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NATIONAL LAW UNIVERSITY, JODHPUR

End Term Examination August-December — 2025

Semester: UG V

Subject: Company Law-I (Compulsory)

Time: Three Hours

Marks: 100

Instructions:

1. Attempt any five questions
2. All questions carry equal marks
3. The question paper consists of three pages.

Q1). Eight individuals including professionals and two NRIs decide to establish a logistics and delivery start-up named RapidMove Private Limited. Before incorporation, two promoters sign a written supply agreement with SpeedTech Motors to purchase 40 electric delivery vehicles. The agreement is signed as: "For RapidMove Private Ltd. (a proposed company)". A security deposit of ₹10 lakhs is transferred from the promoters' personal bank account. Two months later, RapidMove is incorporated. However, the newly appointed Board refuses to adopt the agreement. They argue that the company had *no legal existence* at the time of contract, and therefore cannot be bound by it. SpeedTech demands either enforcement of the contract or refund of the amount with damages. The company refuses, saying the promoters acted personally.

Meanwhile, two minority shareholders complain that the majority group is refusing to circulate notices of meetings, blocking voting rights and denying access to financial records. They argue that their right to form and continue an association under Article 19(1)(c) is being violated. Later, a tax investigation finds evidence of money being paid by the company to a Trust owned by one promoter seemingly a tax evasion. The company insists that it is a separate legal entity and the directors' personal properties cannot be investigated.

*On the basis of the aforementioned factual matrix, address and analyze the following issues:*

1. Is RapidMove Pvt. Ltd. bound by the supply agreement? Can the company perform or enforce the contract? What is the liability of promoters?
2. Can SpeedTech sue the company, the promoters, or both? What is the effect of lack of legal existence before incorporation?
3. Can minority shareholders invoke Article 19(1)(c)? Is the company a "citizen" capable of claiming or breaching constitutional rights?
4. Can investigating authorities pierce the veil and hold promoters personally responsible for tax diversion? Under what circumstances?

(Marks 4x5= 20)

Q2) In 2022, a group of investors formed EcoRise Industries Ltd., a public company incorporated to *manufacture biodegradable packaging materials*, with its Memorandum of Association (MoA) specifying this as the main object and the Articles of Association (AoA) containing an



entrenched provision that “no shares shall be transferred to any outsider without unanimous consent of all existing members.” A year later, a majority of directors passed a simple board resolution altering the clause so that shares could be transferred with the approval of 70% of shareholders. Relying on this altered clause, an existing member transferred 15% of the company’s shares to an outsider, Ms. Nisha, who paid full consideration and claimed to have acted in good faith. Soon after, several minority shareholders challenged the transfer on the ground that the original clause was entrenched and could not be altered without following the statutory procedure under the Companies Act, 2013, and therefore the alteration was void. Meanwhile, the Board also invested a significant portion of the company’s capital in a luxury real estate venture unrelated to its biodegradable packaging business. The minority shareholders argued that the investment was ultra vires the company’s MoA and sought to hold the directors personally liable. When litigation began, the company contended that Ms. Nisha should have checked public documents and that the Doctrine of Constructive Notice applied, while Ms. Nisha argued that as an outsider dealing with the company she was entitled to rely on the Doctrine of Indoor Management, since the Board resolution authorising share transfer appeared regular on its face.

As counsel, identify and address four legal issues arising from the above factual matrix, and support your analysis with the applicable provisions of the Companies Act, 2013 and relevant judicial precedents.

(Marks 20)

Q3). Compare and contrast the following:

- (a) Alteration of Share Capital vs Reduction of Share Capital, and
- (b) Prospectus vs Private Placement

(Marks 2x10=20)

Q4). In 2024, Apex Clean Energy Ltd., a public company engaged in wind-turbine manufacturing, issued 10 lakh preference shares carrying an 8% annual dividend, redeemable in 10 years. The company’s Articles were silent on whether the preference shares were cumulative or non-cumulative. For three consecutive years, the company did not declare any dividend due to losses. In 2027, the company’s profits improved and it announced dividends payable only to equity shareholders. Preference shareholders objected and demanded payment of the accumulated 3-year arrears, claiming that their shares were cumulative. Meanwhile, the company decided to redeem these preference shares partly out of profits and partly from the proceeds of a fresh equity issue. However, the company did not transfer any amount to the Capital Redemption Reserve (CRR). In addition, redemption involved paying a 15% premium, which the company paid out of its general bank account, not from profits or securities premium. Certain preference shareholders refused redemption, and Apex Clean Energy claimed their shares stood extinguished. Further, a shareholder publicly alleged that some redeemed shares were issued duplicate certificates without proper basis. Investigation revealed that the original certificates were not lost but held by a related party.

Determine whether the preference shares in question are to be treated as cumulative or non-cumulative and whether the redemption was valid, including the requirement of a Capital Redemption Reserve and lawful payment of premium under the Companies Act, 2013. Further, analyse the legal consequences of issuing a duplicate share certificate with intent to defraud. support your reasoning with statutory provisions and relevant case law.

(Marks 20)

Q5). In 2025, Nimbus Tech Mobility Ltd., a company manufacturing battery-management software for electric vehicles, announced that it plans to raise money through an Initial Public Offer (IPO). The company wants to use the IPO money to construct a new production facility, expand research, and make future acquisitions. However, several compliance issues come to light. One of the promoters was earlier prohibited by the market regulator from accessing the securities market, and although his ban has recently expired, another promoter is still a director in a company that continues to remain barred. Nimbus also has outstanding convertible debentures which will convert only after listing. Some of the shares of promoters and key managerial personnel are still in physical form and have not been shifted to dematerialised accounts. Further, a part of the company's equity is still partly paid, and no action has been taken to forfeit or fully pay them. The company has arranged only half of the money required for its new production facility and plans to finance the remaining amount entirely from the IPO. It also wants to use nearly one-third of the IPO proceeds for general business use and unidentified acquisitions. A venture capital investor holding shares for only nine months wants to sell a major portion of its holding through the IPO. Nimbus has also not obtained approval from shareholders by a special resolution and has not signed agreements with all mandatory intermediaries like merchant bankers and registrars.

Based on the above facts, examine whether Nimbus Tech Mobility Ltd. can proceed with its Initial Public Offer and identify the compliances or corrections that must be completed before the IPO can lawfully move forward, referring to the relevant provisions. Furthermore, explain whether a rights issue is a prerequisite for launching an IPO.

(Marks 20)

Q6). Companies may admit members through various avenues, and once a person is recognised as a member, several statutory rights and obligations arise under company law. In this context, discuss who may become a member and the different ways in which membership may be created or recognised, including how a foreign investor may hold an interest in an Indian company through depository receipts. Additionally, explain the distinction between a declaration of beneficial interest and a significant beneficial owner. Finally, with reference to the relevant legal provisions, analyse whether the mere creation of a charge is sufficient to protect a creditor's interest,

(Marks 20)