Companies Act, 1956

Section 79 - Power to Issue Shares at a Discount

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(1) A company shall not issue shares at a discount except as provided in this section.

(2) A company may issue at a discount shares in the company of a class already issued, if the following conditions are fulfilled, namely: -

(i) the issue of the shares at a discount is authorised by a resolution passed by the company in general meeting, and sanctioned by the[1][Central Government]

(ii) the resolution specifies the maximum rate of discount[2][***] at which the shares are to be issued;

[3][Provided that no such resolution shall be sanctioned by the[4][Central Government] if the maximum rate of discount specified in the resolution exceeds ten per cent,[5][unless the Central Government is of opinion] that a higher percentage of discount may be allowed in the special circumstances of the case;]

(iii) not less than one year has at the date of the issue elapsed since the date on which the company was entitled to commence business; and

(iv) the shares to be issued at a discount are issued within two months after the date on which the issue is sanctioned by the[1][Central Government] or within such extended time as the[1][Central Government] may allow.

(3) Where a company has passed a resolution authorising the issue of shares at a discount it may apply to the[1][Central Government] for an order sanctioning the issue; and or any such application, the [1][Central Government] if, having regard to all the circumstances of the case, it thinks proper so to do, may make an order sanctioning the issue on such terms and conditions as it thinks fit.

[6][Provided that in the case of revival and rehabilitation of sick industrial companies under Chapter VIA, the provisions of this section shall have effect as if for the words "Central Government", the word 'Tribunal" had been substituted.]

(4) Every prospectus relating to the issue of the shares shall contain particulars of the discount allowed on the issue of the shares or of so much of that discount as has not been written off at the date of the issue of the prospectus.

If default is made in complying with this sub-section, the company, and every officer of the company who is in default, shall be punishable with fine which may extend to[7][five hundred rupees].

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1. Substituted by Act 41 of 1974, Section 9, for "Court" (w.e.f. 1-2-1975) and again Substituted by Act 11 of 2003, Section 12, for "Company Law Board".

2. Certain words omitted by Act 41 of 1974, Section 9 (w.e.f. 1-2-1975).

3. Added by Act 41 of 1974, Section 9 (w.e.f. 1-2-1975).

4. Substituted by Act 11 of 2003, Section 12 for "Company Law Board".

5. Substituted by Act 11 of 2003, Section 12 for "unless that board is of opinion".

6. Inserted by Act 11 of 2003, Section 12.

7. Substituted by Act 53 of 2000, Section 34, for "fifty rupees" (w.e.f. 13-12-2000).