

# Chapter - 6 "Registration of Charges"

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

(i) Meaning and Types of Charges	(ii) Registration of Charges	(iii) Satisfaction of Charges	(iv) Miscellaneous
	↓ Sec. 77 Sec. 78 Sec. 79 Sec. 80	↓ Sec. 82 Sec. 83	↓ Sec. 84 Sec. 86 Sec. 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

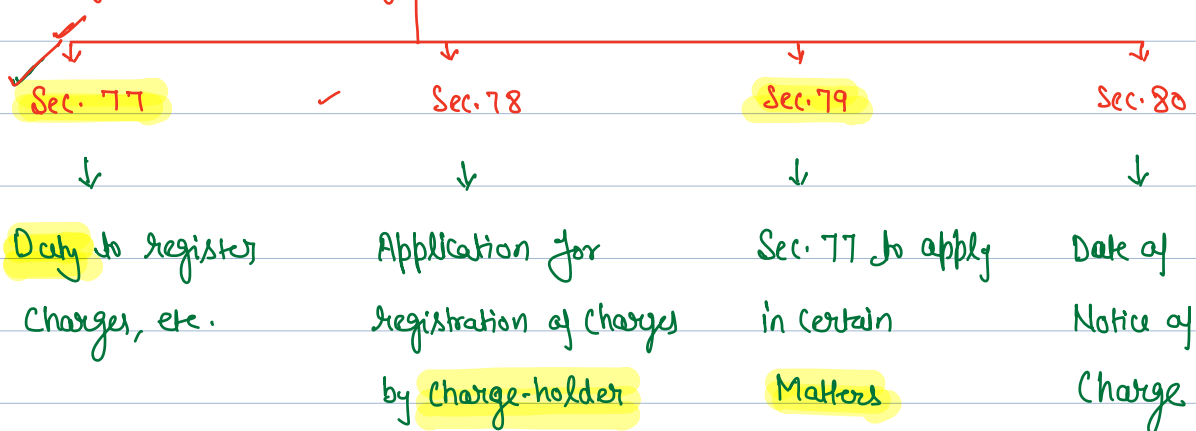
Types of charges:

- (a) fixed charge
- (b) floating charge

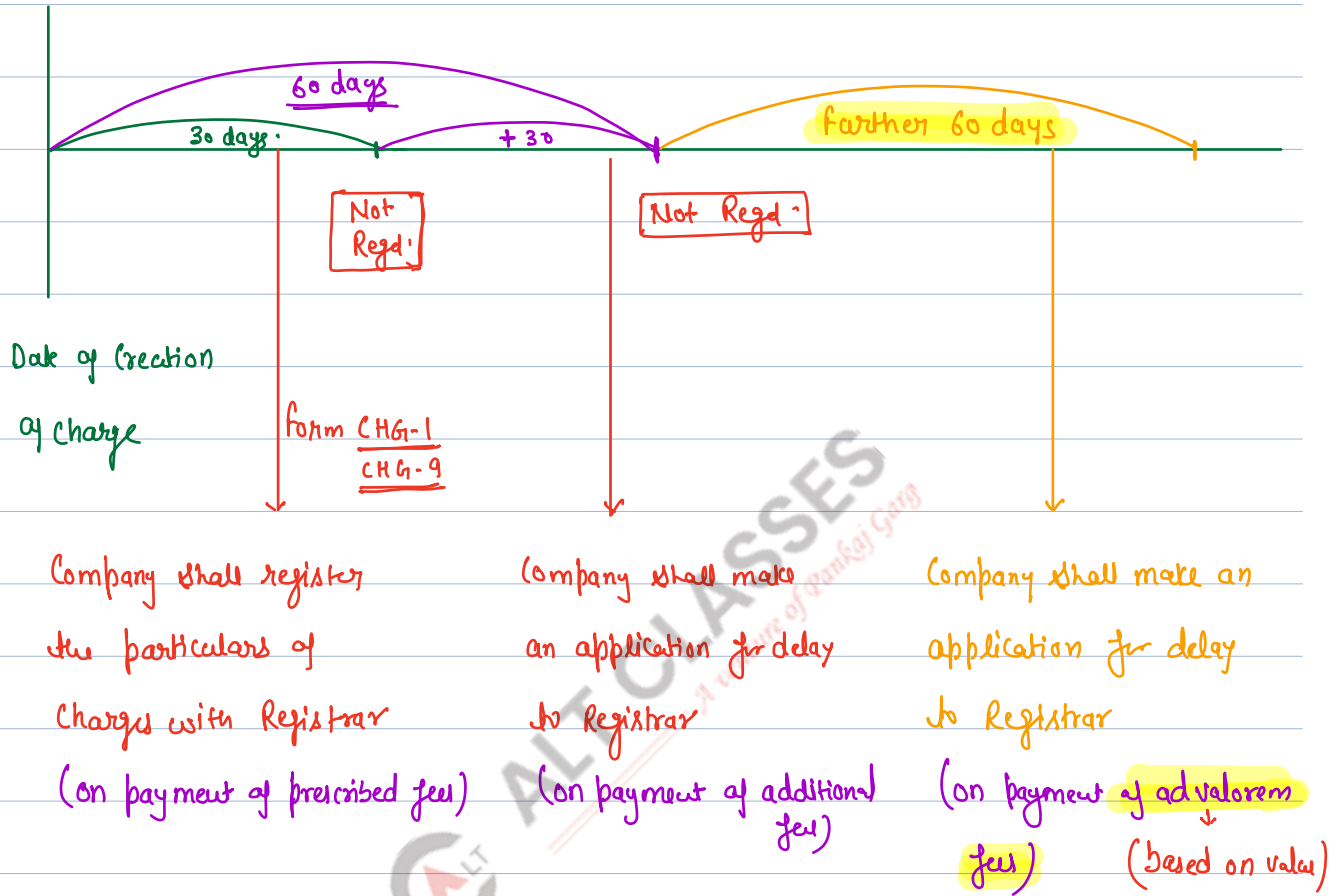
- (a) Fixed charge: - Charge created on specific assets of permanent nature, identified at the time of creation of charge.
- Borrowing company is not permitted to sell such assets except with permission of chargeholder.
  - Charge is vacated/released on repayment of borrowings.

- (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.

(ii) Registration of Charges:



(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 → Registrar shall issue notice to the company and within 14 days allow the

Note: If the regn. is affected on application of Chargeholder, he shall be entitled to recover from the company the amount of any fees or additional fees paid by him to the Registrar.

Chargeholder to register the charges  
↓ if  
Company itself not register the charge, or show-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

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it shall be deemed that he had notice of charge

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from the date of registration.

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

