

Checklist for Prescribed Limits Under Section 186 of Companies Act, 2013 for Loan and investment by Company:

The prescribed limit as per Section 186(2) of Companies Act, 2013 within which The Board of Directors of the Company has power to give loans or give any guarantee and acquire by way of subscription, purchase or otherwise, the securities of any other body corporate.

Board power up to limit of Section 186(2)			
Sr. no	Sub-Section	Particular	Financial Figure
1		Paid up Capital	
2		Securities premium account	
3		Free Reserves (as per Section 2(44) of Companies Act, 2013)	
		free reserves" means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend: Provided that— (i) any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or (ii) any change in carrying amount of an asset or of a liability recognized in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves;	
A	186(2)	60% of its paid-up share capital , free reserves and securities premium account	
B	186(2)	100% of Free Reserves and securities premium account.	
		W.I.H from above (A & B) limit	
		This is a limit within which Board have Power with All Director present and voted in favour of Resolution i.e Unanimously Board Resolution need to be passed and noted in minutes.	
	186(2)	give any loan to any person or other body corporate. i. Inter-corporate deposit /loans. ii. Loan to any person.	
	186(2)	give any guarantee or provide security in connection with a loan to any other body corporate or person:- 1. Corporate guarantee to any Bank or financial institution provided on behalf of any other body corporate or person. 2. Any asset provide as Security to any Bank or financial institution provided on behalf of any	

		other body corporate or person.	
	186(2)	acquire by way of subscription, purchase or otherwise, the securities of any other body corporate or Investments made in <i>Securities</i> of any other body corporate. "securities" means the securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 in like Shares, Bonds, Mutual fund units (Kindly note that Mutual Fund unit are not considered with a view that it is manager by Trust Company, However in conservative view it is considered as Securities as per definition)	
		"securities" include— (i) shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate;	
		if the Limit is triggered then prior approval of Members is required as per Section 186(3) of Companies Act,2013	
	186(3)	Pursuant to Section 186(3) of Companies Act,2013:- Where the aggregate of the loans and investment so far made, the amount for which guarantee or security so far provided to or in all other bodies corporate along with the investment, loan, guarantee or security proposed to be made or given by the Board, exceed the limits specified under sub-section (2), no investment or loan shall be made or guarantee shall be given or security shall be provided unless previously authorised by a special resolution passed in a general meeting:	
		Provided that where a loan or guarantee is given or where a security has been provided by a company to its wholly owned subsidiary company or a joint venture company, or acquisition is made by a holding company , by way of subscription, purchase or otherwise of, the securities of its wholly owned subsidiary company, the requirement of this sub-section shall not apply: (No Special Resolution required in this case)	
	186 (4)	The company shall disclose to the members in the financial statement the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security.	

	186(5)	<p>No investment shall be made or loan or guarantee or security given by the company unless the resolution sanctioning it is passed at a meeting of the Board with the consent of all the directors present at the meeting and the prior approval of the public financial institution concerned where any term loan is subsisting, is obtained:</p> <p>Provided that prior approval of a public financial institution shall not be required where the aggregate of the loans and investments so far made, the amount for which guarantee or security so far provided to or in all other bodies corporate, along with the investments, loans, guarantee or security proposed to be made or given does not exceed the limit as specified in sub-section (2), and there is no default in repayment of loan instalments or payment of interest thereon as per the terms and conditions of such loan to the public financial institution.</p>	
	186(7)	No loan shall be given under this section at a rate of interest lower than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan.	
	186(8)	No company which is in default in the repayment of any deposits accepted before or after the commencement of this Act or in payment of interest thereon, shall give any loan or give any guarantee or provide any security or make an acquisition till such default is subsisting	
	186(13)	If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to two years and with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees.	
