

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). In 1952, a group of textile traders in Mumbai began operating an unregistered partnership to manufacture cotton fabrics, and as the business expanded they incorporated themselves in 1961 as Aurora Textiles Limited. After the enactment of the Companies Act, 2013, the company diversified into sustainable fibre production, asserting that the modern corporate regime emphasises stakeholder welfare and responsible governance. A recent government policy has introduced a requirement that textile companies obtain prior approval before expanding their production capacity, justified on environmental and energy-consumption grounds. A section of minority shareholders challenges the restriction, arguing that a company is an organised association of individuals and that the constitutional freedom to form and operate such associations protects them from unwarranted interference in business decisions. Around the same time, the Board discovers that the managing director, Mr. Vikram, has secretly incorporated another entity named GreenThread Innovations Pvt. Ltd., and diverted several export contracts originally belonging to Aurora Textiles, resulting in unpaid creditors and defaults in supplier payments. When creditors move against Aurora Textiles, the company argues that it remains a distinct legal person and that any misconduct by its managing director cannot justify imposing personal liability on him. Matters escalate further when a foreign cotton exporter demands performance of a long-term supply agreement allegedly signed by one of the original promoters before Aurora Textiles was incorporated. The company denies liability on the ground that it was not a legal entity at that time and could not have been bound by any contract entered into on its behalf.

From the above facts, identify any four legal issues that arise and address them with appropriate legal reasoning, citing relevant provisions of the Companies Act, 2013 and judicial authorities in support of your analysis.

(Marks 20)

Q2) In 2023, a group of entrepreneurs in Hyderabad formed SolarNova Energy Ltd., a public company incorporated under the Companies Act, 2013, to manufacture solar panels and related green-energy equipment. The Certificate of Incorporation was issued on 10 January 2023. The Memorandum of Association (MoA) stated the main object as “manufacture of solar photovoltaic modules,” while the Articles of Association (AoA) vested borrowing powers in the Board up to ₹10 crores. To attract investors, the company passed a resolution altering its MoA to include the business of cryptocurrency trading, but the altered document

was never filed with the Registrar of Companies. Acting upon this unregistered alteration, SolarNova invested ₹15 crores in a foreign crypto-asset exchange and suffered heavy losses. Minority shareholders challenged the transaction as ultra vires the original objects and sought to hold directors personally liable, arguing that shareholders' funds were misused for unauthorized purposes. During the same period, the company borrowed ₹25 crores from Apex National Bank, exceeding the borrowing limit prescribed in the Articles. The Bank claims it relied on assurances given by the Finance Director and is protected under the doctrine of indoor management, while the company argues that the Articles were public documents and the Bank had constructive notice of the borrowing restriction. The situation becomes more complex when it is discovered that the Chief Financial Officer forged Board minutes to show that proper resolutions had been passed.

With reference to the above factual matrix. Critically analyse:

- 1) whether the incorporation and the unfiled alteration of the Memorandum and Articles of Association are legally valid and enforceable;
- 2) whether the ₹15-crore cryptocurrency investment constitutes an ultra vires act
- 3) whether Apex National Bank may rely on the doctrine of indoor management to enforce the ₹25-crore loan, or whether the company may resist liability on the basis of constructive notice of the Articles; and
- 4) whether the Chief Financial Officer's forgery of board minutes brings the transaction within the recognised exceptions to the indoor management rule.

Support your determination with the relevant statutory provisions of the Companies Act, 2013 and applicable judicial precedents, while also explaining in detail the doctrine in question.

(Marks 4x5= 20)

Q3). Distinguish between the following:

- (a) Section 61 and Section 66 of the Companies Act 2013; and
- (b) Section 89 and Section 90 of the Companies Act 2013.

(Marks 2x10=20)

Q4). TechFuse Solutions Ltd., a listed company dealing in electronics, decided in 2025 to raise capital by issuing equity shares with differential voting rights (DVRs) to retain promoter control. DVR shareholders were promised 20% higher dividend but only 1/10th voting power per share compared to ordinary equity. After issuance, some minority investors argued this violated their voting rights under Section 47. The company replied that Section 43 expressly permits DVRs. In the same year, the Board issued redeemable preference shares to finance a new project. The shares were to be redeemed after 5 years at a 20% premium. When redemption time arrived, the company lacked profits and had not raised fresh capital. Instead, it used funds from working capital loans to redeem the shares without transferring money to the Capital Redemption Reserve (CRR). A group of creditors challenged this, claiming the company's capital base was illegally eroded. Meanwhile, one investor holding physical share certificates requested duplicates claiming they were lost. The company issued duplicates without verifying records. Later, the original certificates appeared and it was discovered the investor had pledged them for a loan. Allegations of fraud and wrongful issuance of duplicate certificates arose as per

Section 46(5). TechFuse also dematerialised most of its equity, leading to confusion because some shareholders believed Demat shares must still have distinctive numbers.

Analyse in the instance case whether the DVR structure violates voting rights, whether redemption was legal under Section 55, whether CRR was mandatory, whether issuance of duplicate certificates attracts penalties, and whether Demat shares require distinctive numbering. Support your reasoning with statutory provisions and judicial precedents.

(Marks 20)

Q5). ABC Manufacturing Ltd. raises funds by issuing secured non-convertible debentures to a group of investors. A fixed charge is proposed on the company's machinery, and a floating charge on its inventory. The Board approves the debenture issue, money is collected, and debenture certificates are allotted. However, due to internal delays, the company files the particulars of charge with the Registrar after the statutory time limit, and the Registrar has not yet issued a certificate of registration. Meanwhile, the company also borrows from another bank and creates a second charge on the same machinery, which is duly registered on time. The company later enters financial distress and is unable to pay interest to debenture holders, who now claim priority over other creditors. The bank argues that its charge ranks higher because it was properly registered.

Discuss the legal issues that arise in this situation. In your answer, examine: (a) the nature and effect of fixed and floating charges, (b) the legal requirements for creation and registration of charges for debentures, (c) the consequences of delay or failure to register a charge, including priority of claims in liquidation, and (d) whether debenture holders may enforce their security despite non-registration.

(Marks 20)

Q6). Explain the statutory requirements for a valid "Rights issue", "Sweat equity" and examine the legal conditions applicable to a "private placement" of securities under the Companies Act, 2013, with reference to the relevant provisions. Further, discuss the different types of prospectus recognised in company law and outline the eligibility criteria for undertaking a public offer

(Marks 20)

