or rate as per AOA

→ Funds received to be kept in separate bank a/c & can be used only for - to be paid out of

Adjustment against allotment

Refund of money

Issue proceeds

Profits

Both

60 days

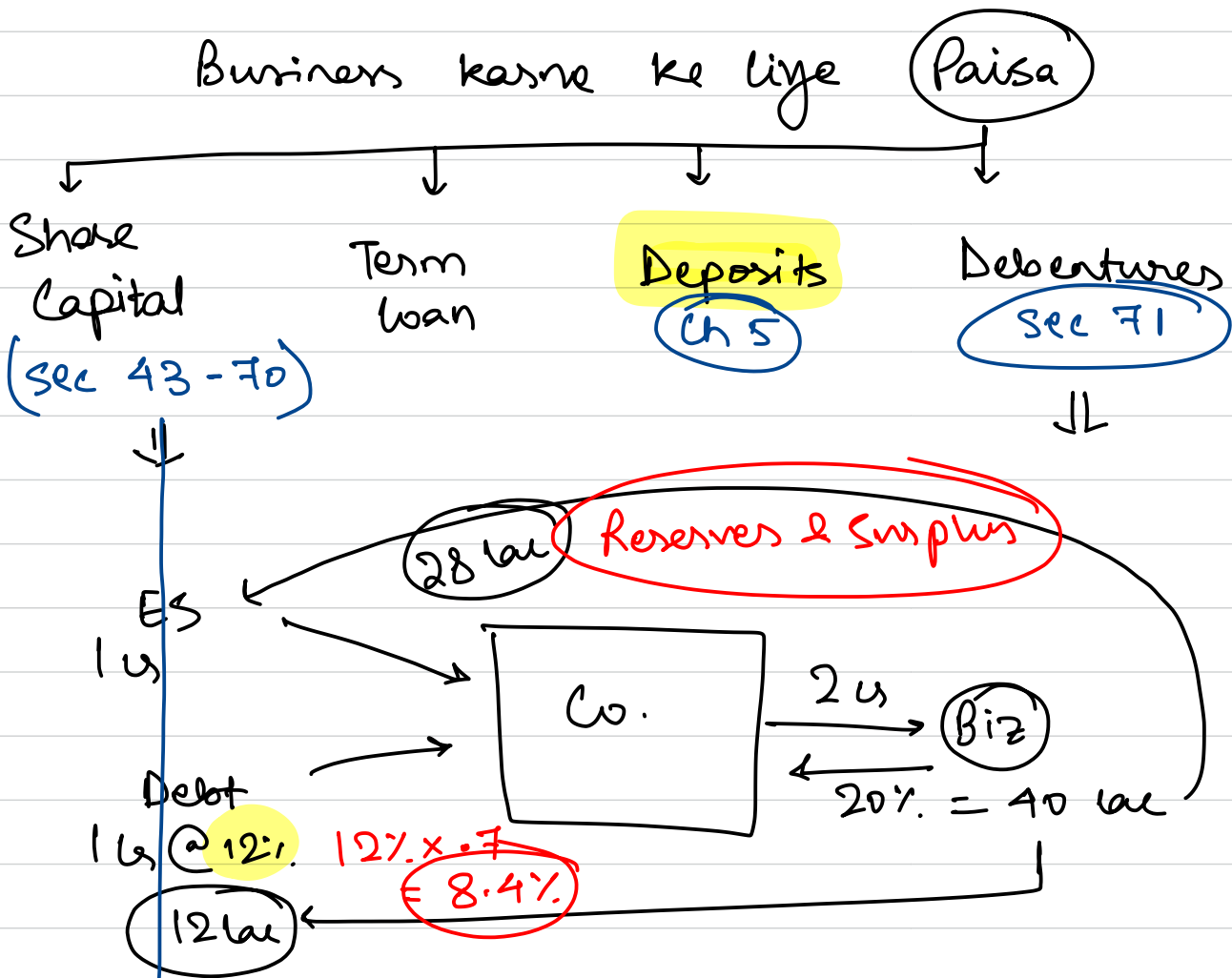
15 days

- Disclosure in prospectus

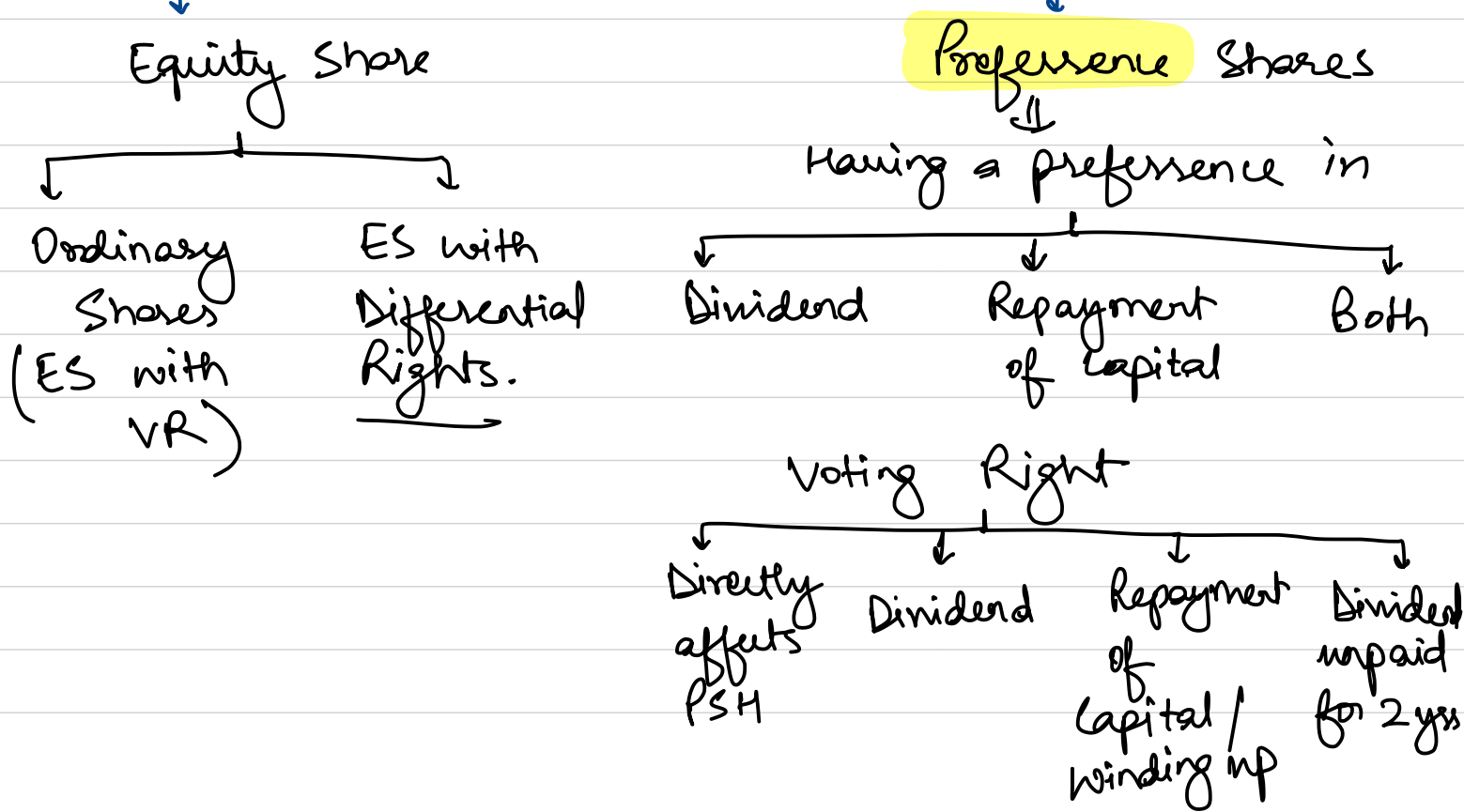
↓
Name of UW No. of securities Rate & Commission Amt

- file contract of commission with ROC along with prospectus

Ch 4 - Share Capital & Debentures



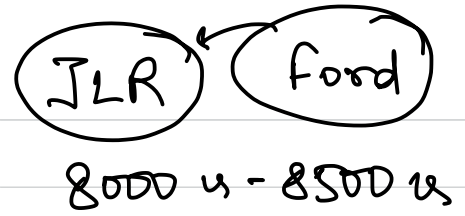
Sec 43 → Kinds of Share Capital



Eg for Explanation

Tata Motors Ltd

RT → 60% ↓
↓ FPD
50
45

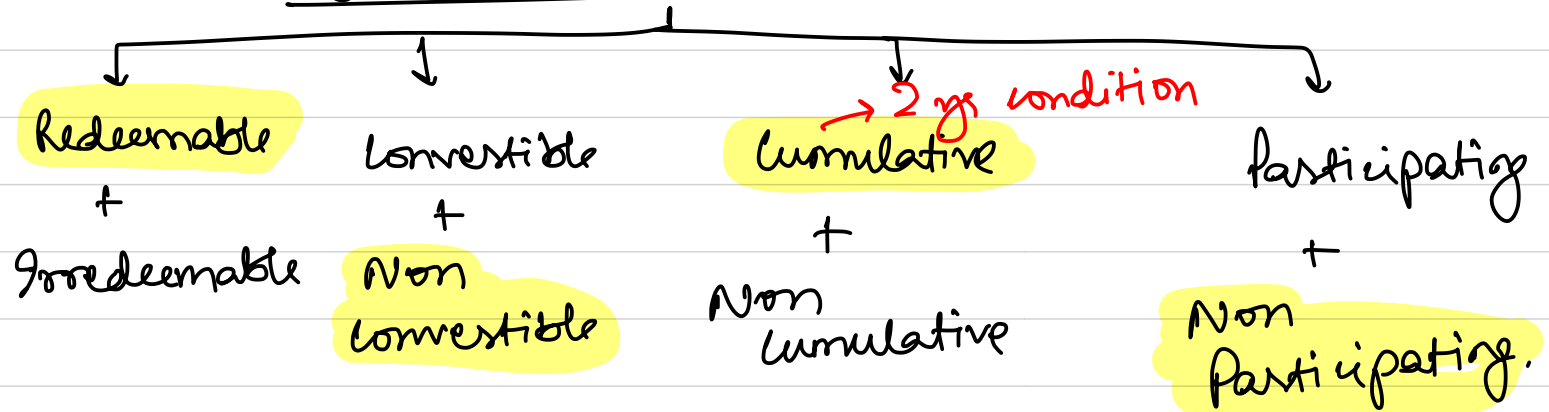


Concern: (1) Paisa Chahiye } = Tata Motors DVR
(2) No Dilution

Tata Motors Ltd. 1000@10 = $\frac{SC}{10,000}$ 1S = 1VR $\frac{VR}{1000}$

Tata Motors DVR 1000 @ 10 = 10,000 10S = 1 VR $\frac{100}{1100}$

Types of Pref. Shares



Conditions for issuing shares with DR :

Approval



- AOA
- OR

Max Limit



Eq Shares with DR \leq 74% of TVP

Defaults

last 3 yrs mein FS file hona chahiye, penalty nahi lage, DP aaha lagao + S PETI lagega

No Default in filing FS/AR in last 3 FYs

Not penalized by court/Tribunal in last 3 yrs under RBI, SEBI, SCRA, FEMA

No default in payment/repayment

- Dividend
- Debenture + Int
- Deposits + Int
- Pref Shares

No default in

- Pref. shares + Div
- Employees' Dues
- Term loan + Int
- IEPF

can be issued after expiry of 5 yrs from the end of FY in which default was made good.

Other points - Book Pg 4.3

See 4b → Share Certificate

① Physical Share certificate = Prima facie evidence.
Depository / Demat shares = Record of Depository is Prima facie evidence.

② Issued under

- Common seal (if any), or
- 2 Directors, or
- if CS → 1 CS + 1 Director

③ Duplicate / Renewed certificate

Renewed certificate

Duplicate certificate

When? → original certificate
Defaced, mutilated, torn



- original certificate surrenders
- renewed certificate to be issued in replacement



original certificate must be printed / stamped

"Cancelled" under

Board Resolution &

destroyed after expiry of 3 yrs from date on which it was surrendered

When? original certificate
lost or Destroyed



- Duplicate certificate to be issued under Board resolution after evidences are submitted



listed Co

Unlisted Co.

15 days from submission of complete docs. 3m from submission of complete docs

(evidence documents)

Other points

① All Blank forms to be used as share certificates must be printed under authority of BR & kept in custody of CS or any person authorised by Board.

② Books to be preserved for

Disputed case

permanently

Normal case

≥ 30 yrs.

Sec 47 → Voting Rights

Equity

Every member has a right to vote on every resolution placed before the Co.

⇓

VR = In proportion of PESC held by members

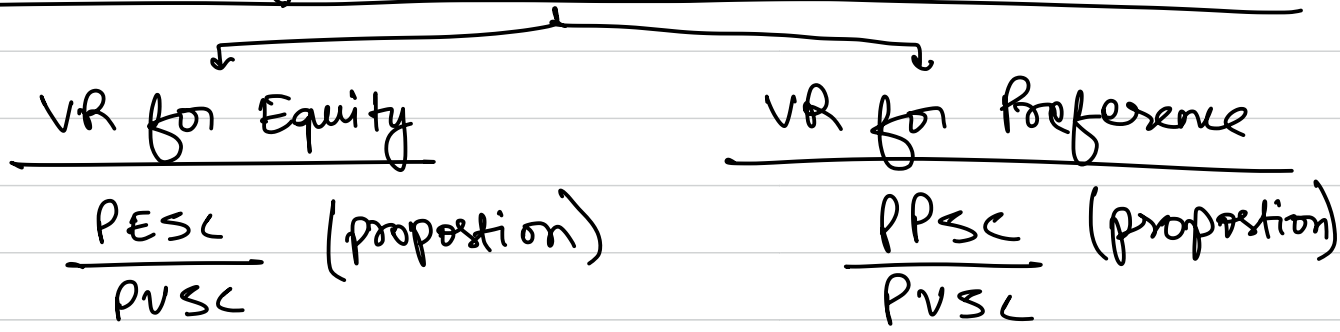
Preference

Every member has a right to vote on resolutions

Directly affects rights of PSH Dividend payment Winding up / Repayment of Capital Dividend unpaid for 2 yrs

VR = In proportion of PESC held by members.

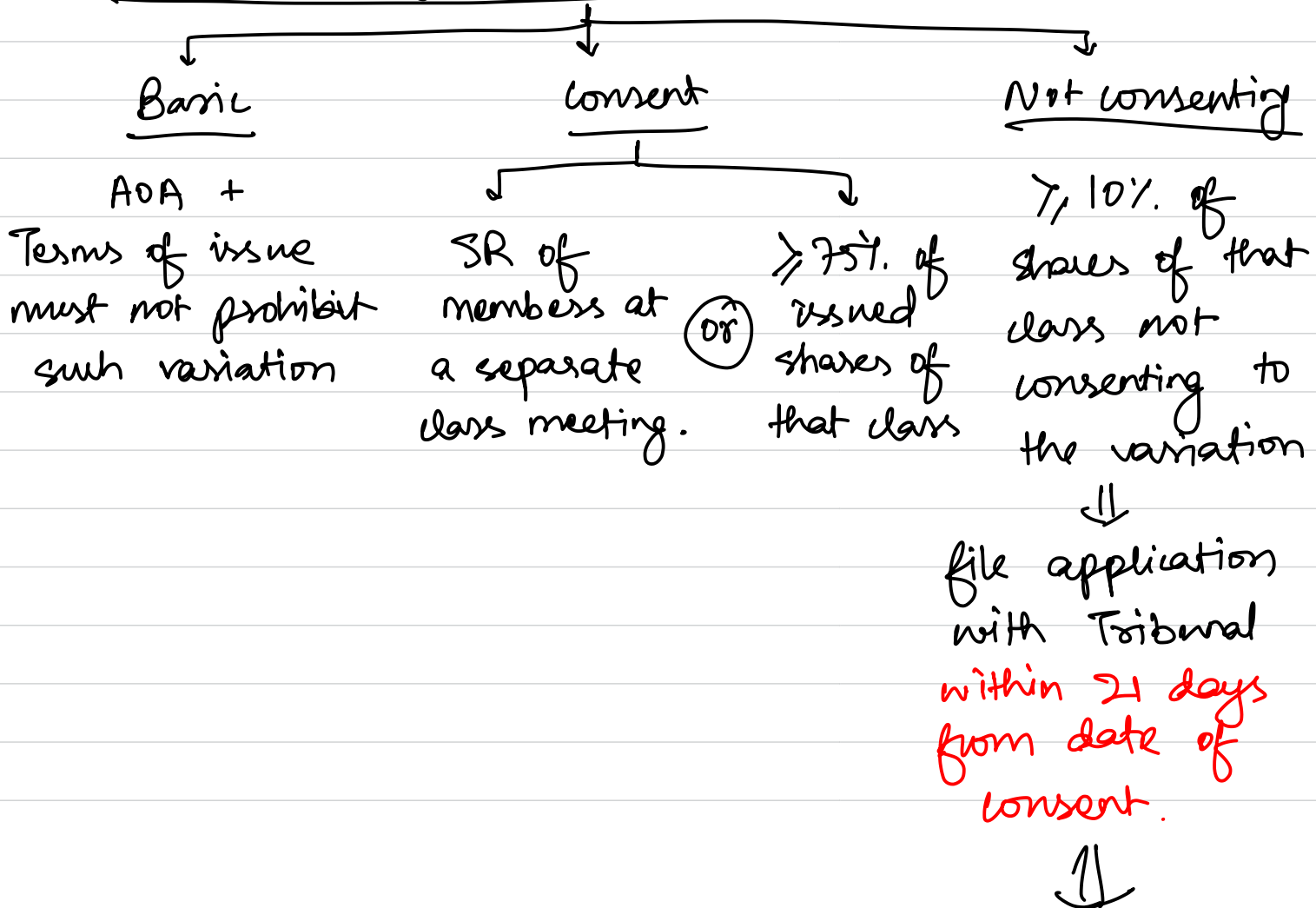
② In case of combined voting (Eq + Pref. both)



Eg: $\frac{50 \text{ us ESC}}{100 \text{ us PSC}} \Rightarrow$ Combined meeting $\left\{ \begin{array}{l} \text{Eq} = 50 \text{ us VP} \\ \text{Pref} = 100 \text{ us VP} \\ \hline \text{TVP} = 150 \text{ us} \end{array} \right.$

Sec 48 → Variation in Shareholders' Rights

① Conditions for variation



Other points

1. Variation shall not take place unless confirmed by Tribunal.
2. Tribunal's order shall be binding on shareholders of that class.
3. Co. shall file copy of order to RoC within 30 days from date of order.

Sec 43 → Calls to be made on uniform basis from all shareholders of a particular class.
(Calls are made by Board)

Sec 50 → Any member can pay the unpaid amt on its shares even though such amt has not been called up (only if auth. by AOA)

↓

No VR & Dividend on such amt. Interest can be paid (AOA).
Rate = Varied by Shareholders at L.M.

