Companies Act, 1956

Section 101 - Application to Court for Confirming Order, Objections Bycreditors, and Settlement of List of Objecting Creditors

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101. Application to1[Tribunal] for confirming order, objections by creditors, and settlement of list of objecting creditors

(1) Where a company has passed a resolution for reducing share capital, it may apply, by petition, to the1[Tribunal] for an order confirming, the reduction.

(2) Where the proposed reduction of share capital involves either the diminution of liability in respect of unpaid share capital or the payment to any shareholder of any paid-up share capital, and in any other case if the1[Tribunal] so directs, the following provisions shall have effect, subject to the provisions of sub-section (3): -

(a) every creditor of the company who at the date fixed by the1[Tribunal] is entitled to any debt or claim which, if that date were the commencement of the winding up of the company, would be admissible in proof against the company, shall be entitled to object to the reduction;

(b) the1[Tribunal] shall settle a list of creditors so entitled to object, and for that purpose shall ascertain, as far as possible without requiring an application from any creditor, the names of those creditors and the nature and amount of their debts or claims, and may publish notices fixing a day or days within which creditors not entered on the list are to claim to be so entered or are to be excluded from the right of objecting to the reduction;

(c) where a creditor entered on the list whose debt or claim is not discharged or has not determined does not consent to the reduction, the1[Tribunal] may, if it thinks fit, dispense with the consent of that creditor, on the company securing payment of his debt or claim by appropriating, as the1[Tribunal] may direct, the following amount: -

(i) if the company admits the full amount of the debt or claim, or, though not admitting it, is willing to provide for it, then, the full amount of the debt or claim;

(ii) if the company does not admit and is not willing to provide for the full amount of the debt or claim, or if the amount is contingent or not ascertained, then, an amount fixed by the1[Tribunal] after the like inquiry and adjudication as if the company were being wound up by the1[Tribunal] .

(3) Where a proposed reduction of share capital involves either the diminution of any liability in respect of unpaid share capital or the payment to any shareholder of any paid-up share capital, the1[Tribunal] may, if, having regard to any special circumstances of the case, it thinks proper so to do, direct that the provisions of sub-section (2) shall not apply as regards any class or any classes of creditors.

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1. Substituted by Act 11 of 2003, Section 14, for "Court".