



zzz legal consulting
Your Partner in Success

Compromises, Arrangements and Amalgamations **As per the Companies Act, 2013**

Relevant Provisions

Chapter XV of the Companies Act, 2013: Compromises, Arrangements and Amalgamations.

Sections: 230 & 231 of the Companies Act, 2013

Rules 1-17 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.

Important Points in Section 230 of the Companies Act, 2013

- A compromise or arrangement can be proposed between –
 - i. a company and its creditors or any class of them, or
 - ii. a company and its members or any class of them
- Application for the compromise or arrangement shall be filled by the company or of any creditor or member of the company, or in the case of a company which is being wound up, of the liquidator (appointed under this Act or under the Insolvency and Bankruptcy Code, 2016), as the case may be.
- Application shall be made to the National Company Law Tribunal (NCLT).
- Tribunal shall direct order of a meeting of the creditors or class of creditors, or of the members or class of members, as the case may be.
- The company or any other person, by whom an application is made, shall disclose to the Tribunal by affidavit—
 - i. all material facts relating to the company, such as the latest financial position of the company, the latest auditor's report on the accounts of the company and the pendency of any investigation or proceedings against the company.
 - ii. reduction of share capital of the company, if any, included in the compromise or arrangement.
 - iii. any scheme of corporate debt restructuring consented to by not less than seventy-five per cent. of the secured creditors in value.
 - iv. a creditor's responsibility statement in the prescribed form.
 - v. report by the auditor that the fund requirements of the company after the corporate debt restructuring as approved shall conform to the liquidity test based upon the estimates provided to them by the Board.
 - vi. where the company proposes to adopt the corporate debt restructuring guidelines specified by the Reserve Bank of India, a statement to that effect, and
 - vii. a valuation report in respect of the shares and the property and all assets, tangible and intangible, movable and immovable, of the company by a registered valuer.

ZZZ Legal Consulting LLP

Email Id: info@zzzlegalconsulting.com || Contact No. 9971531898, 9971913032

Address: 815-A Eighth Floor, Vikas Deep Building, Laxmi Nagar District Centre, Laxmi Nagar,
Delhi-110092



zzz legal consulting
Your Partner in Success

- A notice of such meeting shall be sent to all the creditors or class of creditors and to all the members or class of members and the debenture-holders of the company, individually at the address registered with the company.
- A notice of meeting and other documents shall also be placed on the website of the company, if any, and in case of a listed company, these documents shall be sent to the Securities and Exchange Board and stock exchange where the securities of the companies are listed, for placing on their website and shall also be published in newspapers.
- A notice of meeting along with all the documents shall also be sent to the Central Government, the income-tax authorities, the Reserve Bank of India, the Securities and Exchange Board, the Registrar, the respective stock exchanges, the Official Liquidator, the Competition Commission of India established under sub-section (1) of section 7 of the Competition Act, 2002, if necessary, and such other sectoral regulators or authorities which are likely to be affected by the compromise or arrangement.
- If majority of persons representing **three- fourths** in value of the creditors, or class of creditors or members or class of members, as the case may be, voting in person or by proxy or by postal ballot, agree to any compromise or arrangement and if such compromise or arrangement is sanctioned by the Tribunal by an order, the same shall be binding on the company, all the creditors, or class of creditors or members or class of members, as the case may be, or, in case of a company being wound up, on the liquidator, and the contributories of the company.
- The order of the Tribunal shall be filed with the Registrar by the company within a period of thirty days of the receipt of the order.
- Any objection to the compromise or arrangement shall be made only by persons holding not less than ten per cent. of the shareholding or having outstanding debt amounting to not less than five per cent. of the total outstanding debt as per the latest audited financial statement.

Important Points in Section 231 of the Companies Act, 2013

- The tribunal have powers to supervise the implementation of the compromise or arrangement.
- The tribunal may, at the time of making such order or at any time thereafter, give such directions in regard to any matter or make such modifications in the compromise or arrangement as it may consider necessary for the proper implementation of the compromise or arrangement.
- If the Tribunal is satisfied that the compromise or arrangement sanctioned under section 230 cannot be implemented satisfactorily with or without modifications, and the company is unable to pay its debts as per the scheme, it may make an order for winding up the company.

ZZZ Legal Consulting LLP

Email Id: info@zzzlegalconsulting.com | Contact No. 9971531898, 9971913032

Address: 815-A Eighth Floor, Vikas Deep Building, Laxmi Nagar District Centre, Laxmi Nagar,
Delhi-110092



zzz legal consulting
Your Partner in Success

Forms Involved

- NCLT-1: Application for order of meeting.
- NCLT-2: Notice of Admission.
- NCLT-6: Affidavits.
- CAA 1: Creditor's responsibility statement.
- CAA 2: Notice and Advertisement of the notice of the meeting.
- CAA 3: Notice to statutory authorities.
- CAA 4: Report of the result of the meeting.
- CAA 5: Petition for confirming compromise or arrangement.
- CAA 6: Order by the tribunal on petition.

Disclaimer: The entire contents of this document have been prepared based on relevant provisions and as per the information existing at the time of the preparation. Although care has been taken to ensure the accuracy, completeness, and reliability of the information provided, I assume no responsibility, therefore. Users of this information are expected to refer to the relevant existing provisions of applicable Laws. The user of the information agrees that the information is not professional advice and is subject to change without notice. I assume no responsibility for the consequences of the use of such information.

IN NO EVENT SHALL I SHALL BE LIABLE FOR ANY DIRECT, INDIRECT, SPECIAL OR INCIDENTAL DAMAGE RESULTING FROM, ARISING OUT OF OR IN CONNECTION WITH THE USE OF THE INFORMATION

ZZZ Legal Consulting LLP

Email Id: info@zzzlegalconsulting.com || Contact No. 9971531898, 9971913032

Address: 815-A Eighth Floor, Vikas Deep Building, Laxmi Nagar District Centre, Laxmi Nagar,
Delhi-110092