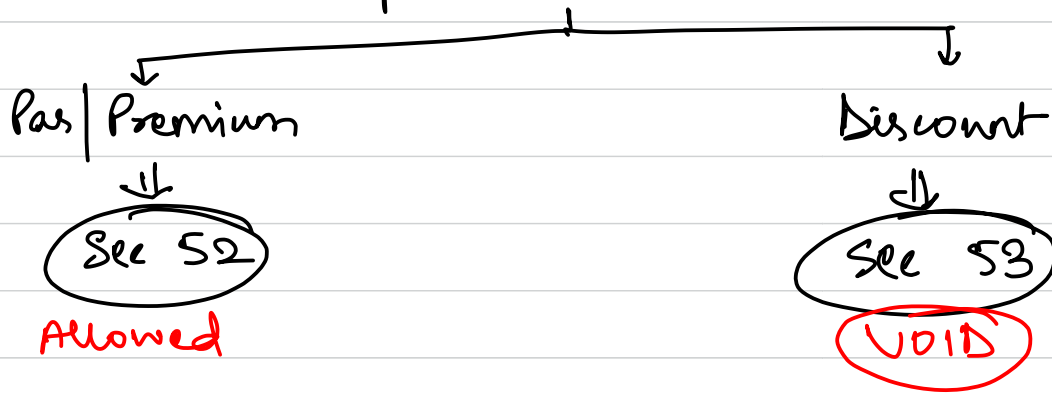
Sec 51 → Dividend = Dividend is on paid up amt of shares (AOA).

Share issued

FV 100

- IP = 100 (Par)
- IP > 100 (Premium)
- ~~IP < 100 (Discount)~~

At what price can shares be issued?



Sec 52 → Issue of Shares at premium

Premium \Rightarrow $IP > FV$ (MP not relevant)

Shares can be issued at premium w/s 52.
(listed Co \rightarrow follow SEBI guidelines)

Bank A/c
To ESC

To SPA

\rightarrow to be treated with same
sanctity as PVSC

uses of SPA



\Downarrow
Prescribed class of Cos. w/s 133 can use
SPA for these 3 purposes only.

Other points

SPA can be collected in cash or kind

It is a capital reserve
(NOT free reserve)

It can be reduced in the same manner as PUSC

Disclosure under S-III (Part B) + How it was Disposed.

Sec 53 → Issue of Shares at Discount

Discount = $IP < FV$ (MP not relevant)

Issue of shares at discount is **VOID**

2 Exceptions

Sweat Equity Shares u/s 54

Creditors converting their debt into Equity shares under

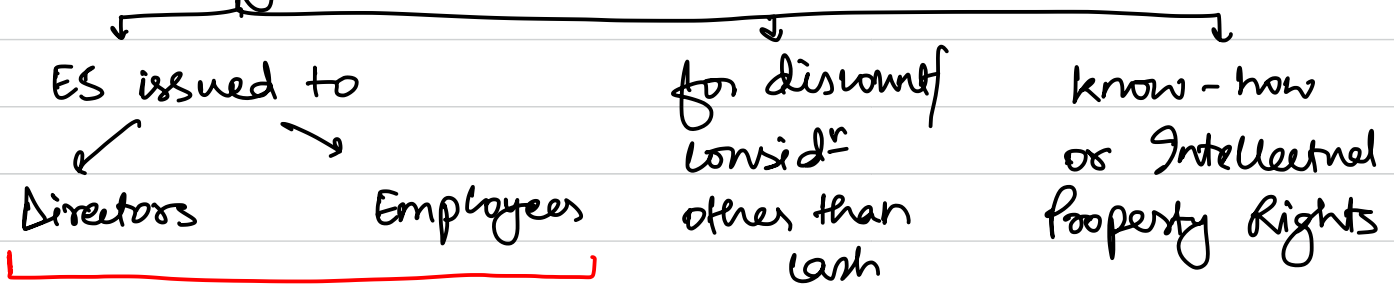
Statutory Resolution plan
(IBC 2016)

Debt restructuring Scheme
(RBI guidelines)

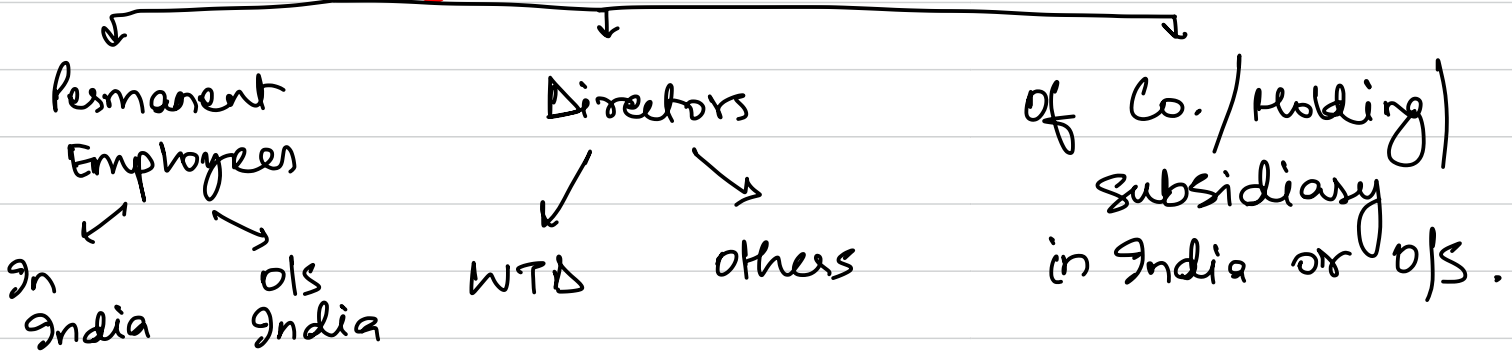
Violation = Refund money + Int @ 12% pa

Sec 54 → Sweat Equity Shares

Meaning



Meaning



Conditions for issue

Approvals

SR

↓
Valid for max 12m from date of passing SR.

Limits (Max)

15% of PESC or 5 cr

Higher

Cap = 20% of PESC

Startup cap = 50% of PESC

lock-in

⇓

3 years from the date of allotment.

Other points

- Shares of that class must already be issued
- Ranking pari-passu (Equal footing)
 - listed Co → SEBI guidelines
 - Others → Rule 8
- Disclosure in Director's Report / Board report
- Registers to be maintained containing details of SES.

Sec 55 → Issue & Redemptⁿ of PS

① Issue of PS

Irredeemable PS → **VOID**

only redeemable PS can be issued

Max tenure
≤ 20 yrs
from date of issue

Infrastructure projects Co.
Max tenure ≤ 30 yrs
But, 10% PS to be redeemed
every yr from 21st yr.
onwards.

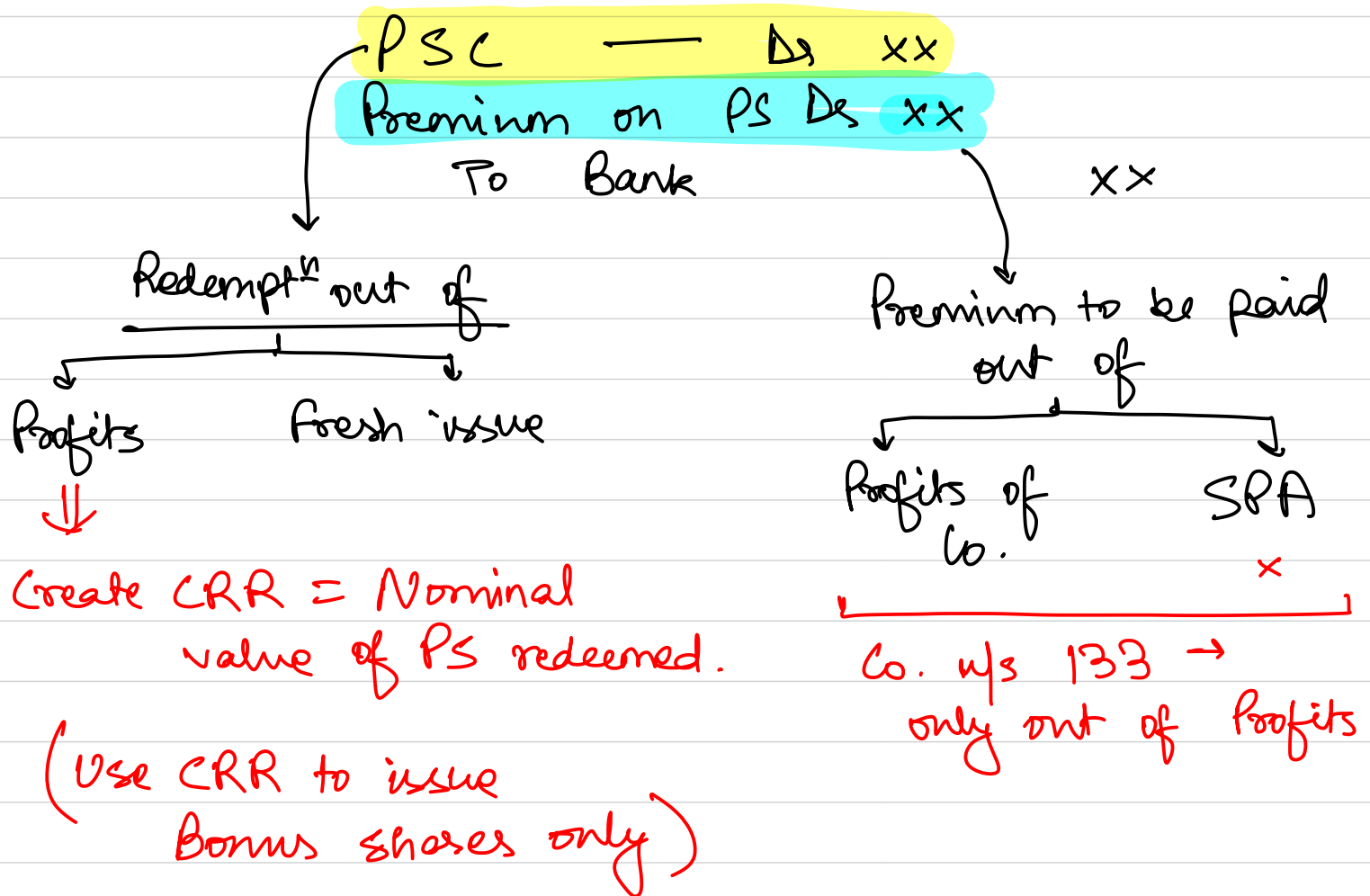
Approvals → AOA
→ SR

No Default in $\begin{cases} \text{Redemption of PS} \\ \text{Dividend to PS} \end{cases}$

Maintain Registers of PS with details

PS listing \rightarrow SEBI guidelines

② Redemption of PS



④ PS to be redeemed must be fully paid up

(If partly paid up (means calls in arrears) then it is forfeited, not redeemed.)

Co. does not have money to redeem

Co. unable to then

→ Redeem PS due 100 us + 20 us
or
→ pay Dividends 30 us

Issue New PS = Unredeemed PS + Dividend

⇓
Conditions

→ Consent of $\geq 3/4^{\text{th}}$ of PS in value
&
→ Tribunal's approval

Unredeemed PS = Deemed to be redeemed

Sec 62 → Further Issue of Shares

↓
Rights issue

↓
ESOPs

↓
Issue to any person

↓
Cont. to convert debt to equity.

① Rights Issue

→ Manner of Offer

To persons who are existing holders of ES on date of such offer.

In proportion to PVSC held by them

through letter of offer (notice)* specifying no. of shares + **time period for acceptance**

For Put Cos. → < 15/3 days allowed if $\geq 90\%$ members have given consent in writing.

Min 15 - Max 30 days from the date of offer

Offer not accepted within specified time = Deemed Decline.

* Notice to be sent **at least 3 days** before opening of the issue.

→ Options available to shareholders

Accept offer

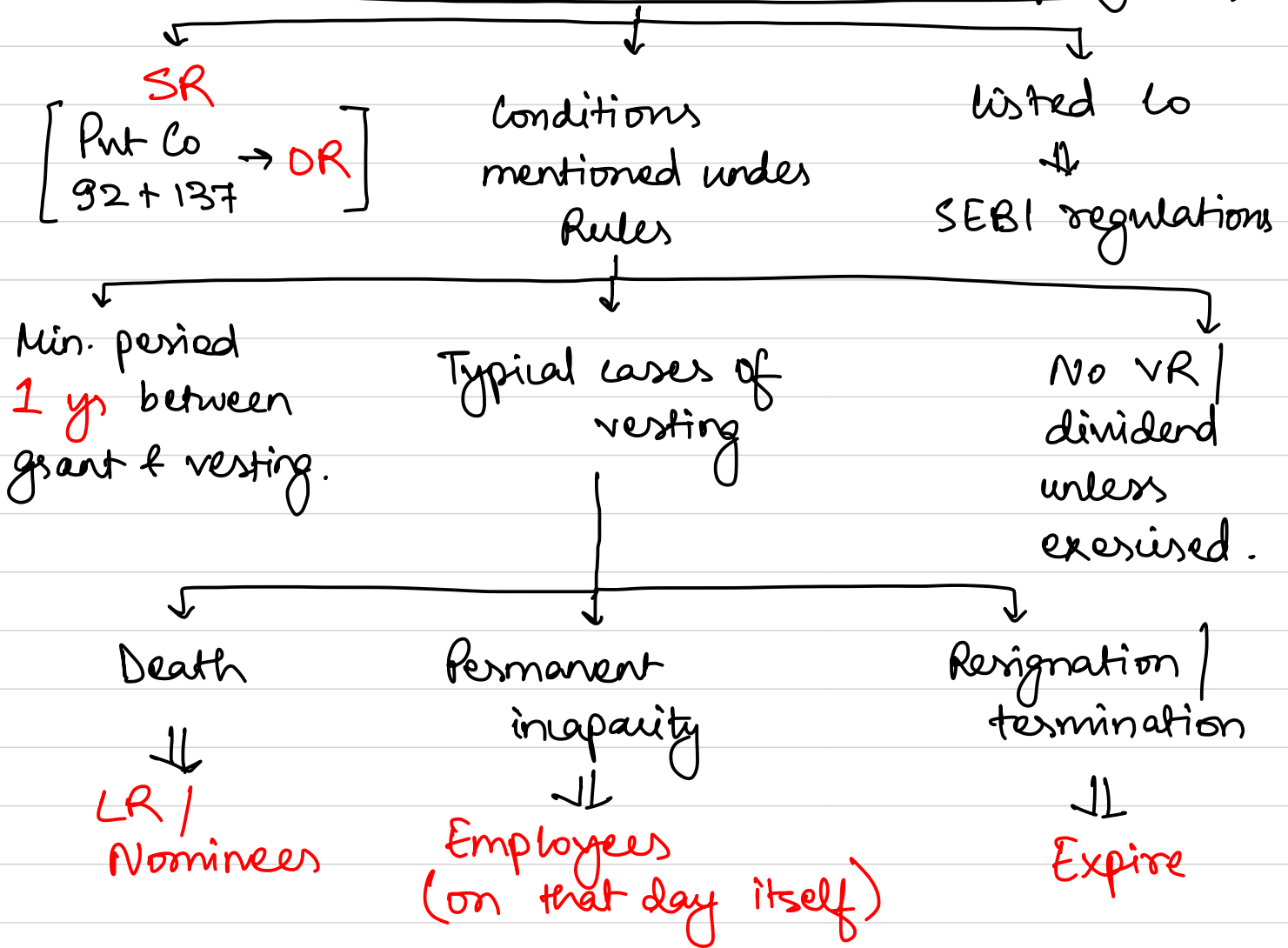
Renounce all or any shares in favour of any person

(AOA authorization)

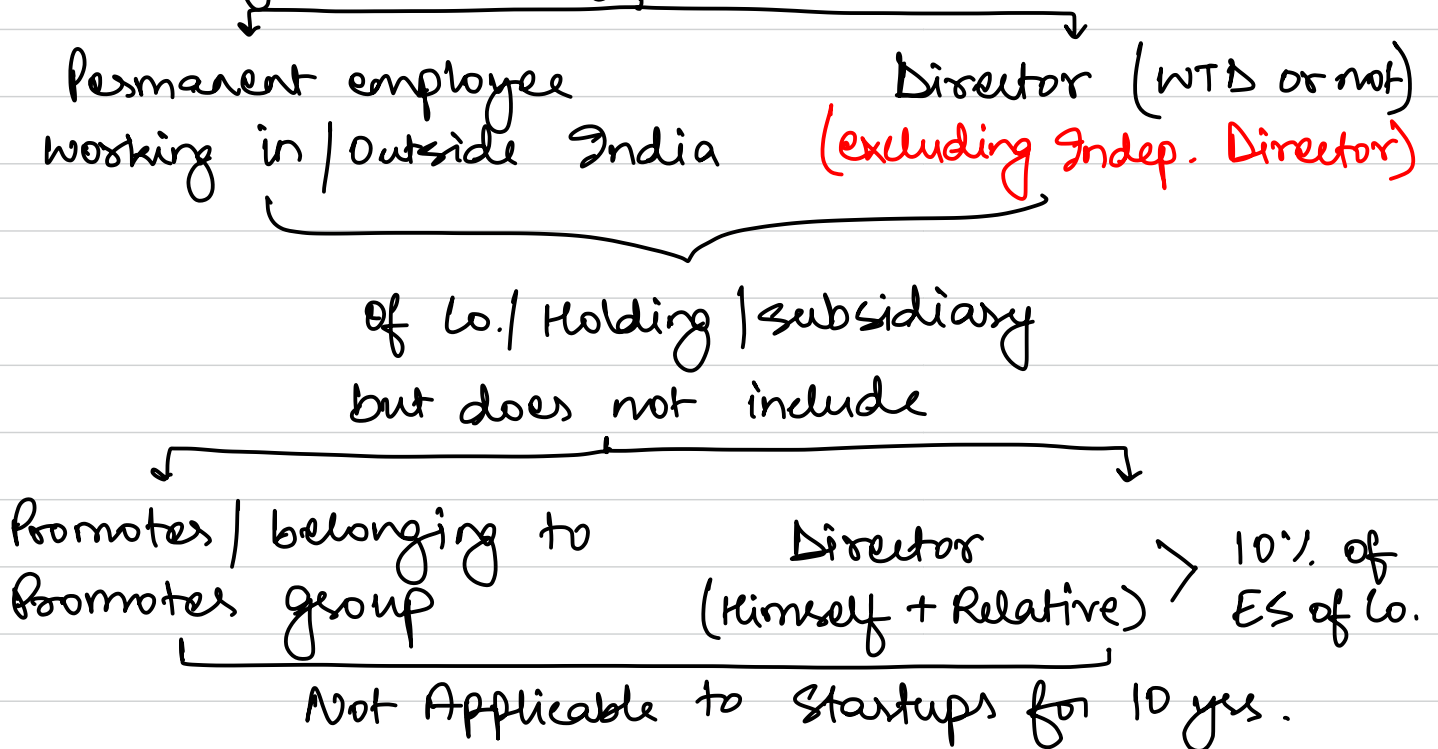
- Reject offer
- Not accepted within time (Deemed decline)

BoD to dispose shares in a manner **not disadvantageous** to shareholders & Co.

