

SECTION 180 – RESTRICTION ON POWER OF BOARD

1. **Power of Board to be exercised only with the consent of Company by passing SPECIAL RESOLUTION.**

Brief

[Memory Technique: Board Resolution is Subject To i.e. BR ST]

To **sell**, lease or dispose of Undertaking

To invest in **trust securities**, the compensation received as a result of any merger or amalgamation

**BR ST**

To **Borrow** moneys in excess of

limit

To **remit**, or give time for the

**r** m

**epayment** of, any debt due fro

a director.

**PRIVATE COMPANY IS EXEMPTED FROM THIS SECTION**

In Detail

* 1. **(i) In case Company owns a Single Undertaking**

Sell, lease or Disposal of:

* + 1. **Whole of the Undertaking of the Company or,**
    2. **Substantially the whole of the Undertaking of the Company( ≥ 20% of value Undertaking) (ii) In case Company owns more than Single Undertaking**

Sell, lease or Disposal of:

* + 1. **Whole of any of such Undertaking of the Company or,**
    2. **Substantially the whole of any of such Undertaking of the Company ( ≥ 20% of value Undertaking)**



Undertaking

Undertaking

Investment of the

Company in such Undertaking **EXCEEDS** 20% of its Net Worth

Such Undertaking

generates **20% or more** of the total income of the Company

Investment > 20 %

of Net Worth

Revenue ≥ 20% of

Total Income

***Net worth or Total Income or Value of Undertaking will be as per Audited Balance Sheet of Preceding Financial Year***

Key Aspects

* + - 1. **Special Resolution is not required for:-**
         1. **sales or lease of any property..**
         2. **where the ordinary business of the company consists of, or comprises..**
         3. **such selling or leasing.**
      2. **Non Compliance by Company of above provision shall not affect:-**
         1. **The title of a buyer or other person..**
         2. **who buys or takes on lease..**
         3. **any property, investment or undertaking in good faith.**
      3. **SR passed to borrow money shall specify the amount upto which money can be borrowed by Board.**
      4. **SR may also specify, inter alias, the conditions regarding Use, Disposal or Investment of the sale proceeds of transaction.**



* 1. **To invest otherwise in Trust Securities the amount of Compensation received by it as a result of any merger or amalgamation.**
  2. **To remit, or give time for the repayment of, any debt due from a director.**
  3. **To borrow money,**

1. **where the money to be borrowed,**
2. **together with the money already borrowed by the company**
3. **will exceed aggregate of its paid-up share capital, Free Reserves & Securities Premium**

**PUSC +Free Reserves**

**+Securities Premium**

**>**

**Money to be borrowed**

**Money already borrowed**

Key Aspects

1. **SR passed to borrow money shall specify the amount upto which money can be borrowed by Board.**
2. **Debt in excess of above limit without passing Special Resolution shall not be valid unless: Lender proves that he advanced loan in:-**
   1. **Good Faith, AND**
   2. **without knowledge that the limit had been exceeded.**
3. **Amount NOT INCLUDED in above limit**

Temporary loans\*\* obtained from the company’s bankers in the ordinary course of business.

***\*\*Temporary Loans means:-***

* 1. ***loans repayable on demand or***
  2. ***within six months from the date of the loan***

***Examples: short-term loan, cash credit arrangements, the discounting of bills and the issue of other short-term loans of a seasonal character.***

1. **Amount INCLUDED in above limit**

Loan raised for the purpose of financial expenditure of a CAPITAL NATURE

This Section is not applicable to

1. PRIVATE COMPANIES
2. Specified IFSC public CO – only if their articles says not applicable.