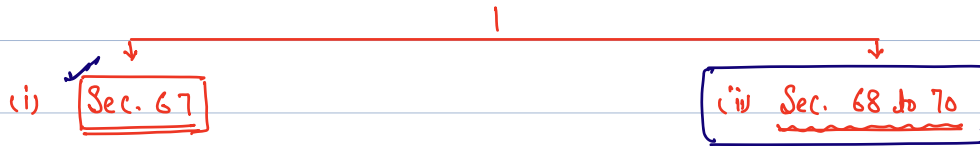


## Chapter - 4 " Share Capital and Debentures "

### Part - V ( Secs. 67 to 70 )



#### (xvii) Restrictions on giving loans, etc. (Sec. 67) :

(a) No public company is allowed, to give directly or indirectly and

whether by means of a loan, guarantee or security

↓

any financial assistance for the purpose of or in connection with

↓

purchase or subscription, by any person of any shares in it or its holding company.

(b) Restriction as mentioned above, shall not apply to :

(i) lending of money by a banking company in ordinary course of business.

v. Imp.

(ii) giving of loans to the employees (other than directors or KMP) for an amount not exceeding their salary or wages for a period of 6 months, so as to enable them to purchase or subscribe fully paid shares in the company or its holding company to be held by them by way of beneficial ownership.

(c) Penalty for Contravention:

(i) Company: Fine ranging from ₹ 1 lakh to ₹ 25 lakhs.

(ii) Officer in default: Imprisonment upto 3 years

and

fine ranging from ₹ 1 lakh to ₹ 25 lakhs.

(xviii) Buy back of Securities: [Sec. 68 to 70]

✓(a) Sources of Buyback: A company may purchase its own shares or specified securities, out of:

- its free reserves;

- securities premium a/c; or

- proceeds of issue of any share or other specified securities.

Note: Buyback out of proceeds of earlier issue of same kind of shares/securities is not allowed

| Issue          | Buy back       |   |
|----------------|----------------|---|
| S <sub>1</sub> | S <sub>2</sub> | ✓ |
| S <sub>2</sub> | S <sub>2</sub> | X |

✓(b) Conditions for buy back:

(i) Buyback is authorised by the Articles of Association.

(ii) Special Resolution passed in the general meeting of the company.

Note: Buyback upto 10% of PUEC and free reserves is allowed by authorisation of Board Resolution passed at Board meeting.

(iii) Buy back cannot exceed 25% of PUC and free reserves.

However, in a financial year, buy back of equity shares cannot exceed 25% of total PUF.C.

Example: Paid up Equity Capital = ₹ 50 crores  
" " Pre. " = ₹ 30 crores.  
Free Reserves = ₹ 20 crores.

Q. Permitted buyback of equity in a fy = 25% of 50 crores  
= ₹ 12.5 crores

Q. Permitted Overall buyback = 25% of 100 crores  
= ₹ 25 crores

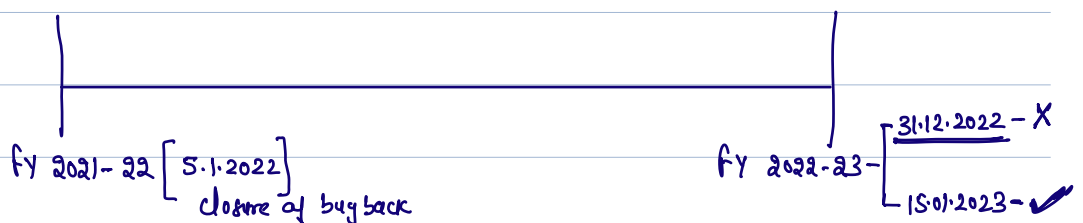
Q. Permitted buyback through Board Resolution = 10% of 70 crores  
= ₹ 7 crores

(iv) Debt-Equity ratio shall not exceed 2:1 after buyback.

(v) Shares / securities for buyback are fully paid-up.

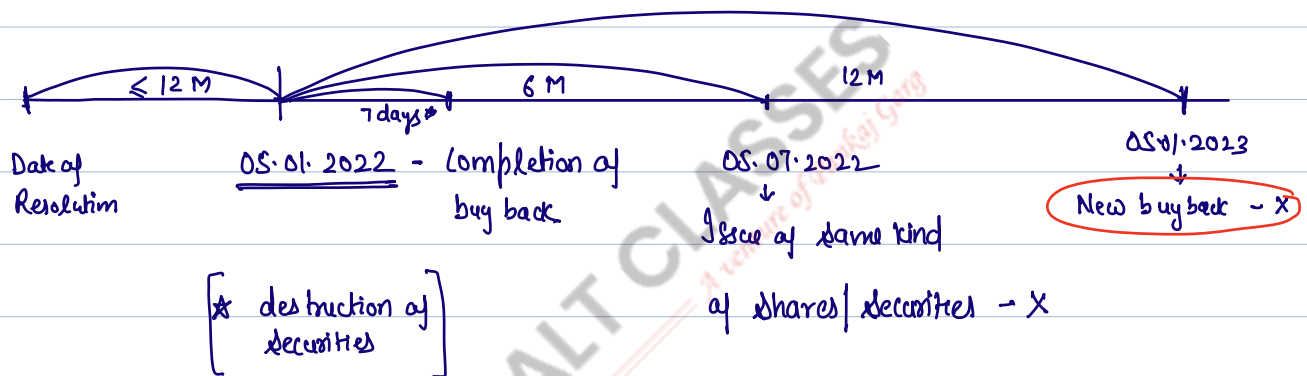
(vi) Buy back of listed securities shall be in accordance with the SEBI Regulations; Buy back of other securities shall be in accordance with the prescribed rules.

(c) No offer of buyback shall be made within a period of One year from the date of closure of preceding offer of buy-back.



(d) Every buy-back shall be completed within a period of 12 months from the date of passing of Board Resolution / Special Resolution, as the case may be.

(e) Company shall not make further issue of same kind of shares / securities within 6 months except by way of bonus issue or conversion of warrants and other subsisting obligations.



(f) If buyback is made out of free reserves or securities premium a/c, then an amount equal to nominal value of shares so purchased, shall be transferred to CRR A/c. [Sec. 69]

(g) Other provisions: - to be covered from book -

H.w.: Do written practice of two Questions:

(a) Declaration of solvency

(b) Prohibition for buy back of securities (Sec. 70)

(xix) Debentures (Sec. 71): - to be covered from book -