② ESOPs - Shares are issued to employees*



* Meaning of Employee :



III

To any person

SR

Consideration

Cash

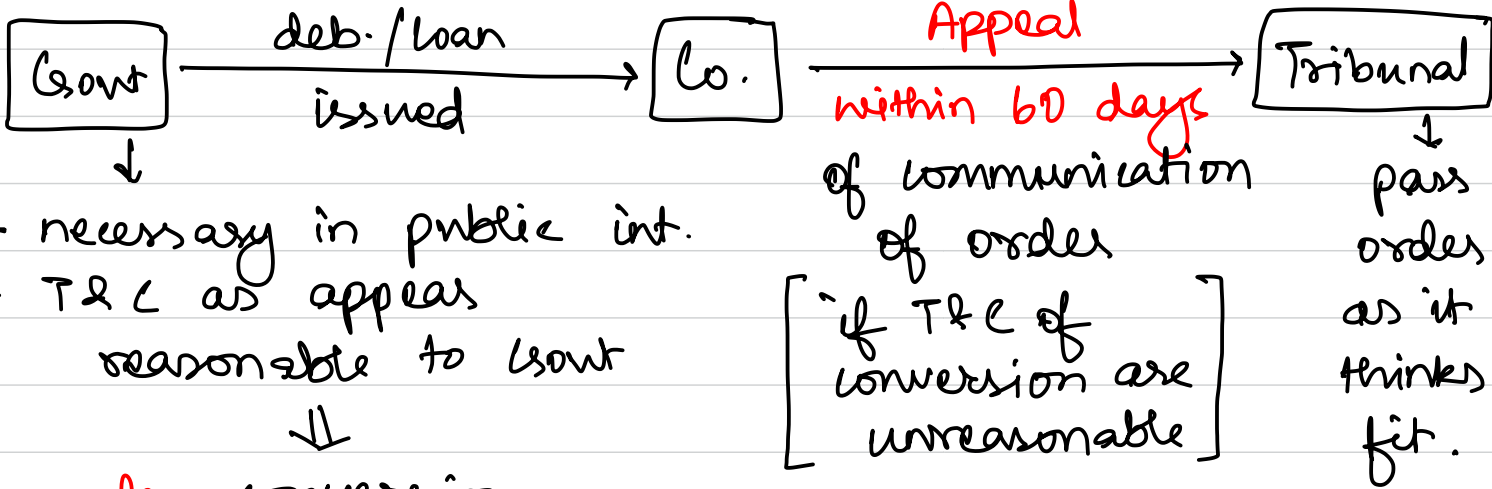
other than cash

Price by registered values.

Sec 62 is Not Applicable in case of conversion of debt to ES if such conversion is approved through SR.

IV

Conversion of debt/loan to ES!



- necessary in public int.
- TRC as appears reasonable to Govt

[if TRC of conversion are unreasonable]

order conversion of debt/loan to ES

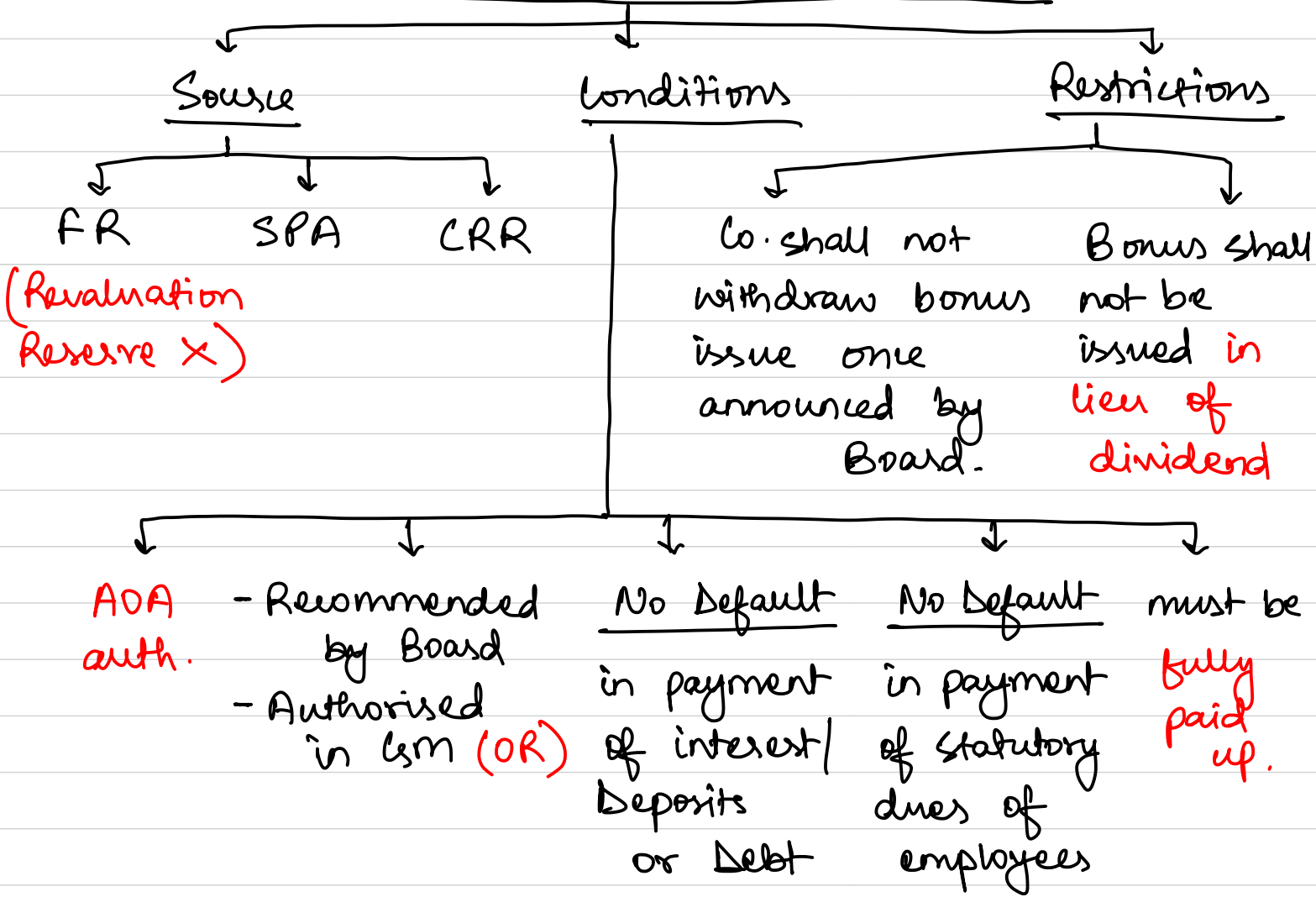
even if terms of issue do not contain such option

ASC of Co. stands increased = value of shares converted into

+

MDA stands altered.

Sec 63 → Issue of Bonus Shares



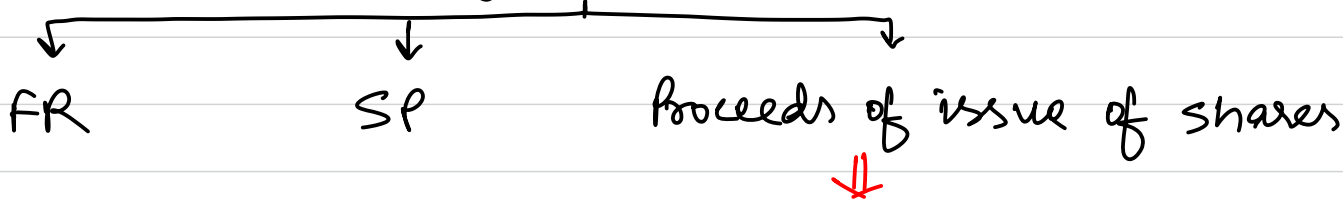
Sec 68 + 69 + 70 = Buyback
 Buyback ← Sec 68
 CRR ↓ Sec 69
 Prohibition of buyback → Sec 70

Sec 68 → Purchase of own securities / Buyback

→ Securities allowed for Buyback

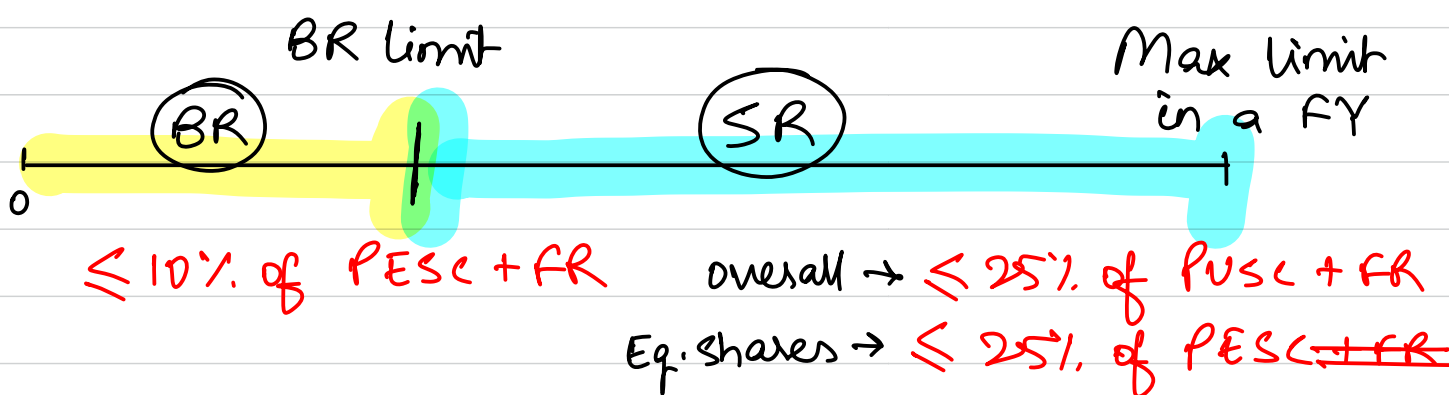
- own shares
- other specified securities (ESOPs or notified by CA)

→ Sources of Buyback



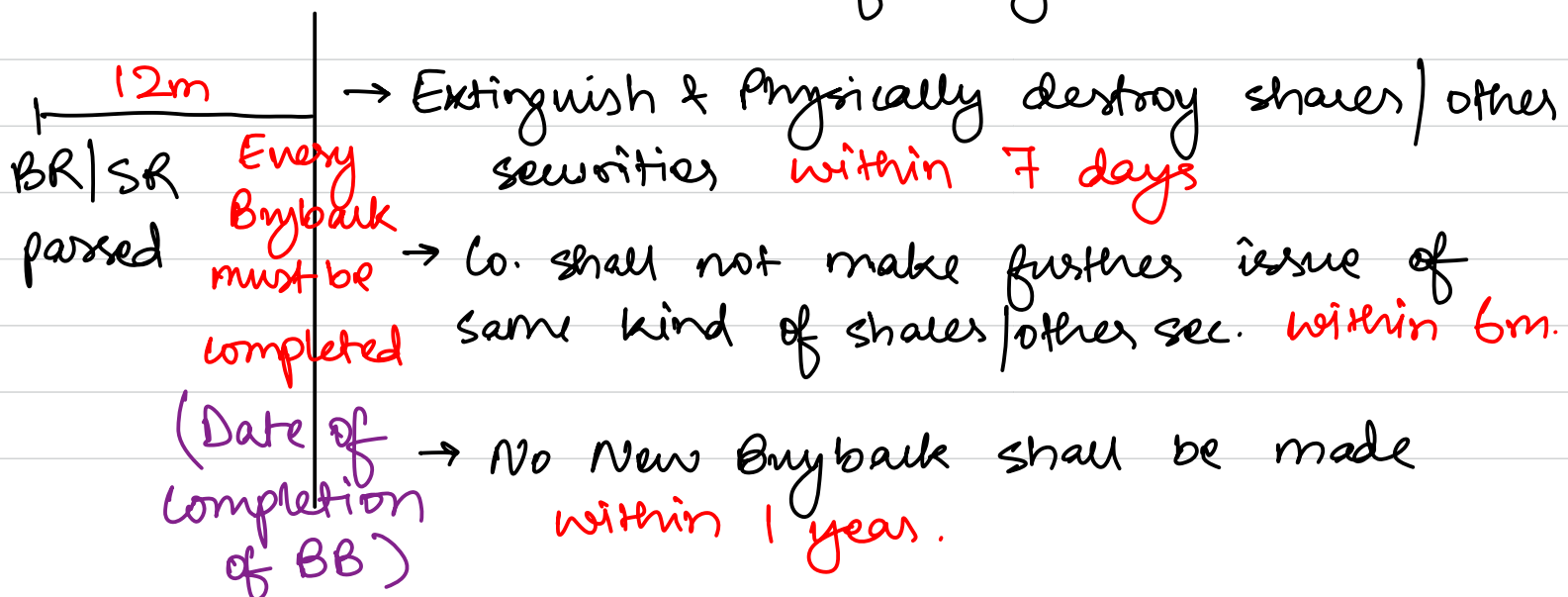
Buyback cannot be made out of proceeds of earlier issue shares of the same kind.

→ Max limit & approval

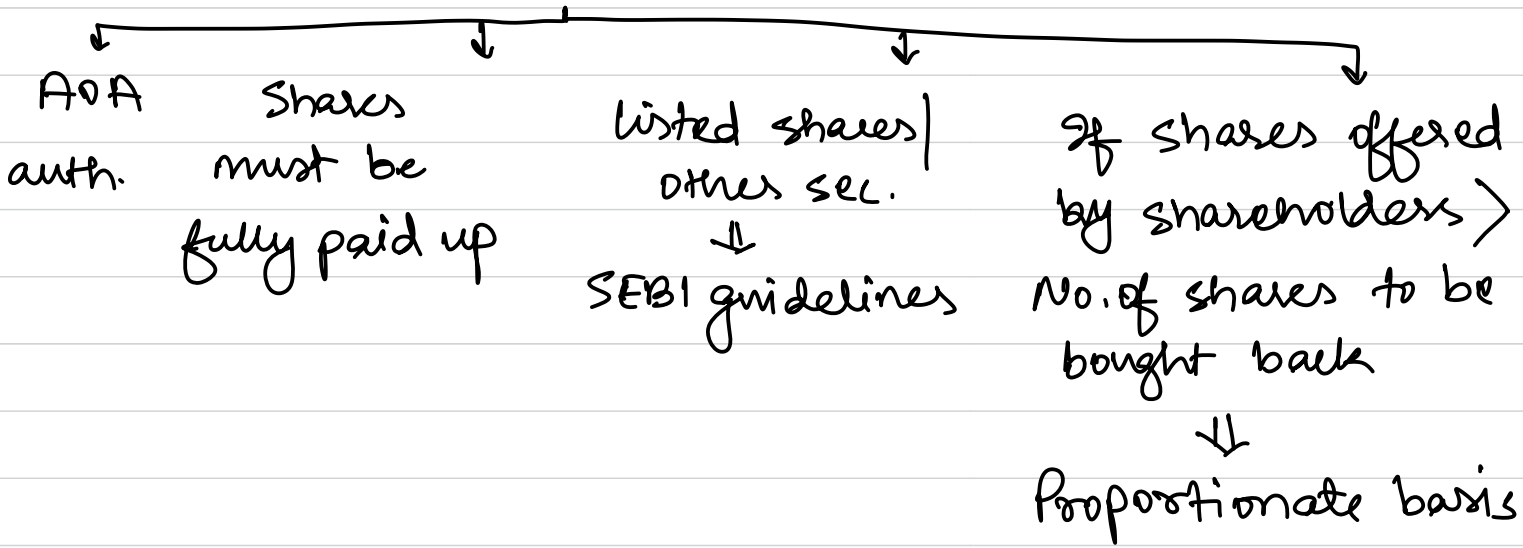


→ D/E ratio after buyback \Rightarrow
$$\frac{\text{Debts [secured + unsecured]}}{\text{Equity (PUSC + FR)}} \leq 2$$
 or higher ratio prescribed by c.s.

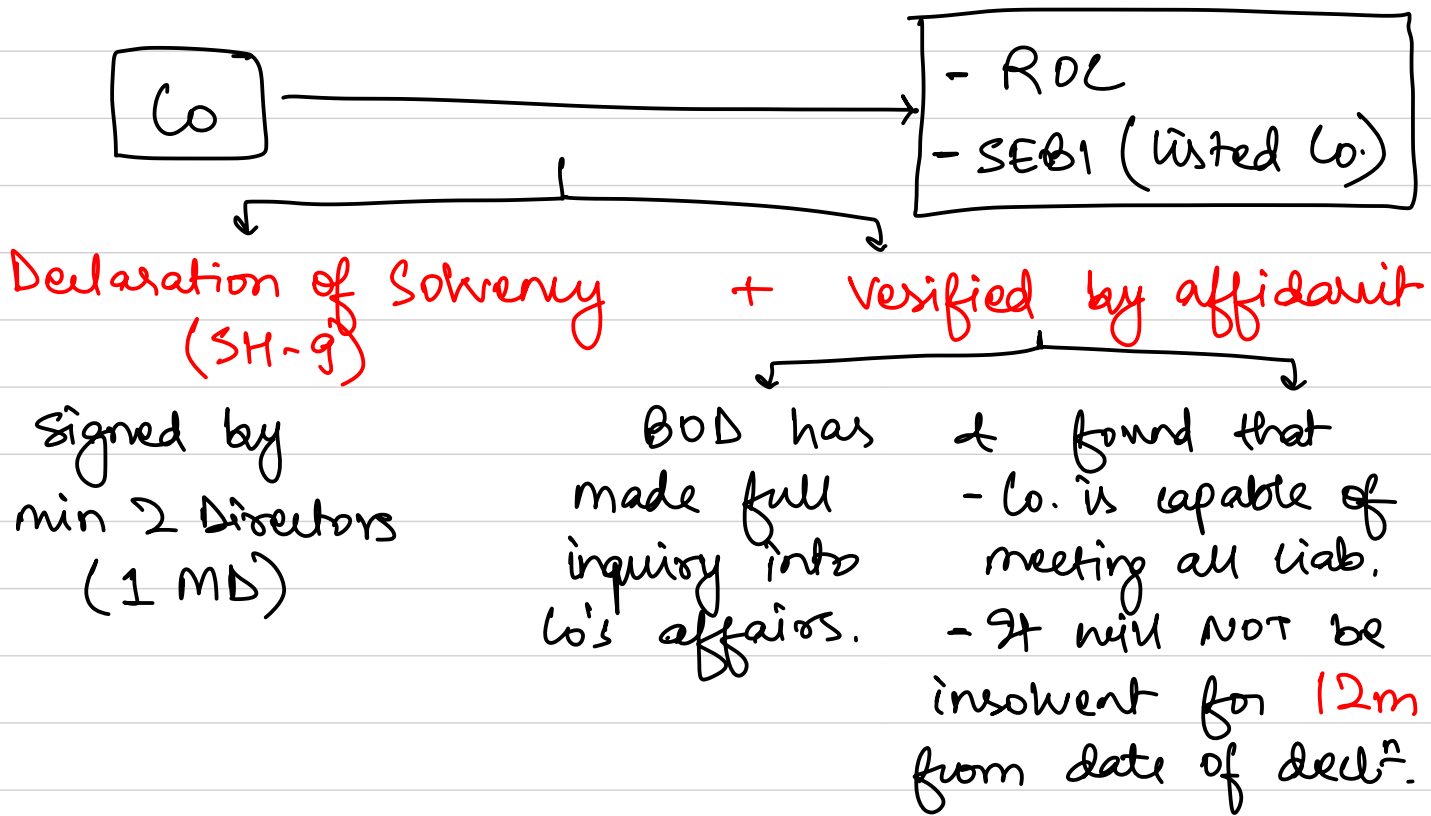
→ Time limits in case of Buyback



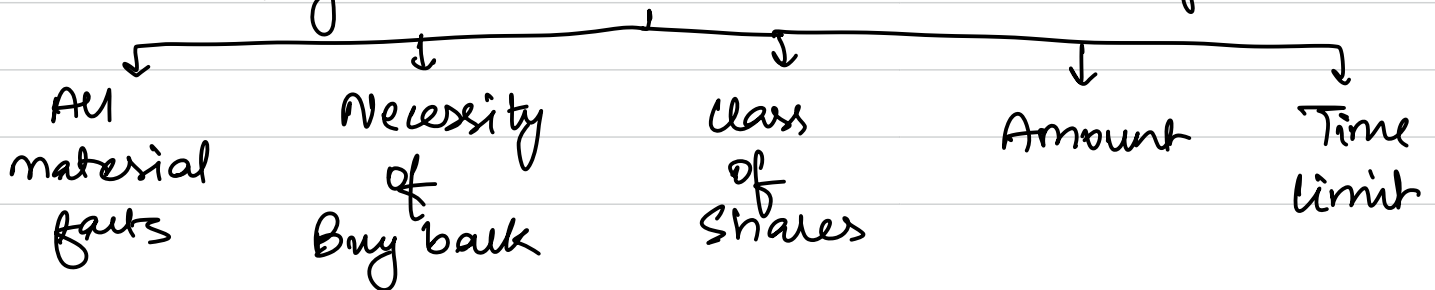
→ Other conditions



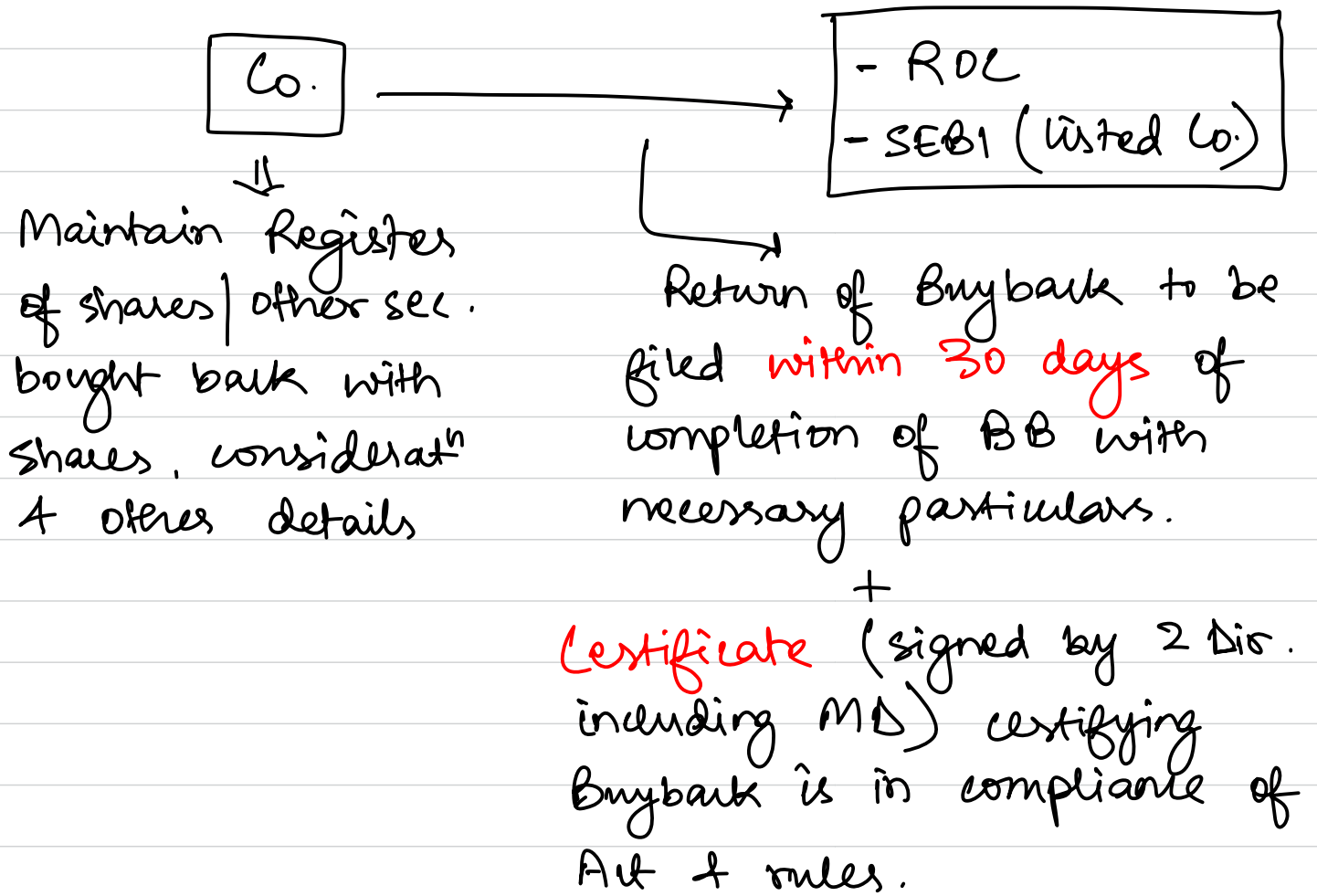
→ Declaration of Solvency



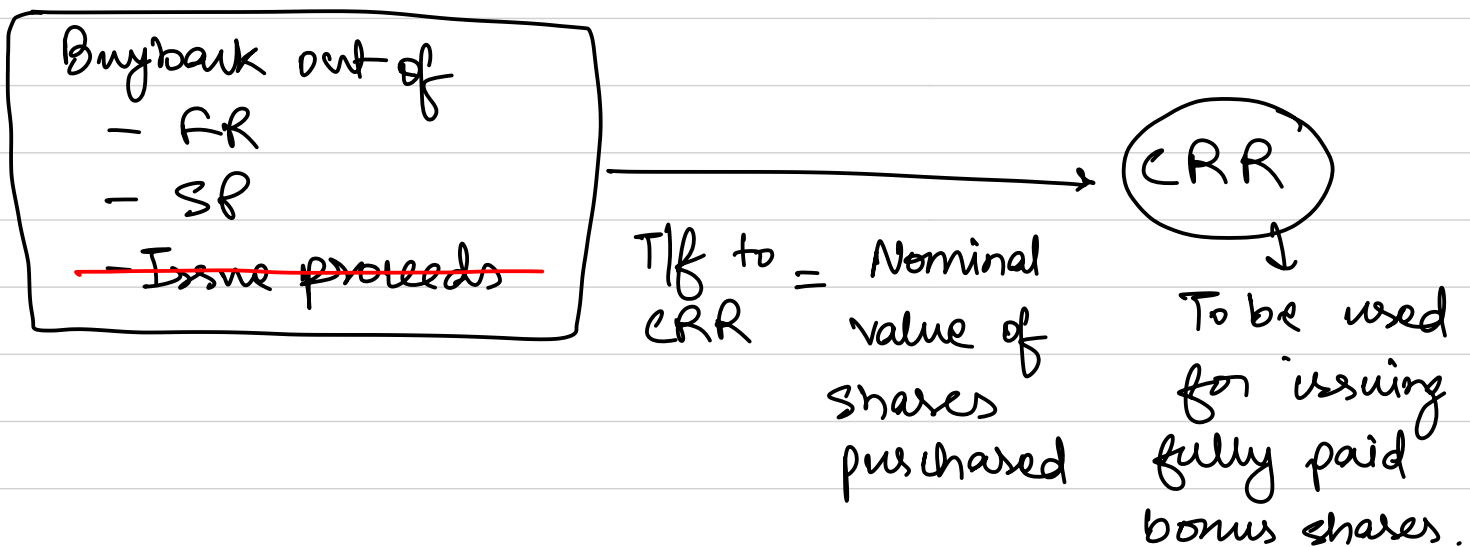
→ Contents of explanatory statement of notice of meeting at which SR is to be passed -



→ Register & Return of Buyback



Sec 69 → Transfer to CRR after Buyback



Sec 70 → Prohibition of Buyback in certain cases -

No Buyback by a Co. (directly/indirectly) through

Any **subsidiary**
(including own
subsidiary)

Any
Investment
Co.

If Default is made
by Co. in **DP**

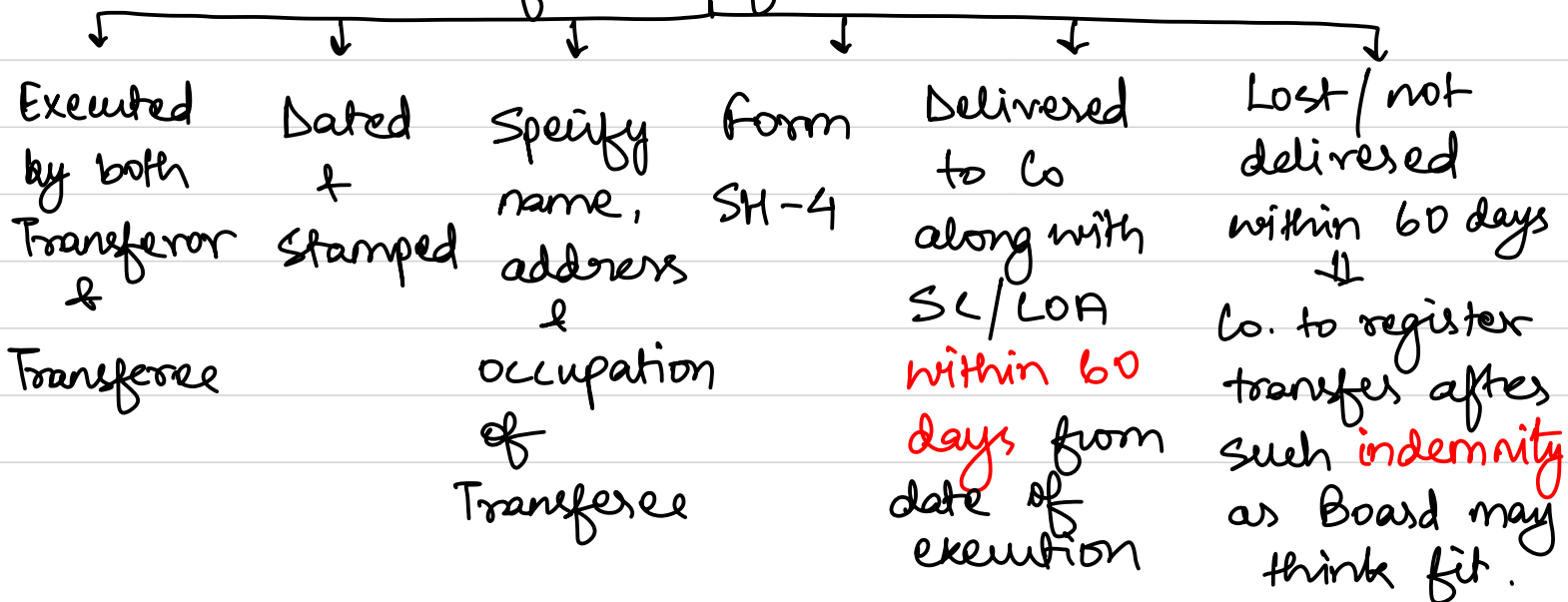
D → Deposits (+ Term loan),
Debentures + Dividend
P → Preference Shares

Sec 56 → Transfer & Transmission

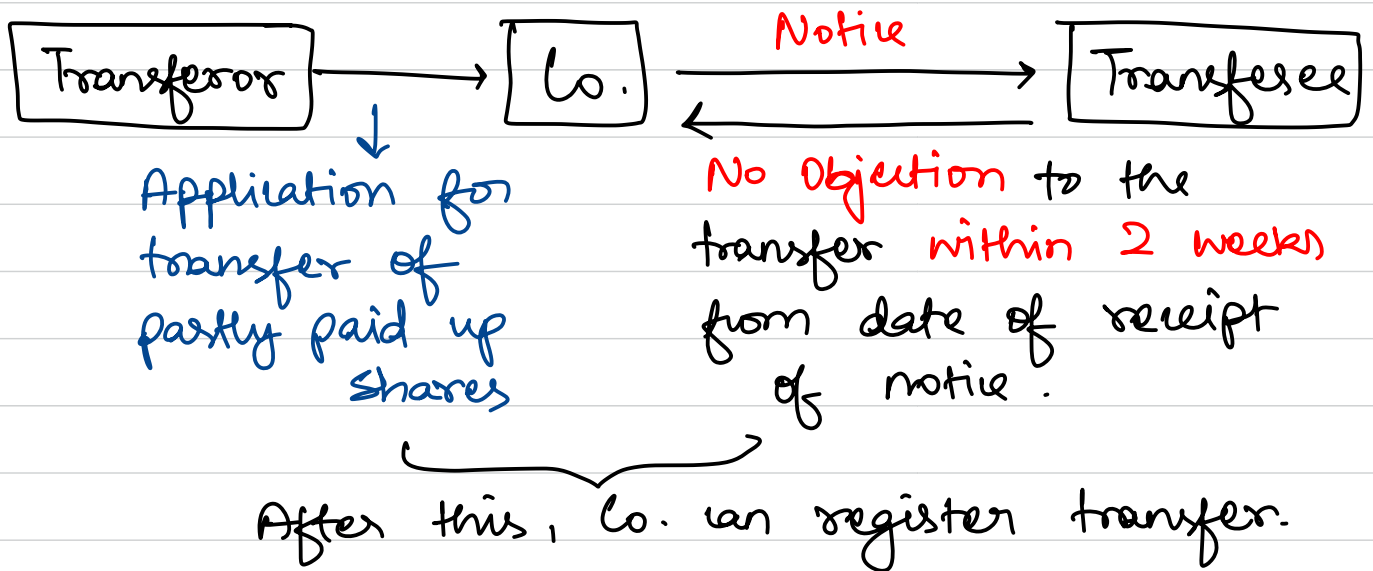
Co. must register transfer/transmission in **all cases** except where names of both persons are entered in the records of depository.

Transfer → Voluntary movement of title from Transferor to Transferee

→ Instrument of Transfer



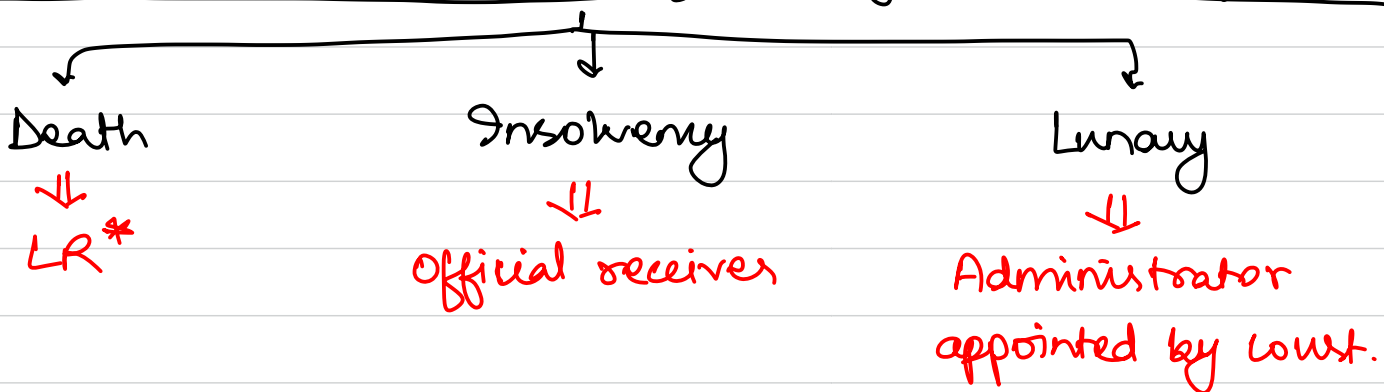
→ Application for transfer can be made either by transferor or by transferee. However, in case of application by transferor for transfer of partly paid up shares -



* Exemption in case of bonds of Govt Co.

Intimation by transferee specifying name, address & occupation to be delivered to Co. along with bond certificate / LOA is sufficient for transfer.

Transmission → Movement of title by operation of law



- No instrument of transfer
- Necessary docs. are forwarded to the Co.

* Transfers of securities by LR of deceased person \Rightarrow Valid as if LR is holder of such sec. at the time of execution even if LR is NOT a registered holder in actual.

\rightarrow Time period for delivery of certificates \rightarrow Pg 4-14

Sec 57 \rightarrow Punishment for personation

Personation



If any person deceitfully personates as owner of security & receives any money due to such owner

Imprisonment
1 yr - 3 yrs

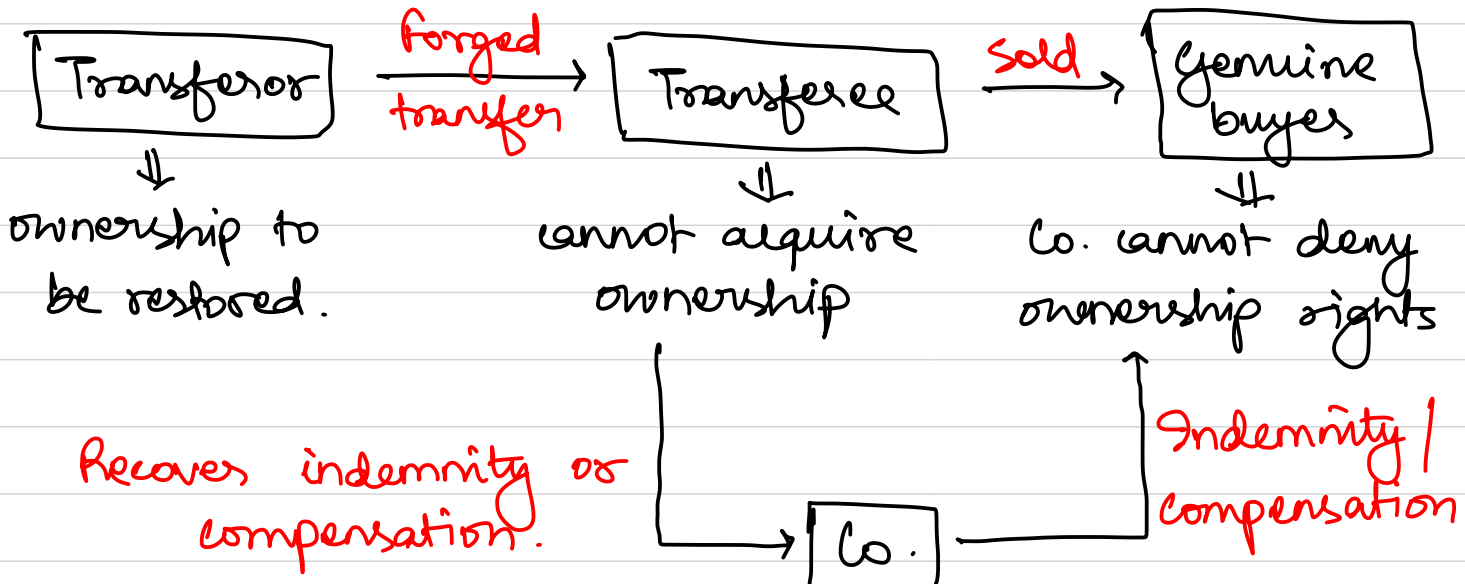


Fine
1 lakh -
5 lakhs

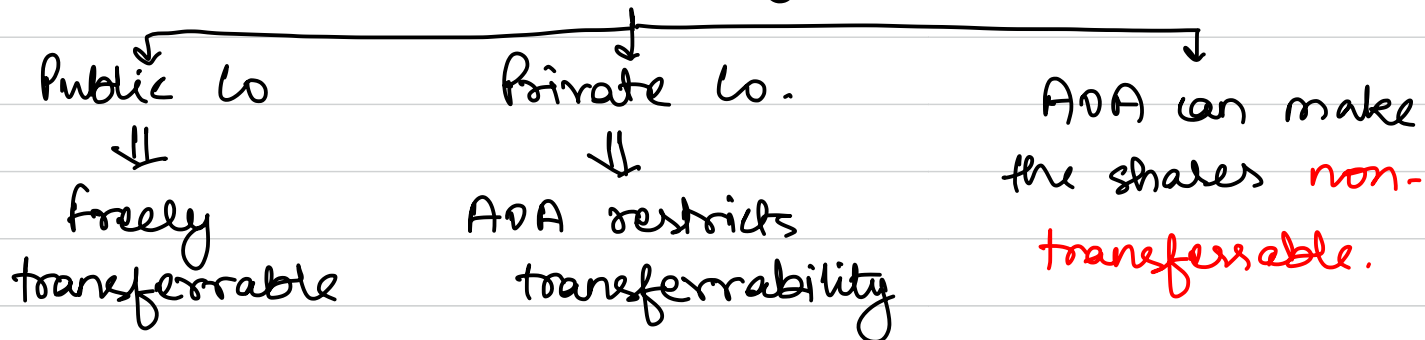
Forged Transfer



- Nullity
- Void-ab-initio
- Transferee cannot acquire ownership in case of forged transfers.
- Ownership rights of original shareholder (transferor) must be restored.



Sec 58 → Refusal of registration & appeal



① Refusal by Private Co. to register (30+30 or 60)

If Private Co. refuses to register transfer/transmission

↓
Send notice of refusal + reasons to transferor or transferee / person giving intimation of transmission within 30 days from date of delivery of instrument / intimation to Co.

↓
Transferee may appeal to the Tribunal against refusal

within 30 days from date of receipt of notice.

(30 + 30)

within 60 days from date of delivery of instrument / intimation (if no notice was sent by Co.)

(60)

② Refusal by Public Co. to register (30+30 or 60)

If Public Co. **refuses** to register transfer/transmission
(without sufficient cause)

↓
within 30 days from date of delivery
of instrument/intimation to Co.

↓
Transferee may appeal to the Tribunal
against refusal

↓
within 60 days
of such refusal

(30 + 60)

↓
within 90 days
from date of delivery
of instrument/intimation
(if no refusal was received)

(90)

Orders of Tribunal (after ROBT)

↓
Dismiss appeal

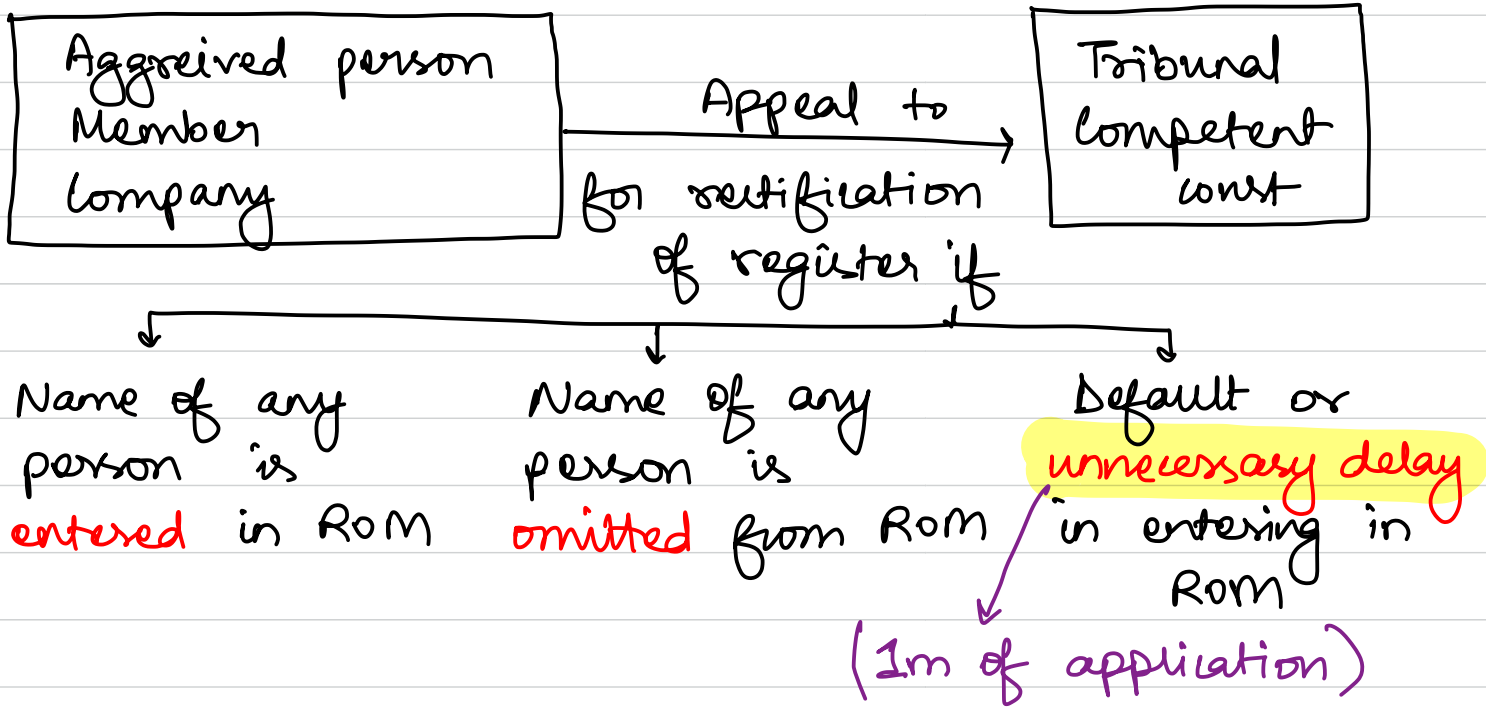
↓
Direct (order)

↓
Transfer/Transmission shall
be registered **within 10**
days from date of
receipt of order.

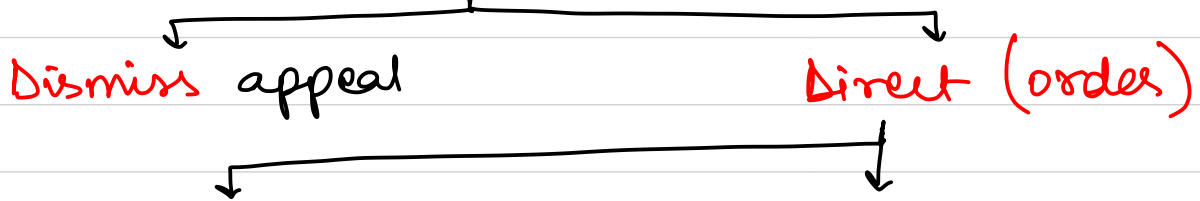
↓
(or)

↓
Rectification of register
&
Co. to pay damages
to aggrieved party.

sec 59 → Rectification of Register of members

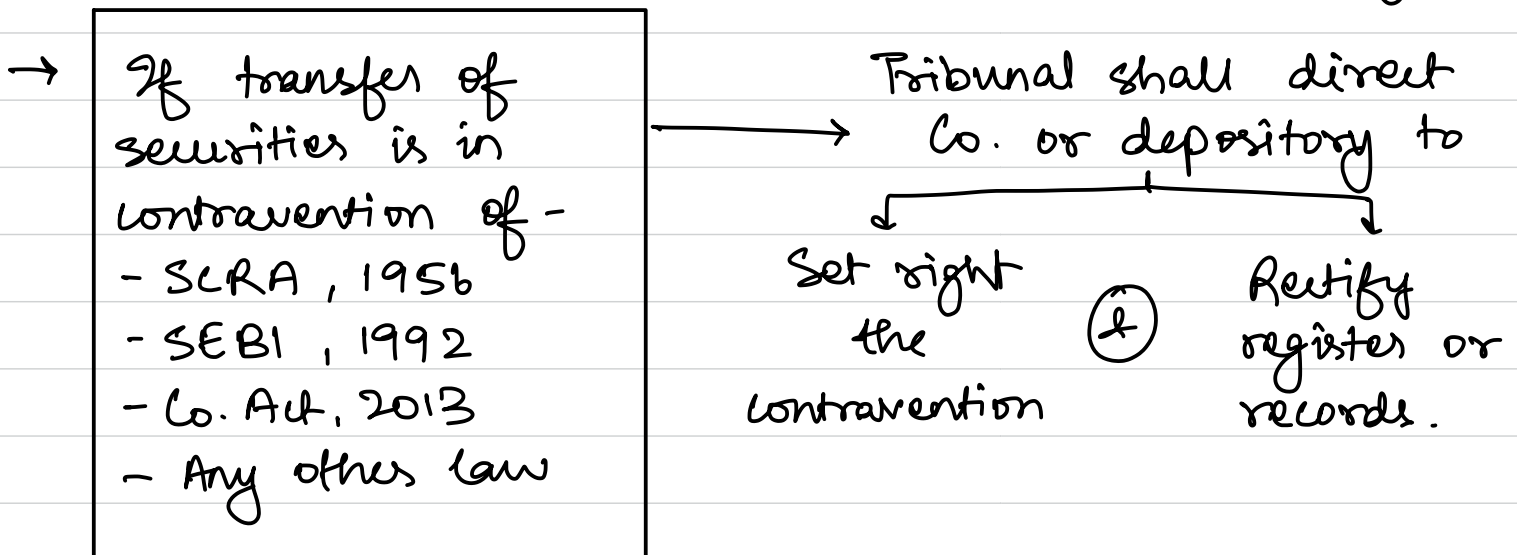


Orders of Tribunal (after ROM)



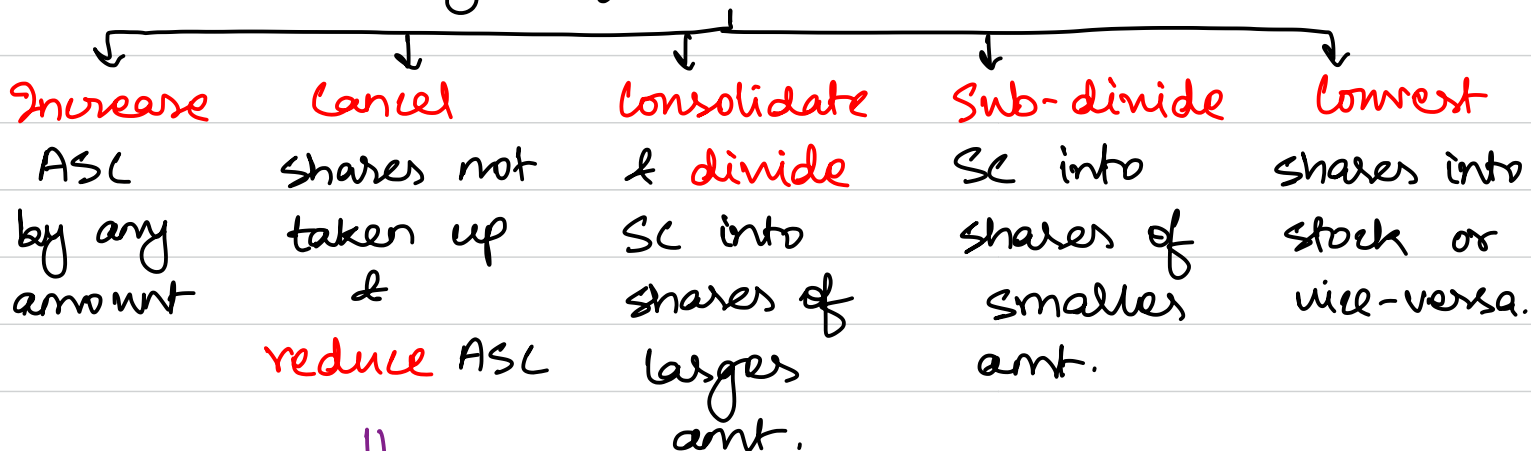
Transfer / Transmission shall be registered **within 10 days** from date of receipt of order.

Rectification of register & Co. to pay damages to aggrieved party.



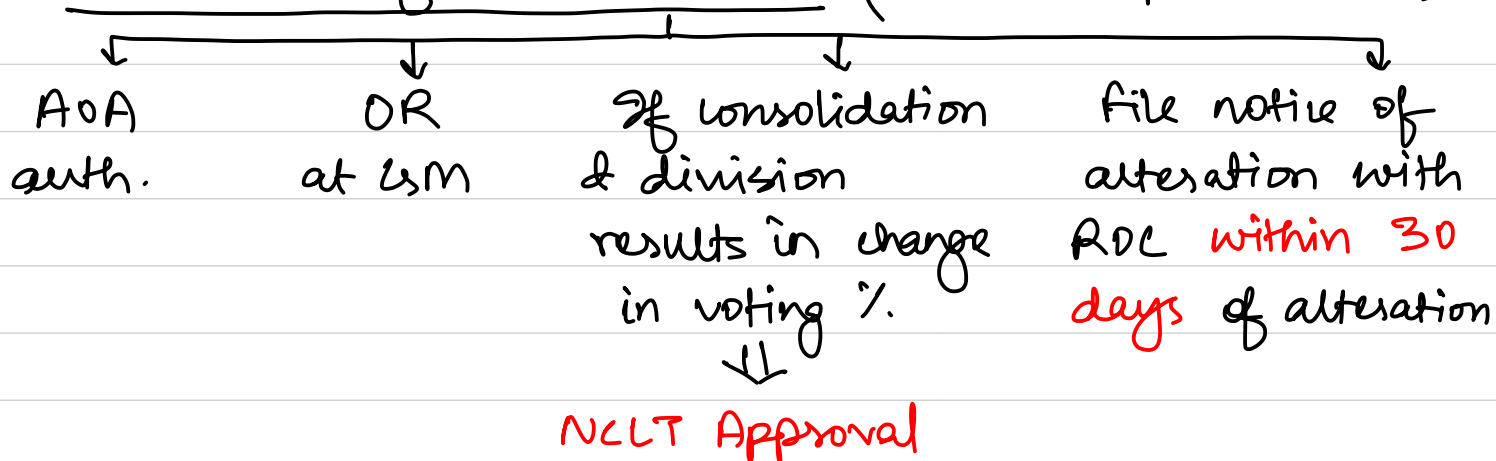
Sec 61 → Alteration of Share Capital

Ways of Alteration



↓
This is not reduction of SC w/s 66.

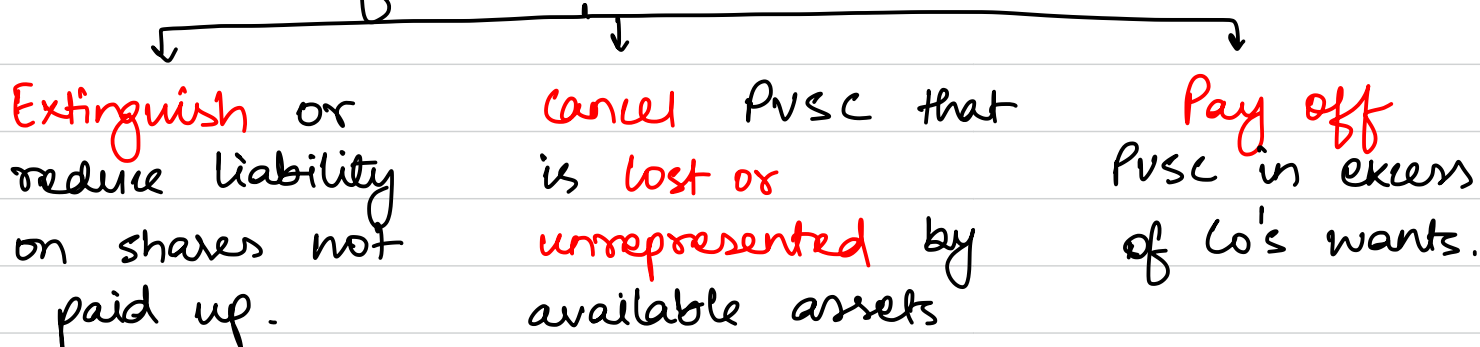
→ Conditions for alteration (MOA → Capital clause)



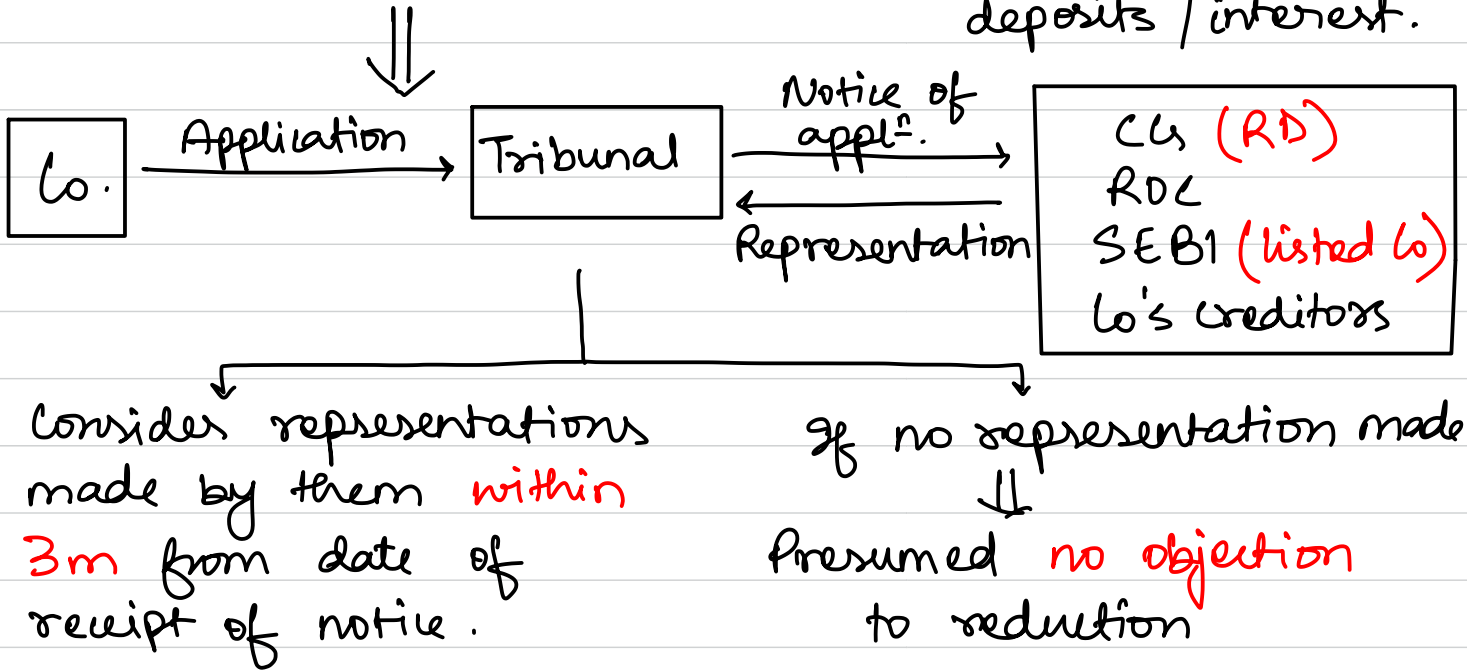
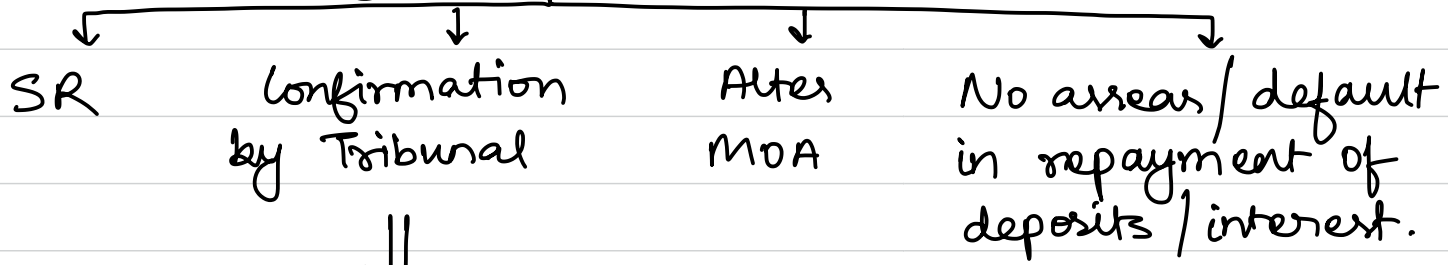
↓
NCLT Approval

Sec 66 → Reduction of Share Capital

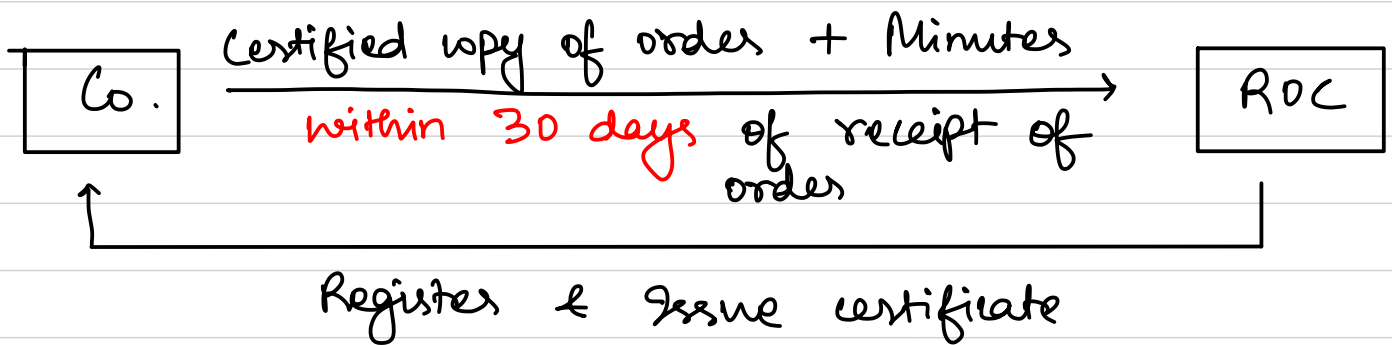
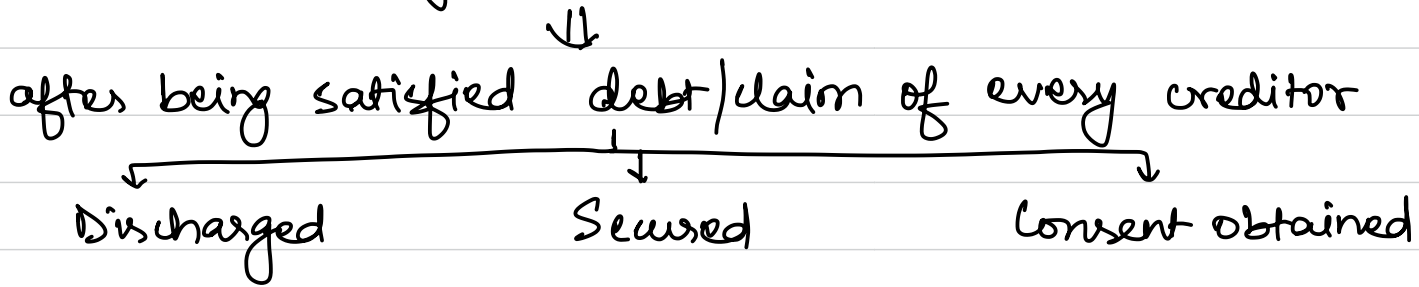
→ Manner of reduction



→ Conditions for reduction



Tribunal may order reduction of SC



→ Creditor entitled but not included in list of Cr.

Reduction of SC took place ⇒ Creditor was entitled to object ⇒ Name & Interest was not entered in list of creditors due to -

Co. commits default under IBC, 2016

⇐

His ignorance

Nature of interest

⇓ Remedies available to such creditor

⇓
Co. is running operation

⇓
Co. is wound up

⇓
Every member (as on date of registration by ROC) is liable to contribute to payment of such debt or claim.

⇓
Tribunal to settle a list of persons & make calls as if they are ordinary contributories in winding up.

(≤ Amt liable to contribute on winding up)

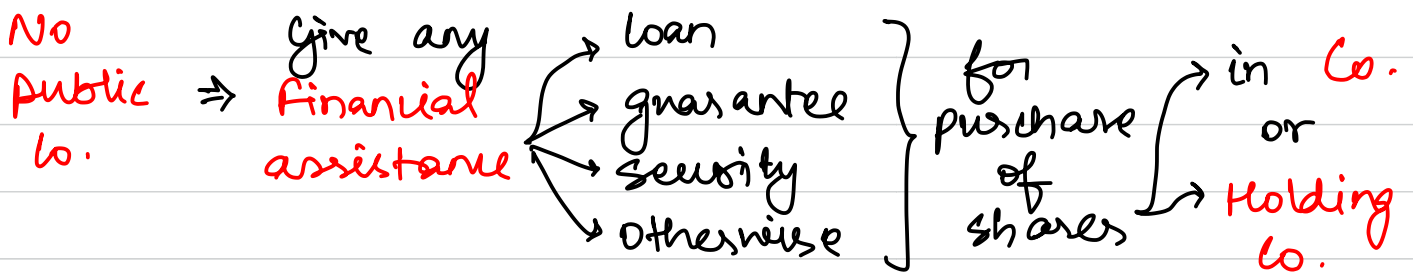
→ Officers of Co. is liable u/s 447 if

⇓
Knowingly conceals name of creditor

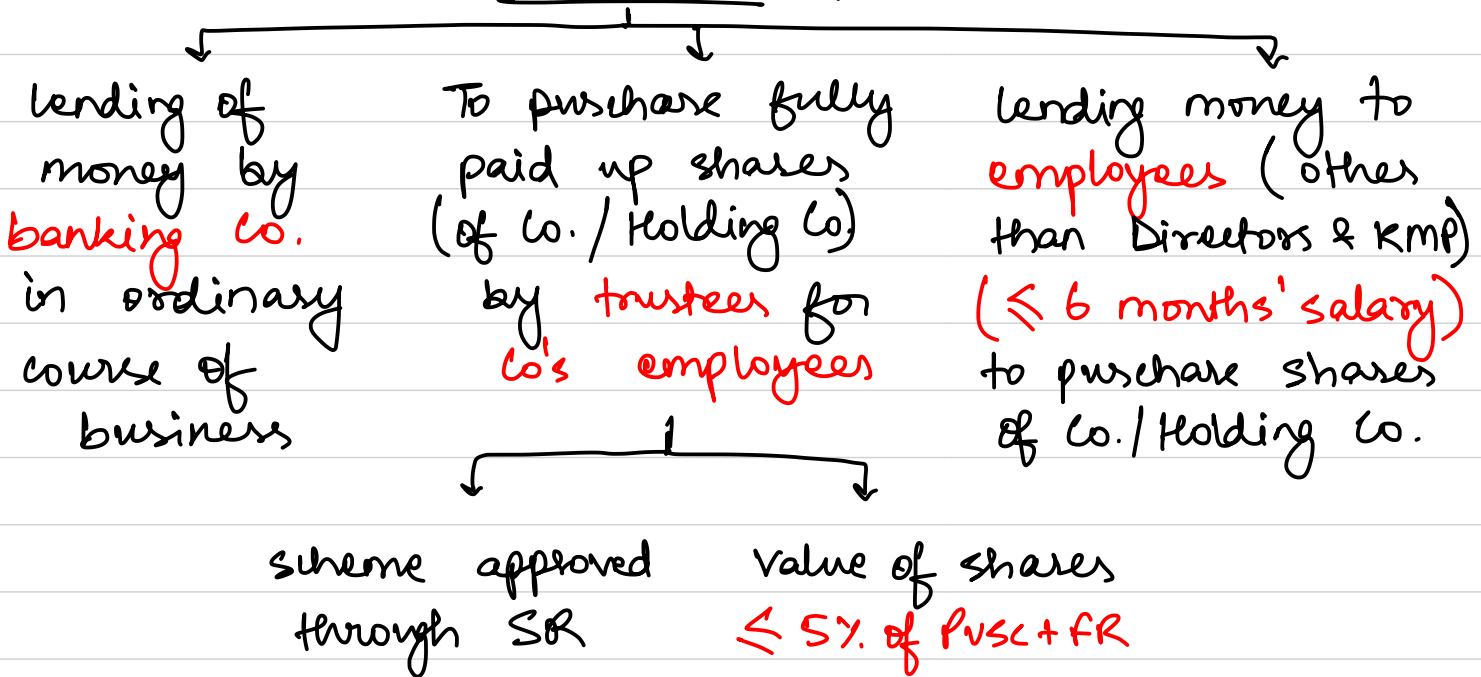
⇓
Knowingly misrepresents nature/amt of debt

⇓
Abets / privity to such misrepresentation

Sec 67 → Restriction on Co. for giving loans

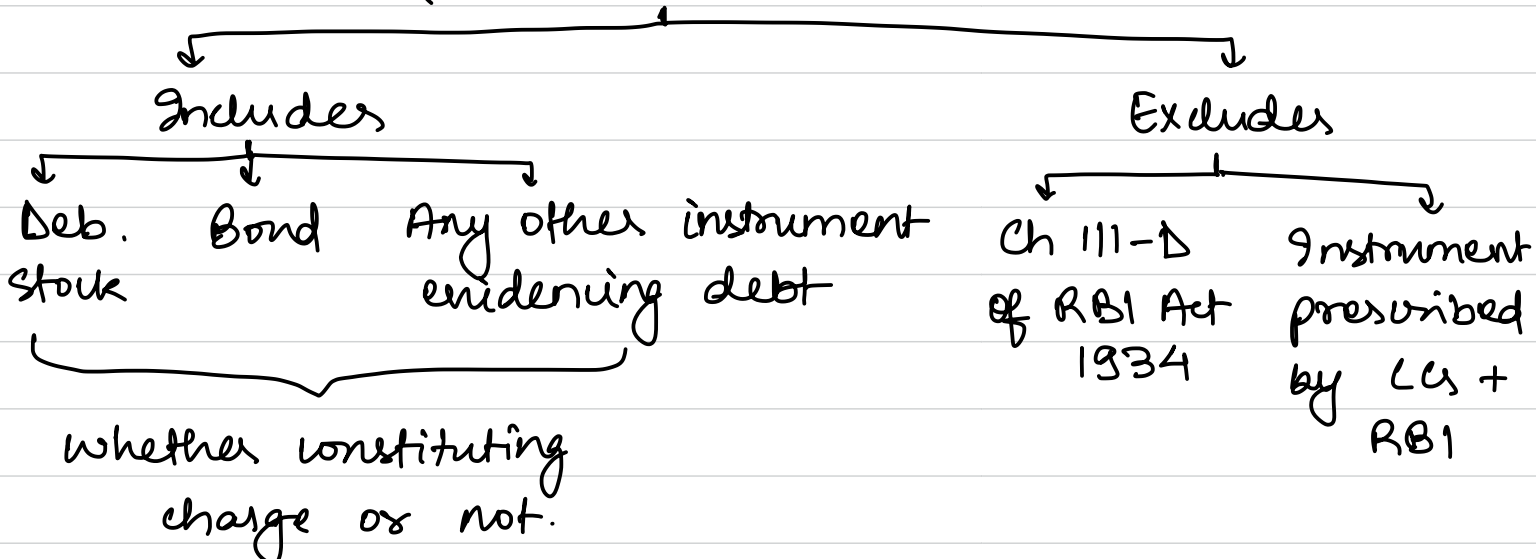


Exceptions (Fin. assistance allowed)



Sec 71 → Debentures

2(30) - Debenture



→ Approval

Convertible deb.



Co. may issue with an option to convert into shares (whole or part)



SR at 6m

Others



No approval. But if

Borrowings > Equity
[Existing + Proposed]

(PUSL + FR + SP)

excluding ST / temporary loan (≤ 6m)



SR prior to issue of deb.

→ Issue of secured debentures

Max tenure/period

Date of redemption ≤ 10 yrs from date of issue.

But, > 10 & ≤ 30 yrs in foll. cases

- Infra. project cos.
- Infra. finance cos.
- Infra Debt fund NBFCs.
- Cos. permitted by Cx/RBI/NHB/statutory authority.

Security

by creating charge in favour of Deb. Trustee



on assets or properties (Movable / Immovable) of CASH

Value of assets/prop. ≥ amt. of debentures + interest.

* No security in case of Deb. by Govt. Co. if backed by Cx/Sx guarantee.

→ DRR & Investment

DRR

- Create → out of profits
- By → **Unlisted Cos.**
(other than Banks/NBFC)
- Amt → **10% of o/s Deb.**
- for non-convertible position
- use → only for redemption of deb.

Investment

- By **30th April** each yrs
- Amt = **15%** of Deb. maturing during **next FY**
- Invest/Deposit in
 - Deposits with Sch. **bank**
 - Securities of **Co / SU**
 - Bonds notified under **Indian Trusts Act, 1882**
- Investment/Deposit shall **NOT** **< 15%** of Deb. maturing during **that FY.**

→ Debenture Trustee :

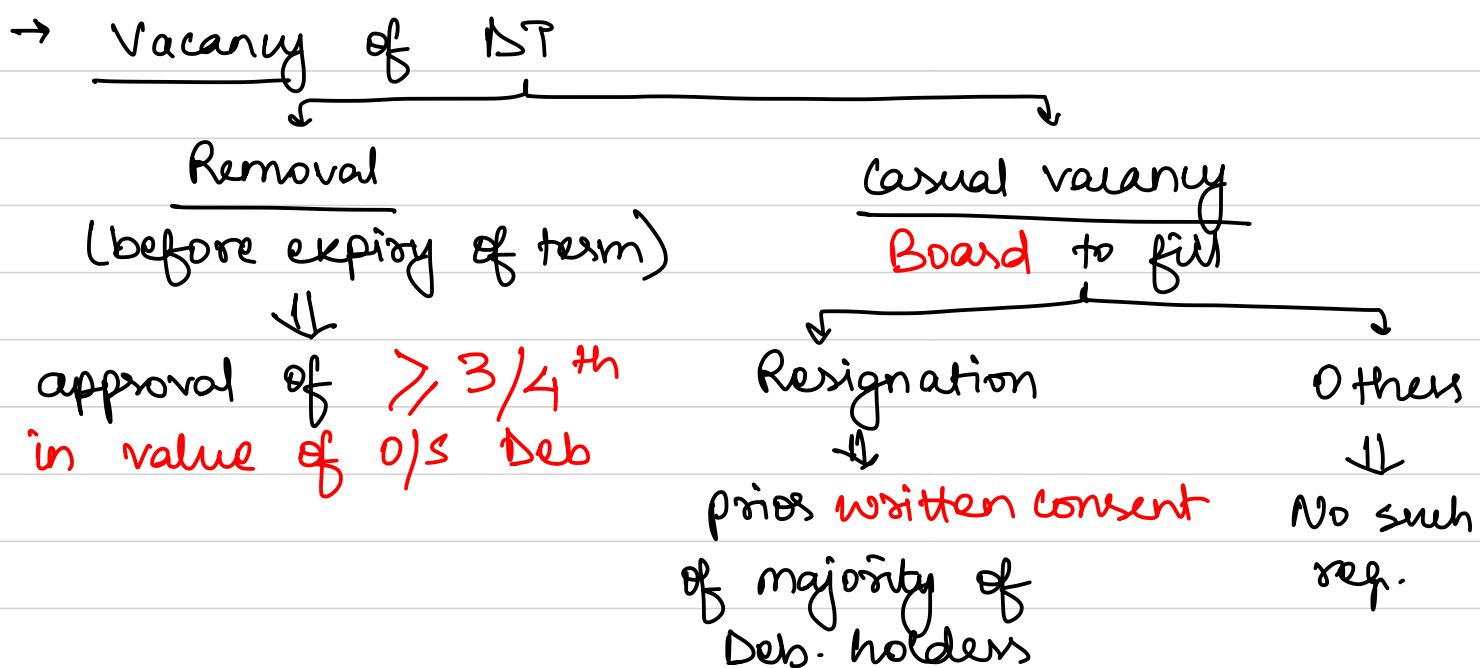
Appointment of DT - If a Co.

issues **prospectus** or makes an offer to **public** or offer to **members > 500**

Co. to appoint DT (1 or more) before issue of Prospectus / letter of offer

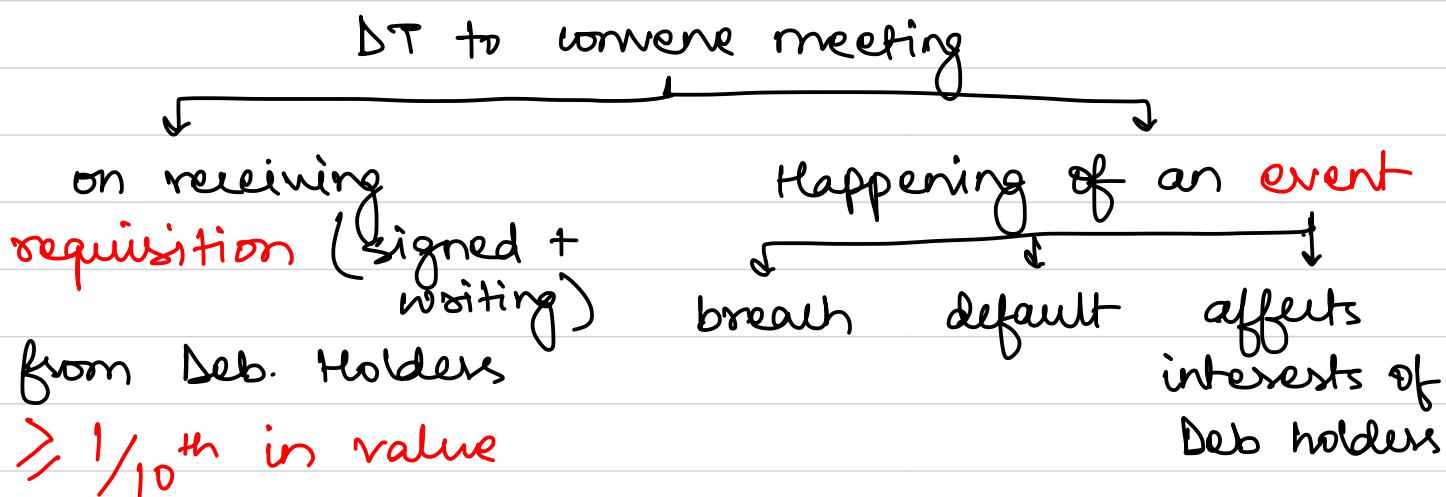
Name of DT to be stated in letter of offer, notices etc.

Written consent must be obtained prior to appointment.



→ Who cannot be appointed as DT / → Pg 4-28
Disqualification

→ Meeting of Deb. Holders



→ Debenture Trust Deed ⇒ Co. to execute within 3m of closure of issue

→ Co. to file Return of Allotment with ROC within 30 days of allotment of deb.

Ch 5 → Deposits

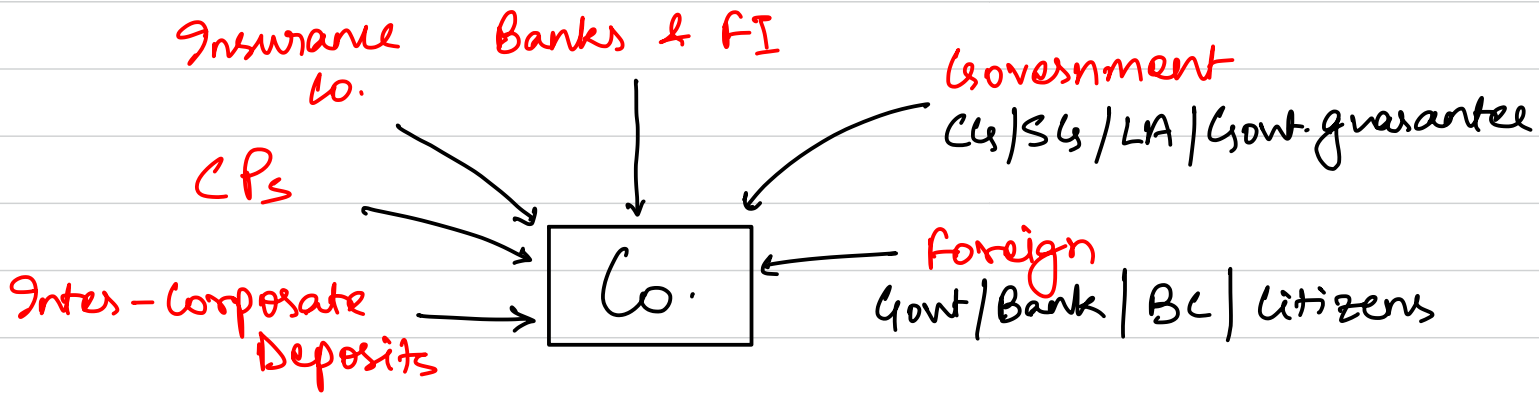
2(31) → Deposit



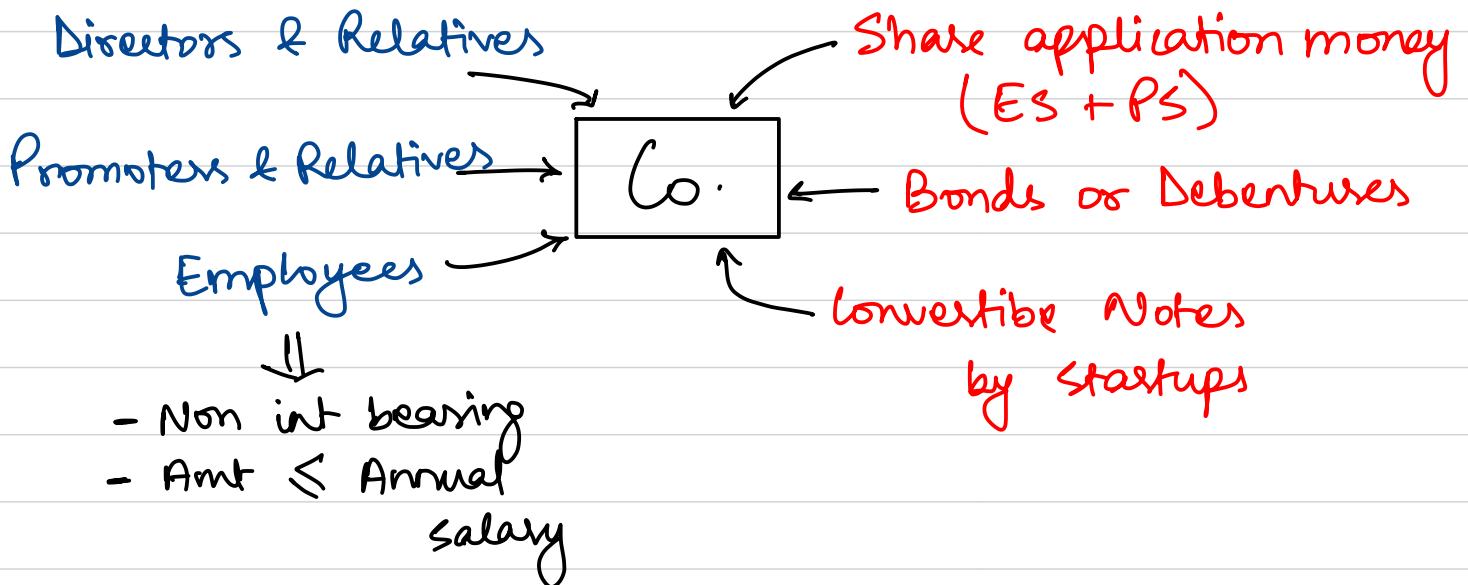
↓
Rule 2(1)(c)

↓

→ Amt. received by Co. without condition (b)

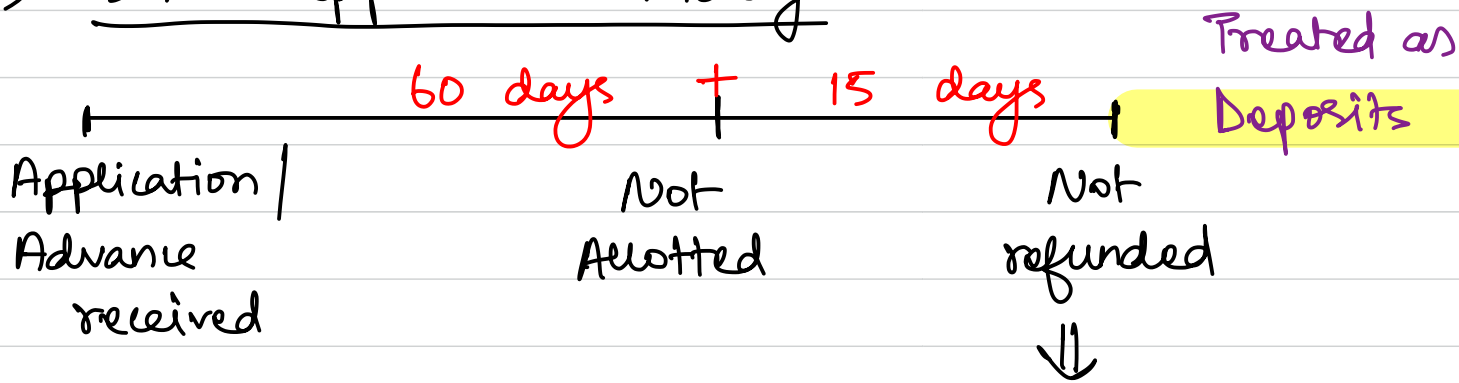


→ Amt. received by Co. with conditions (b)



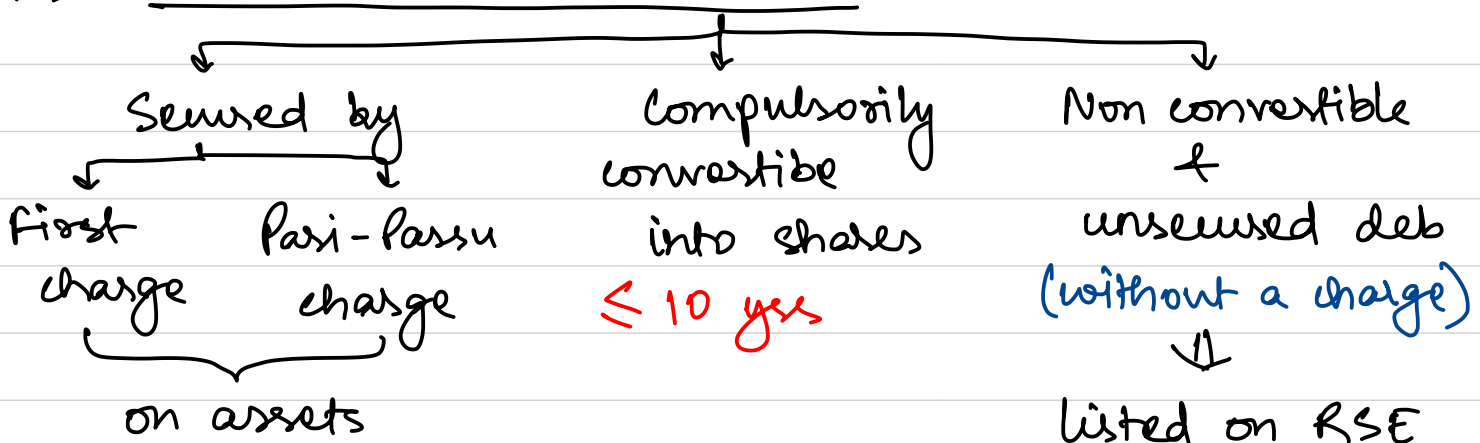
Conditions for each of above :

(a) Share application money



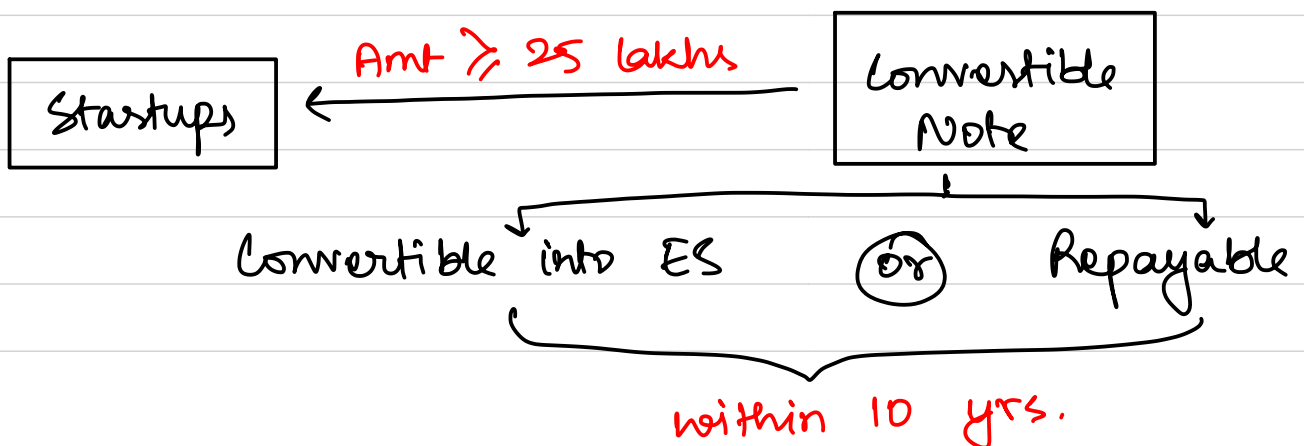
If amt adjusted legally \Rightarrow Treated as refund.
If adjusted for any other purpose \Rightarrow Not refund

(b) Bonds or Debentures

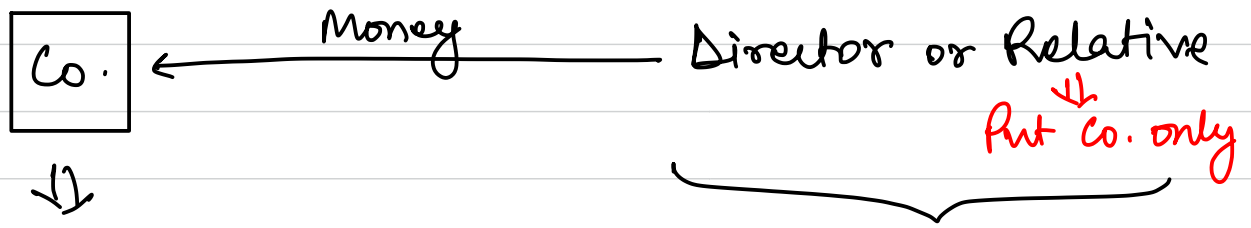


MV of assets $>$ Amt of Bond/Deb.

(c) Convertible Notes by Startups



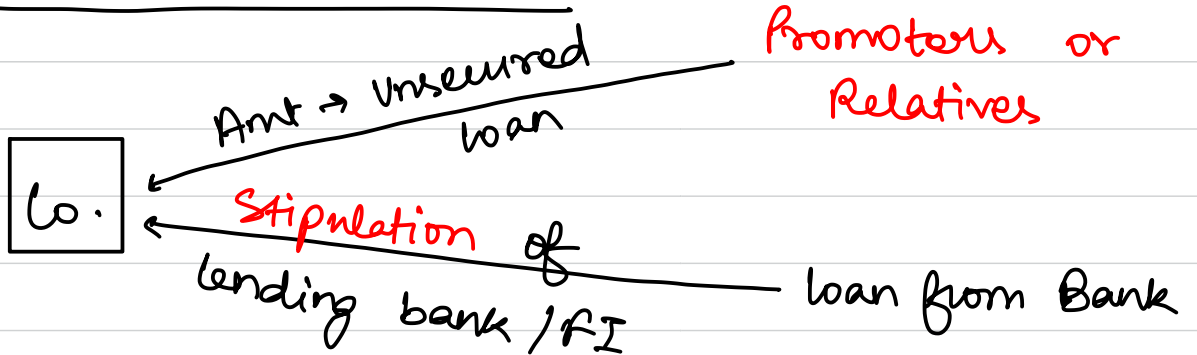
(d) Director or Relatives



Disclose details
in **Board Report**

Declaration to Co. that amt
is not given out of borrowings.

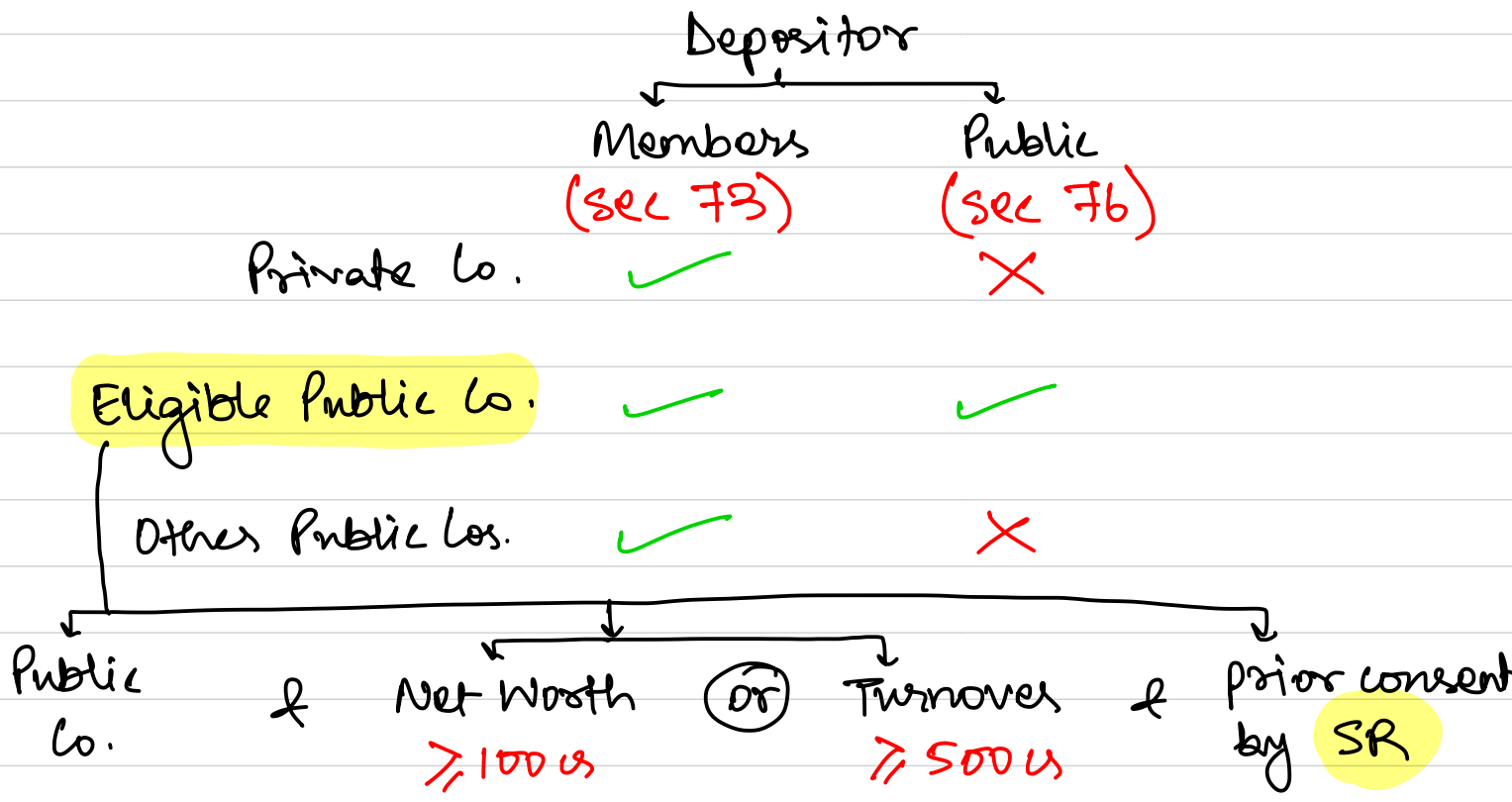
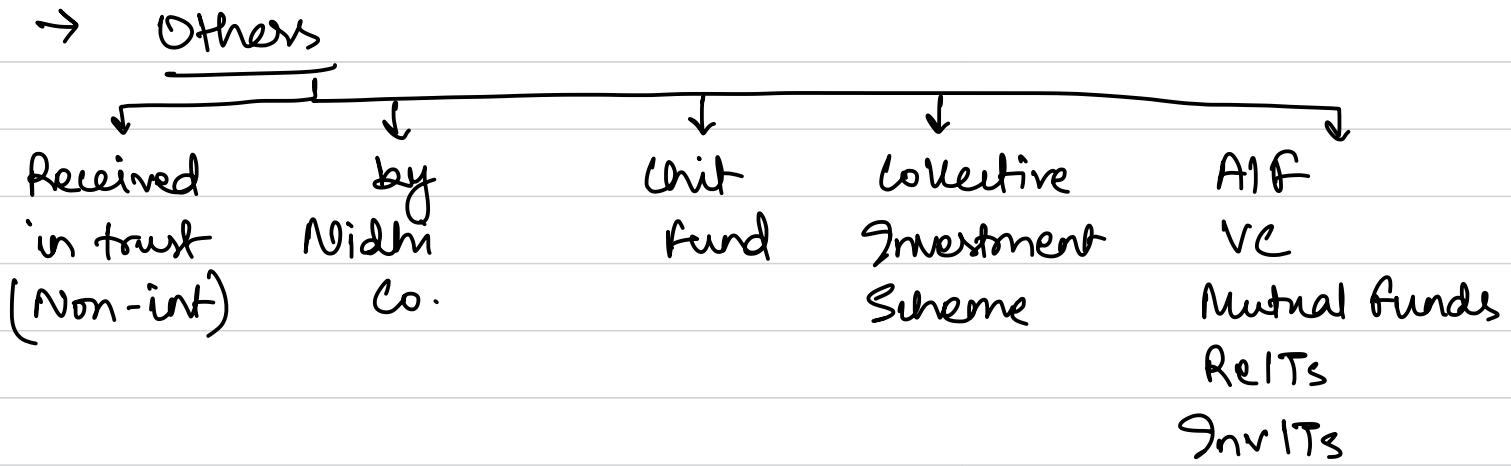
(e) Promoters or Relatives



Exemption only till loans of banks/FI are repaid.

→ Amt received in course of Business

- Advance for goods or services (365 days)
- Adv. for future services (warranty/maintenance)
 } common business practice } whichever is less.
 } 5 yrs }
- Adv. for immovable property under agreement.
- Adv for long term projects of capital goods.
- Security deposit for performance of contract
- Adv. for subscription for publication (print or electronic)



However, if $\frac{\text{Total Deposits}}{\text{Borrowings}} \leq 100\% \text{ of } (PUSL + AR + SP)$

OR is sufficient

Sec 74 → Prohibition on acceptance of deposits from Public

No Co. shall accept / renew deposits from Public

Exemption

- Banking Co / NBFC / HFC
- Co. prescribed by CG + RBI

⇓
only Eligible Public Cos. can accept deposits from Public w/s 76

→ Max Deposit from members = 35% of (PVSC + FR + SP)

100% of PVSC + FR + SP

⇓
IFSC Public Co. & Private Co.

No limit

⇓
Private Co. which is a startup (for 10 yrs from incorporation)

No limit

⇓
Good Pmt. Co

Not an Associate / Subsidiary

⊕

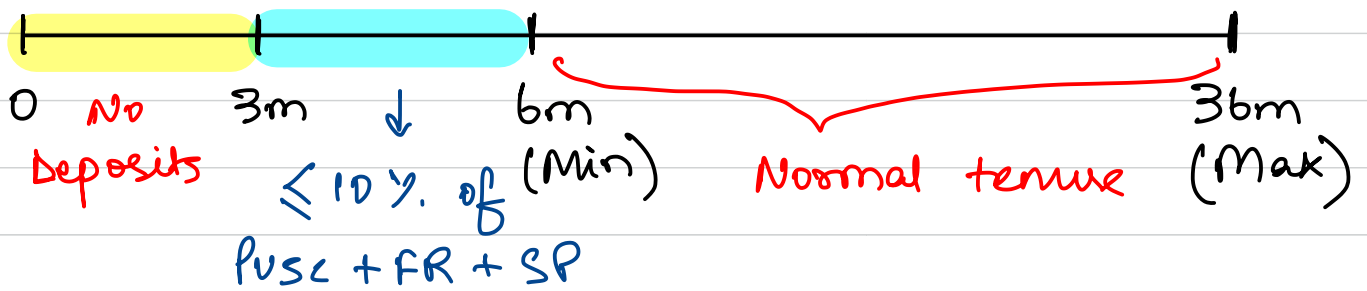
Borrowings from Banks / FI / BC

- < 2x PVSC
 - ₹ 50 cr
- } Less

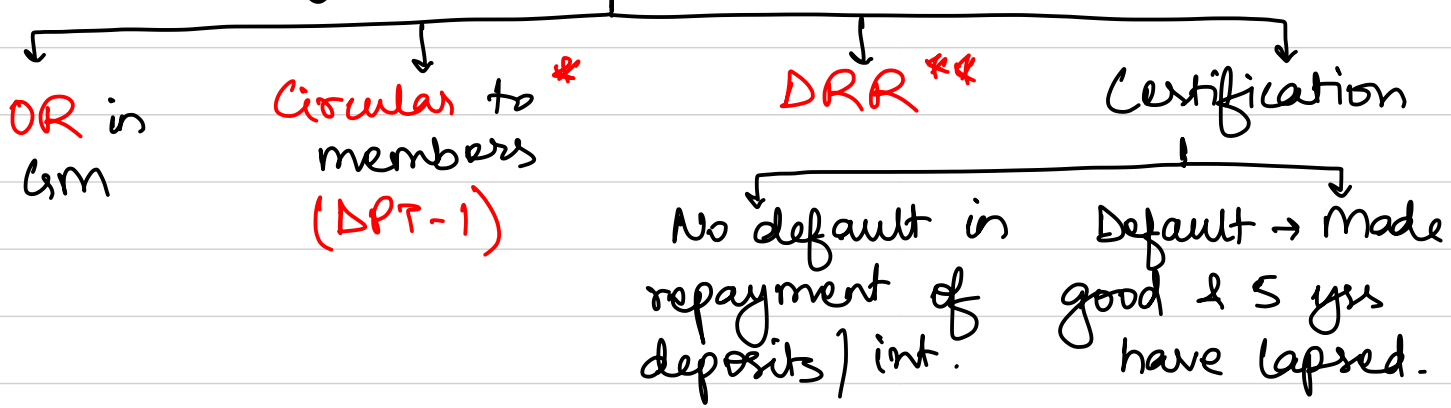
⊖

No subsisting default in repayment of borrowings.

→ Max Tenure of Deposits



→ Conditions for acceptance of deposits from members



* Circulars

- By BOB in form DPT-1
- Contents → Financial Position
Credit Rating
No. of Depositors
Amt. of Deposit
- Manner of issue → RP / Speed Post / E-mode
Newspapers (English + Vernacular)
Website of Co.
- Certificate of Stat Auditor
 - No default in repayment of deposits / int.
 - Default → Made good & 5 yrs have lapsed.

• Validity of Circular

≤ 6m from
close of FY

Date of AGM
(FS laid before Co)

last date on which
AGM should've
been held

Earliest

- Fresh circular to be issued in each FY
- Circular + Statement to be filed with RDC within 30 days from date of issue of circular. Signed by majority of directors.

** DRR

Co. to Deposit
on or before 30th April,
≥ 20% of deposits
maturing during next FY

⇓
in a separate bank a/c
with a scheduled bank

Co. shall not
use DRR
for any
purpose other
than repayment
of Deposits

Min. balance
Deposit shall
NOT < 20% of
amt. maturing
during
that FY.

Provisions of Circular, DRR & Certificate shall not apply

100% of
PVSC + FR + SP

IFSC Public Co.
& Private Co.

No limit

Private Co. which
is a startup
(for 5 yrs from
incorporation)

No limit

Good Pmt. Co

Not an
Associate /
Subsidiary

⊕

Borrowings
from Banks /
FI / BC
- < 2x PVSC } Less
- ₹ 50 cr

⊕

No subsisting
default in
repayment
of borrowings.

See 76 → Deposits from Public by Eligible Public Co.

Max Deposit = 35% of (PVSC + FR + SP)

From Members
≤ 10% of (PVSC + FR + SP)

From Public (other than
members)
≤ 25% of (PVSC + FR + SP)

Eligible Govt Co. → 35% of (PVSC + FR + SP)

Max Tenure of Deposits → Same as Section 73

Conditions for accepting deposits from public w/s 76

→ Comply with Sections 73 & 74

→ Credit Rating

from
Recognised
CRA

≥ once
a ys

file copy
to Roc

shall NOT be
below minimum
investment grade
rating

→ Charge on assets (in case of Seized Deposits)

Co. accepts
seized
deposits ⇒ create
charge
on assets ⇒ within
30 days of
acceptance ⇒ Security ≥
Amt of Deposits
+ Interest

↳ No charge on Intangible assets.

→ Co. to issue circular in form of advertisement

Same as Section 73. The only difference is -

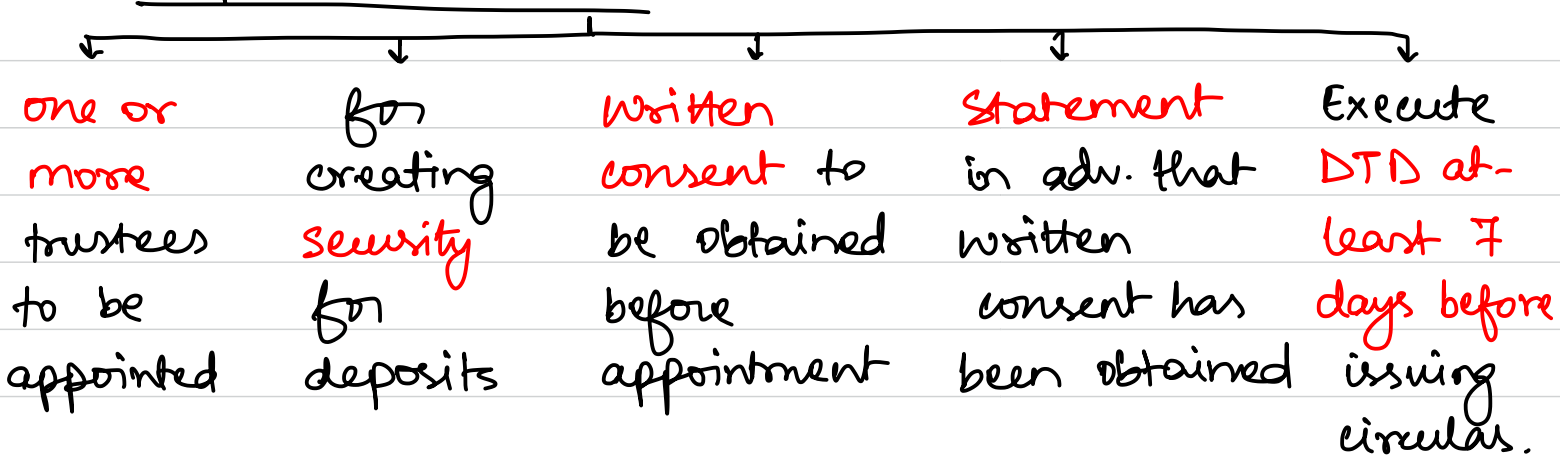
- Manner of issue → ~~RP / Speed Post / E-mode~~
Newspapers (English + Vernacular)
Website of Co.
- Circular + Statement to be filed with ROC
at least 30 days before the issue of advertisement
Signed by majority of directors.

- Effective date of issue of circular
 - Date of advertisement in newspapers
 - Date of dispatch to ROC

→ DRR - Same as Section 73

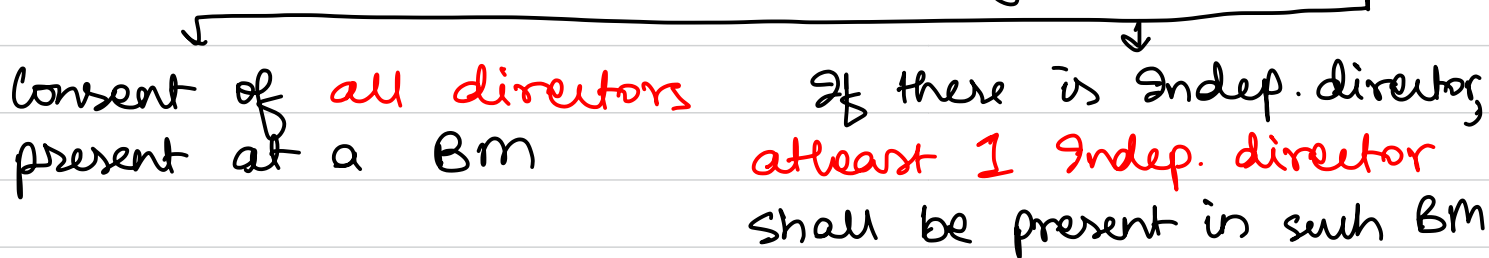
Common Provisions for Sections 73 & 76

→ Deposit Trustee



→ Removal of Deposit Trustee

Cannot be removed before expiry of term **except**



→ Meeting of Depositors by Trustee

Requisition in writing signed by $\geq 1/10^{\text{th}}$ of depositors in value

Happening of an event which constitutes default or affects int. of depositors

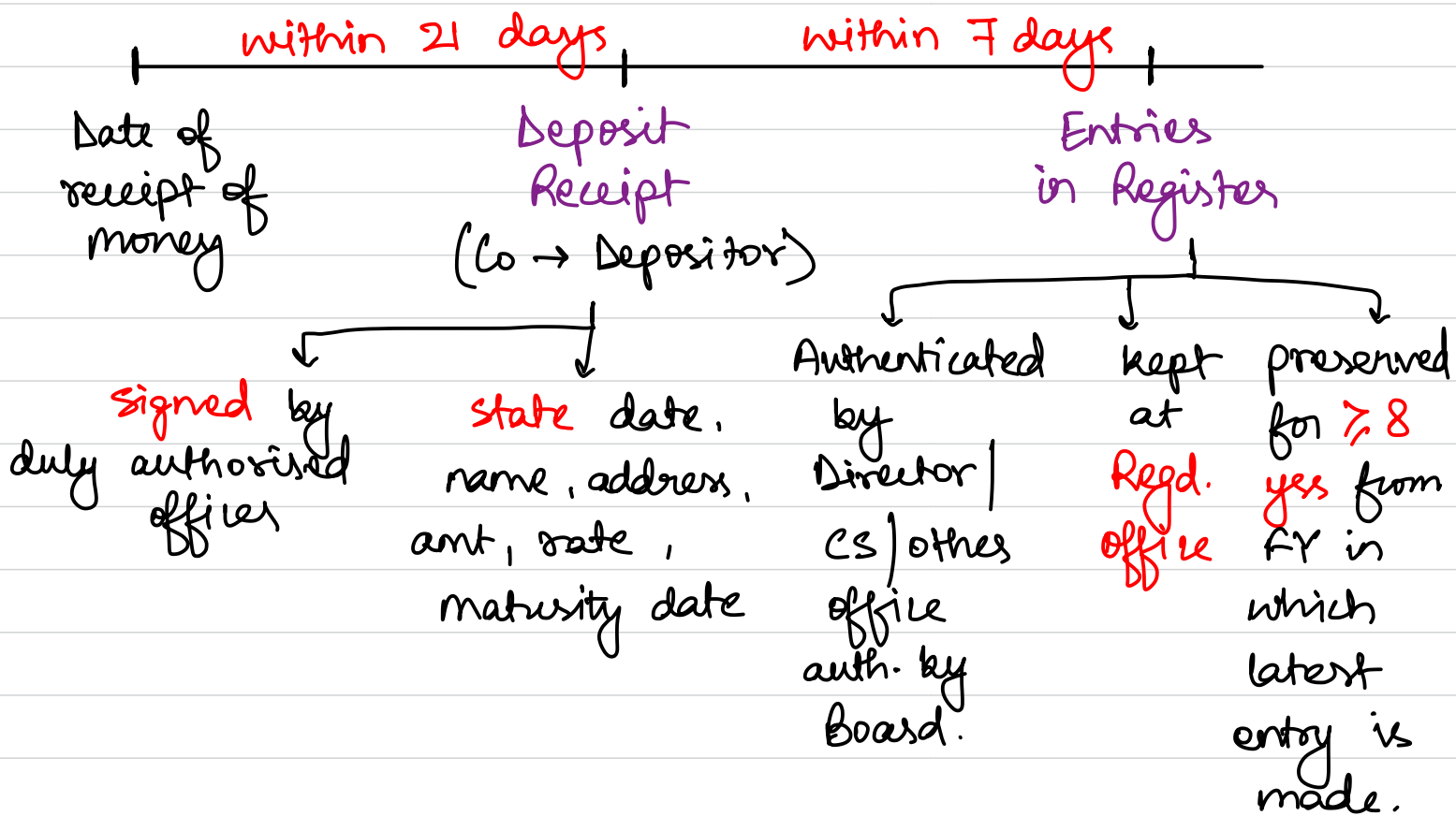
→ Max Rate of Interest & Brokerage on Deposits

ANY RATE \leq Max. rate of int / brokerage prescribed by RBI for NBFCs

→ Joint Names ≤ 3

→ Every Depositor may nominate any person at any time.

→ Deposit Receipt & Registers of Deposits



→ Penal rate of Interest

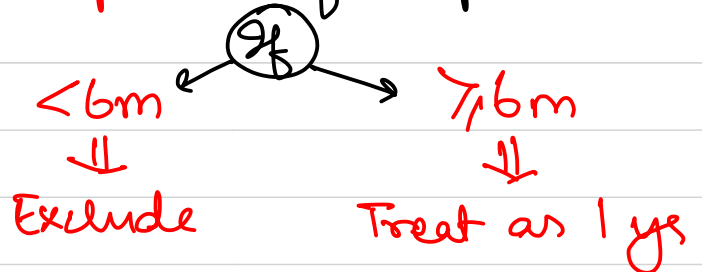
Co. fails to repay deposits on maturity \Rightarrow

Penal rate of 18% pa for overdue period.

→ Premature Repayment of Deposits

9% Depositor requests
for premature
repayment (After 6m)

⇒ Rate = 1% less than
rate payable for actual
period of deposit



No penalty if premature repayment is for -

complying with
max. limit of Deposits

in case of
Emergency

Section 76A & 74 → Pg 5.11